

Q3 Results for the Fiscal Year ending March 2024

Major Questions in Results Briefing for Analysts and Institutional Investors (Summary)

February 28, 2024

SEGA SAMMY HOLDINGS INC.

IR/SR Department, Corporate Planning Division

■ Date and time: Friday, February 9, 2024, 13:00-

■ Respondents:

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*This document is an excerpt and summary of the Q&A session at the financial results briefing, and some edits and modifications have been made to improve comprehensibility.

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Entertainment Contents Business

Q: I assume that *Like a Dragon: Infinite ∞ Wealth* and *Persona 3 Reload* are selling well overseas, but can you please tell us whether there are any new attempts in marketing and sales measures, especially the successful one among them.

A: We are working to strengthen cooperation between development studios and the publishing teams in each territory in order to respond to simultaneous global releases and multi-platform roll-out. As a result of these efforts, *Like a Dragon: Infinite ∞ Wealth* and *Persona 3 Reload* are off to a good start in global sales, though they are in the initial stage.

Q: How do you evaluate the performance of *Sonic Superstars*, which has been below forecast?

A: Although *Sonic Superstars* has generally been well received by those who have played it, the timing of the launch coincided with competing titles in the same genre, and it has been short of the initial forecast. The strategic expansion of Sonic IP is progressing well, and we will continue to work to increase repeat sales of this title.

Q: I would like to ask about the scale of losses from the titles went red.

A: Due to sluggish sales of new titles developed mainly by our European studios, we are writing down several titles and are expensing them ahead of schedule. We expect the scale of write-downs to be approx. 6.3 billion yen in Q3 and approx. 3.0 billion yen in the Q4.

Q: By implementing structural reforms in Europe, will such losses be eliminated in the next fiscal year?

A: In structural reform, we are reviewing the management structure of its European operations, as well as progressing various measures such as improving investment efficiency by reviewing its medium-term lineup and strengthening its R&D management system, improving sales by strengthening its publishing function, and optimizing fixed expenses, to improve its profit structure.

Q: What is the size of Rovio's operating income after amortization of goodwill in the Q3?

A: In Q3, there was a profit contribution of about.

Q : Could you give us a sense of your vision for the Consumer lineup for the Q3 2025?

A: It is not at the stage where we can provide the details, but we plan to release *SONIC X SHADOW GENERATIONS* and *Metaphor: ReFantazio* as new titles in the next fiscal year. As explained earlier, *Like a Dragon: Infinite ∞ Wealth* and *Persona 3 Reload* are off to a good start so we expect they will contribute to repeat sales in the next fiscal year.

Q: New titles in the *Sonic* series will be released in the next fiscal year as well. Don't you think releasing new titles one after another could damage the value of the IP?

A: The recently announced *SONIC X SHADOW GENERATIONS'* is scheduled for release at the timing when the third installment of the Sonic movie following the consecutive hits is scheduled for release and we are positioning it as an important title in our transmedia strategy. Within the series, we are also developing the titles with diversity in genres, and we believe that continuous delivery of the appeal of IP is the key to our strategy in order to expand this IP.

Q: Will synergies with Rovio be visible in the next fiscal year and beyond?

A: We have begun development of a new *Sonic* mobile title. In addition, we are progressing concrete measures to create synergies, such as incorporating Rovio's CRM system "Beacon" into Sega's existing mobile titles.

*Reference: [Management Meeting 2023 Day 1 Presentation](#) (PDF will open)

Pachislot and Pachinko Machines Business

Q: Some of your competitors have lowered their forecasts for pachinko unit sales of FY2024/3. What is your view of the pachinko market?

A: There are fewer hit machines in pachinko than pachislot, and as a result, pachinko players are flowing to pachislot, which may be one of the reasons for the weakening of the pachinko market. As the appearance of hit machines such as *Smart Pachislot Hokuto No Ken* has boosted the pachislot market, we believe that the

appearance of hit machines is one of the important factors for the pachinko market to turn around. We will continue our corporate efforts to create hit machines to contribute to the industry.

Q: *Smart Pachislot Hokuto No Ken* has been driving the company's performance this fiscal year. To what extent is it contributing to your long-term goal of winning the "Triple crown: Top share in utilization, installation, and sales"? Also, how do you plan to increase the market share of each of them in the future?

A: *Smart Pachislot Hokuto No Ken*, and *Pachislot Kabaneri of the Iron Fortress*, which contributed to 80 weeks of utilization at pachinko halls, are titles that have made a particularly large contribution to raising our utilization share. We believe that increasing our utilization share first by the introduction of such titles will help us gain the trust of pachinko halls, which will lead to an increase in unit sales of subsequent titles and an expansion of the installation area of our titles. Based on the above background, we will continue our effort to introduce titles with high utilization and aim to achieve the "Triple crown: Top share in utilization, installation, and sales."

Q: The number of titles sold or to be sold in FY2024/3 is lower than in previous years. What is your thinking on the number of titles to be sold in FY2025/3 and beyond?

A: In FY2024/3, we are preserving some titles that we had planned to sell in this fiscal year, mainly due to the strong sales of *Smart Pachislot Hokuto No Ken*. Regarding the number of titles to be sold in the future, at this moment, we do not expect a large increase or decrease in the medium to long term. Increasing the number of titles to be sold will not necessarily lead to an increase in total unit sales, but rather than that, it is important to ensure the quality of the titles before selling them. In addition, we believe that the current R&D expenses are at an appropriate level.

Q: How should we think about the launch span of major titles in the future?

A: We will maintain an appropriate interval between major titles, taking the development status into consideration. An example of major title is the *Hokuto No Ken* IP but we are aware that in the past, we rushed to launch a new title which was not built-up enough, and as a result, the brand value of the IP declined at some point. We would like to introduce titles that utilize new IP, such as *Pachislot Kabaneri of the Iron Fortress*, between major titles and hope to make those into our new mainstay series.

Q: We recognize that *Smart Pachislot CODE GEASS Lelouch of the Rebellion / Lelouch of the Resurrection* is having a strong initial start in terms of utilization. At the management meeting held last December, you mentioned in-house test-shoot evaluations but are these efforts also contributing?

A: In addition to research on market trends, specifications, etc, we also conduct in-house test-shoot evaluations at the final development stage to incorporate harsh opinions of employees, who are also one of the pachislot and pachinko users in the industry. Recently, unit sales of our products are exceeding the plan consecutively, and we believe this initiative is one of the reasons behind this.

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