Company-wide

Q: Please tell us whether Q1 results exceeded the company's expectations by each business segment.

A: For Pachislot and Pachinko Machines Business, sales and operating income were significantly higher than initially expected due to higher unit sales than expectations for “Smart Pachislot Hokuto No Ken” and other titles. In Entertainment Contents Business, in Consumer area, sales were slightly lower than initial expectations due to delay of launch months of some new titles, but the start of operating income was slightly higher than initial expectations due to impact of exchange rate fluctuations and some operating expenses not being incurred. In Amusement Machine area, both sales and operating income exceeded initial expectations due to strong performance in MD, and Animation / Toy area was generally in line with initial forecast. In Resort Business, both domestic PHOENIX RESORT and overseas PARADISE SEGASAMMY slightly exceeded initial forecasts and made a good start.
Entertainment Contents Business

Q: Why did the sales results of new Full Game titles fall short of forecasts?
A: The main factor behind this was that there were some titles that postponed their launch months from Q1. On the other hand, the two titles released were considered to have started well as expected.

Q: Will you be able to achieve the remaining sales plan of selling more than 13 million units of new titles from July onwards? Are there any unannounced titles?
A: New titles for this fiscal year were broadly announced in May and June. We want you to look forward to the launch of these titles and their results.

Q: What are the top titles with the largest sales volume forecasts among upcoming titles?
A: We have high expectations for “Sonic Superstars” and titles within both the Persona and Yakuza: Like a Dragon series as our key titles for this fiscal year. We expect sales of around 1 million units for our top seven titles, and in particular, for “Sonic Superstars”, we want to achieve a similar number of unit sales as “Sonic Frontiers”.

Q: Was the reason behind the slow repeat sales during Q1 because of internal issues or market factors? Do you think you can recover this in the future?
A: Although sales of repeat titles have exceeded the level achieved last year, past titles, which we refer to as catalogue titles, had sluggish growth primarily due to the weakness of the European and U.S markets. Also, unit sales of “Sonic Frontiers” and other titles launched in the previous fiscal year are currently slightly below the forecast, so we plan to recover by developing measures to expand sales, such as the distribution of downloaded content going forward. However, repeat sales tend to contribute in Q1, which has strong sales of semi-new titles (titles released in the previous fiscal year), so we would like to work to recover the shortfall in Q1, including a boost from new titles during the 2nd half of the fiscal year.

Q: Please tell us if there are any updates on “HYENAS” which is scheduled to be launched this fiscal year, such as its monetization scheme and any impact on earnings.
A: We are unable to talk about this title because the details have not yet been announced at this time. As this is a challenging title, we are striving to improve its quality towards the release on the front line of development. We are also making final adjustments to its business model in parallel.

Q: The F2P market as a whole seems to be getting tougher this year. Can you tell us how you see the market environment?
A: The domestic market is highly competitive and the environment continues to be difficult to launch new titles. As for existing titles, there are some titles that will be celebrating their anniversaries soon, such as "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku", so please understand that there is some seasonality in their performance. We have already factored the decline in existing titles within the forecast for this fiscal year, and this start is in line with our expectations.
Q: Regarding F2P, please tell us the reason why the titles released in FY2021/3 fell and the factors contributing to their recovery after Q2.

A: Among the titles released in FY2021/3, “Project SEKAI COLORFUL STAGE! feat. Hatsune Miku” accounts for a large volume of sales. Although some slowdowns have been seen as it has been nearly three years since the service has started, the Q1 results are within the scope of our expectations. We want to continue to boost this title through anniversary events and other measures.

Q: Work in progress for content production expenses are increasing, but can you tell us whether this trend will continue even though some major titles will be released in future?

A: In this fiscal year, these expenses are expected to temporarily decline due to the launch of “HYENAS”, a major title. On the other hand, the upward trend remains unchanged because development costs are rising overall, and we plan to continue investment into development while taking profitability into account. The change in the amortization rule for R&D expenses is also affecting this upward trend.

Pachislot and Pachinko Machines Business

Q: You mentioned that the result for FY24/3 Q1 was more than expected, but to what extent was it?

A: In FY24/3 Q1, sales was up 13.0 billion yen and operating income was up 8.0 billion yen compared to our forecasts.

Q: Do you consider such as sliding titles scheduled in the 2nd half of the fiscal year so that it can achieve stable increases in sales and profits from FY25/3 onward?

A: We plan to sell approx. 10,000 additional units of "Smart Pachislot Hokuto No Ken" in August and recognize that further additional sales is possible depending on the procurement of parts. Therefore, for the FY24/3 line-up, while "Smart Pachislot Hokuto No Ken" will be the main focus, for the 2nd half line-up, we will consider sliding titles while ascertaining prototype testing approval status and the state of parts procurement.

Q: Please tell us about the background of the extremely high operating income margin for FY24/3 Q1 and the way of thinking after Q2.

A: We initially expected a high income margin due to unit sales plan weighted on 1st half of the fiscal year, and in addition to that, “Smart Pachislot Hokuto No Ken” and other titles have performed well, resulting in a high income margin. On the other hand, it depends on the line-up, but we think that income margin in the 2nd half will settle down.

Q: Regarding "Smart Pachislot Hokuto No Ken", utilization is performing well, but is there a positive effect from dormant users who had been playing with the first "Pachislot Hokuto No Ken" coming back?

A: Regarding "Smart Pachislot Hokuto No Ken", we actively conducted TV commercials, etc. and we think that these activities have had a certain effect not only on dormant users but also on the acquisition of new
Q: Do you have an image that spread of smart pachislot and pachinko in the future will lead to the acquisition of new users? Also, will you develop machines that will contribute to this?

A: We believe that attracting younger people to pachinko hall is a challenge for manufacturers, and in addition to launching major titles such as “Smart Pachislot Hokuto No Ken”, we will also take on the challenge of utilizing IP that is attractive to younger generation and development of gameplay that is easy to understand for these generation.

Q: Please tell us the current utilization share and ranking, and whether utilization status is good for titles other than “Smart Pachislot Hokuto No Ken”.

A: Total utilization share of pachislot and pachinko averaged around 8.7% in FY23/3, ranking 4th. However, due to the installation of “Smart Pachislot Hokuto No Ken” and other titles, the total utilization share averaged around 15.2% in Q1 of FY24/3, ranking 2nd. In addition to “Smart Pachislot Hokuto No Ken”, titles such as “Pachislot Kabaneri of the Iron Fortress” is maintaining a high utilization rate, so we will continue to develop machines that will be supported within the users and aim for No.1 in total utilization share of FY24/3.

Q: Will the gap between supply and demand for “Smart Pachislot Hokuto No Ken” be eliminated in the future?

A: Regarding parts procurement, although preparing the number of units initially planned is not a problem, it is difficult to secure additional parts when there is greater than expected demand, as in the recent “Smart Pachislot Hokuto No Ken”. We would like to meet demand by cooperating with suppliers.

Q: As for the view of the market as a whole, is the market recovering due to the success of “Smart Pachislot Hokuto No Ken”, etc?

A: For pachislot machines, we think that market environment is favorable because we are able to launch hit titles which pachinko halls can expect contribution through utilization, and our titles such as “Smart Pachislot Hokuto No Ken” is maintaining high utilization level. On the other hand, for pachinko machines, the market installation rate of smart pachinko, which was launched in April this year, is approximately 2% as of the end of June, which is less than the approximately 15% of smart pachislot. We think the spread of installation of smart pachinko in the future will be one of the triggers, so we expect a market recovery through appearance of hit tiles in smart pachinko.

Q: What is the benchmark for a unit sales that can be said to be a hit with pachislot and pachinko machines? Sammy’s branding power has been revived through “Pachislot Kabaneri of the Iron Fortress” and “Smart Pachislot Hokuto No Ken”, but how many unit sales will “Smart Pachislot BIOHAZARD: VENDETTA” and “Pachislot Kizumonogatari -Hajimari No Toki-” be compared to unit number of hits?

A: In No.4 models era, which was around 20 years ago, the unit number of hits was around 100 thousand users.
units, but given the current market conditions, we think that if we are able to sell around 30 thousand units, it would be able to enter the category of hits. "Smart Pachislot Hokuto No Ken" has already exceeded this level, and we believe that unit sales for "Smart Pachislot BIOHAZARD: VENDETTA" is close to this level.

Q: What do you think is the reason why installation of smart pachinko is not proceeding well?

A: We are also able to design a wide range of gameplay in smart pachinko compared to conventional pachinko machines, but it does not have as much impact as smart pachislot, and we recognize that expectations from pachinko halls are currently not high. In the future, if a hit model comes out like in smart pachislot, pachinko halls will be motivated to introduce a smart pachinko even if cost for dedicated units needed for installing smart machines will incur. Therefore, the proposition for Sammy is to launch a hit title within smart pachinko.

Q: I recognize that there was a notice in June regarding pachinko machine's voluntary regulation change. Can I think that this will contribute to the increase in demand for pachinko machines in Q2 beyond?

A: With regard to the voluntary regulation change in June, it is a change that will widen the game play of pachinko machines, and we recognize that it is to spread machines with specification that is relatively easier to win a jackpot such as jackpot probability of 1/99 and 1/199. Pachinko machines that reflect this change can be installed in pachinko halls from March 2024, so the impact on business performance of FY24/3 is expected to be small.

Q: I have heard that some manufacturers will develop and sell the same title for both smart machines and conventional machines that use medals and balls. What are your thoughts on this?

A: While technically possible, preparing two patterns is not considered at this time in terms of low efficiency in development and cost.