

**Full-year Results for the Fiscal Year ended March 2024**  
**Major Questions in Results Briefing for Analysts and Institutional Investors (Summary)**

May 31, 2024

SEGA SAMMY HOLDINGS INC.

IR/SR Department, Corporate Planning Division

■ Date and time: Friday, May 10, 2024, 13:00-

■ Respondents:

Haruki Satomi (President and Group CEO, Representative Director of SEGASAMMY HOLDINGS INC.)

Koichi Fukazawa (Senior Executive Vice President and Group CFO, Director of the Board of SEGA SAMMY HOLDINGS INC.)

Shuji Utsumi (President and COO, Representative Director of SEGA CORPORATION)

Ayumu Hoshino (President and COO, Representative Director of Sammy Corporation)

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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: In your forecast, sales and profits of the Entertainment Contents business is planning to increase for the FY2025/3, compared to the FY2024/3. What are the factors behind?

A: On the sales side, it is because Rovio results will contribute to the full year. On the profit side, we expect growth in repeat sales of Full Game titles, centred on those released in the previous fiscal year. We have already sold many titles globally on multiple platforms, but also plan to add more platforms for some titles, which is also expected to contribute to the increase in profits. In addition, we expect the recently announced *Sonic Rumble*, a new F2P title scheduled for launch this winter, to contribute as well including the synergistic effects with the Sonic movie.

Q: Please explain the reason why the forecast of R&D and content production expenses for the Entertainment Content business is 69.5 billion yen for the FY2025/3, a decrease of 13.6 billion yen from the previous fiscal year.

A: R&D and content production expenses were higher in FY24/3 than those in recent past because of the loss associated with the write-down of inventories.

Q: Will there be a suppression effect on R&D and content production expenses due to structural reform in Europe?

A: Since we are narrowing down the title lineup and reducing fixed expenses at our European studios, this will be a suppression effect on future increase in the work-in-progress balances. On the other hand, the balance of work-in-progress is expected to increase until titles will be released, since the number of titles to be released in the near future will decrease and the percentage of titles to be released in the future will increase.

Q: Will the new Sonic title in F2P, *Sonic Rumble* expect to contribute to earnings?

A: This game is a casual game, and we are not expecting a high ARPU\* from the start, but rather aim to achieve a level that has never been realized by Sonic IP games before through offering a game people around the world that SEGA alone has not been able to reach until now, by leveraging Rovio's publishing skills, including marketing expertise.

\*ARPU = Average revenue per user

Q: Will the profitability of the Entertainment Contents business improve over the three years of the new medium-term plan?

A: We will strategically expand our mainstay IPs in particular by promoting initiatives for transmedia deployment and expansion of sales regions. In the area of transmedia deployment, we have achieved a virtuous cycle of increasing sales of Sonic IP, including not only new titles but also past titles, due to the blockbuster success of the movie, and we plan to apply this initiative to IPs other than Sonic IP. We think that the expansion of F2P titles for the global market can also be a major growth driver. By deploying these strategies, we aim to improve profitability over the medium term.

Q: Do you plan to expand F2P in the future, including synergies with Rovio? Or, if you are going to promote cross-platform expansion, including the mobile area, how will Rovio function?

A: In F2P, titles such as *ONE PIECE Bounty Rush* and *Project SEKAI COLORFUL STAGE! feat. Hatsune Miku* are performing well, and we expect that they will also make a stable contribution to earnings in the new medium-term plan. In addition, we believe that there is room for growth in F2P, not only for mobile but also for PC, and will work on it by mutually utilizing SEGA's expertise and ability to operate PC and mobile together, and Rovio's expertise in marketing functions in the mobile area.

Q: How does the new medium-term plan incorporate the contribution of Rovio you have acquired?

A: In our medium-term plan, we expect Rovio to contribute conservatively to overall earnings. However, from the perspective of synergy with SEGA, we highly value Rovio's publishing skills in the global mobile domain, and we will seek to create synergy through collaboration between Rovio and SEGA on a single title, such as the recently announced *Sonic Rumble*. As for other synergies, we plan to invest in the revival of *Angry Birds* as the Group in the new medium-term plan.

Q: You mentioned that Super Game will not make a full-scale contribution to earnings until FY28/3 or later. Does this mean it will contribute to earnings in FY28/3 which is after its release or the release itself will be in FY28/3 or later?

A: The release itself will be after the FY28/3. The release itself will be delayed from initial plan, as a result of taking sufficient time for research and development in order to make it a title that will be a pillar for long-term earnings.

Q: What level of investment in R&D and content production expenses do you expect for the Entertainment Content business in the new medium-term plan?

A: We will continue the aggressive investment in development in the Entertainment Content business, which we are positioning as a growth area. As for Super Game, the balance of work-in-progress is expected to increase on the balance sheet as we will capitalize it in the future following the start of its full-scale development.

Q: Your group company, TMS Entertainment ("TMS"), has the image of an animation production studio until now, but if you have a specific image of how their initiatives will change in order to expand earnings globally in the future, please share with us.

A: TMS is strategically working to transform itself from a production studio to a comprehensive producing company. As recent initiatives with production studios outside of its affiliation, they are producing *Dr. Stone* and *Undead Unluck*, both popular titles in magazine *Weekly Jump*, etc. The animation market is currently undergoing a dramatic change in its business model due to the increase in distribution platforms and the expansion of viewers around the world, similar to games, and we believe that there are great opportunities in this market in the future. We will strategically invest in IPs that can be expected to be utilized in the transmedia expansion of our overall strategy, including the acquisition of rights. We also consider expanding such IPs by actively utilizing our relationships with global movie/animation and license partners, which we have cultivated through the transmedia deployment of Sonic IP.

## Pachislot & Pachinko Machines Business

Q: I would like to hear your evaluation of the “Lucky Trigger” feature and your expectations for *e Hokuto No Ken 10*, which is scheduled to be installed in the summer of 2024 with the same feature.

A: We feel that the “Lucky Trigger” feature is so attractive that it would not be surprising if it were included in all pachinko machines in the future. We recognize that there is a high demand for this feature among pachinko halls and users, and we have high confidence with *e Hokuto No Ken 10* which equips this feature. Currently, the pace of smart pachinko penetration is slow, but we hope to increase our presence in the pachinko market through the success of *e Hokuto No Ken 10*.

Q: I'd like to hear about the relationship between the pachislot and pachinko market environment and business performance trends in the new medium-term plan. Do you expect the market to expand, and your business performance will grow accordingly, or do you expect the market to remain flat or shrink, but increase your market share with your unique factors?

A: Although the market is shrinking over the long term, considering the current regulatory environment and other factors, we think there is a possibility that the trend will remain flat or even increase. In this context, we would like to expand our business performance by increasing our market share by strengthening the introduction of titles in the low/high range in gambling aspect level, where we are currently unable to gain market share in pachislot, for example. In addition, we hope to contribute to the revitalization of the industry as a whole by developing cabinet that contribute to cost reductions for both manufacturers and pachinko halls, etc. in the future.

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