

**Financial Results for Q2 of the Fiscal Year Ending March 31, 2025**  
**Major Questions in Results Briefing for Analysts and Institutional Investors (Summary)**

December 2, 2024

SEGA SAMMY HOLDINGS INC.

IR/SR Department, Corporate Planning Division

■ Date and time: Friday, November 8, 2024, 13:00-

■ Respondents:

Haruki Satomi (President and Group CEO, Representative Director)

Koichi Fukazawa (Senior Executive Vice President and Group CFO, Director of the Board)

**<DISCLAIMER>**

\*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.

\*This is an English translation from the original Japanese-language version. The translation is provided for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Company assumes no responsibility for this translation and for direct, indirect or any other forms of damages arising from the translations. Should there be any inconsistency between the translation and the original Japanese document, the Japanese language version shall prevail.

**Company-wide**

Q: To what extent the first half results exceeded your initial expectations?

A: On a consolidated basis, ordinary income increased by approximately 18.0 billion yen. The breakdown is as follows: the Entertainment Contents Business exceeded its initial forecast by approximately 11.0 billion yen, and the Pachislot & Pachinko Machines Business exceeded its initial forecast by approximately 7.0 billion yen.

In the Consumer area of the Entertainment Contents Business, DLC sales of the "Total War" series and other titles, as well as subscription sales, were strong. Additionally, fixed expenses were suppressed beyond expectation, and there was a significant positive impact from foreign exchange rates and other factors. In the Animation area, revenues from the distribution of Sonic-related content and others exceeded expectations. In the Pachislot & Pachinko Machines Business, the impact of unit sales and prices exceeding expectations was significant.

**Entertainment Contents Business**

Q: The new titles, *Metaphor: ReFantazio* and *SONIC X SHADOW GENERATIONS* have sold over 1 million units on their release date. Please tell us the initial forecast and outlook for these titles.

A: Both titles are performing well compared to the initial forecast, and we are aiming to achieve the

forecast without fail. Since a Sonic movie is scheduled to be released in the future, we are expecting synergistic effects for *SONIC X SHADOW GENERATIONS*.

Q: New titles *SONIC X SHADOW GENERATIONS* and *Metaphor: ReFantazio* are both doing well. What's behind this?

A: We believe this success is due to the high quality of the products being highly acclaimed and the effectiveness of our promotional strategies. Both titles have been highly acclaimed by industry professionals as well as users at Metacritic. In terms of promotion, we are actively engaging on ways to boost sales by participating in various video game events and partnering with influencers, mainly in Asia.

Q: What was the reason for the steady repeat sales in Q2?

A: *Unicorn Overlord* and *Persona 5: Royal (Remaster)*, which also performed well in Q1, continued to be sold well, and the *Total War* series saw a recovery. In addition, we are strengthening our digital distribution, and our strategic efforts to reorganize the lineup and enhance pricing are boosting overall repeat sales.

Q: What is the reason for the decrease in "Other" sales in the Consumer area compared to the first quarter?

A: We believe that this is mainly due to a decrease in the positive impact of foreign exchange rates as well as the fact that large sales from subscription and other sources occurred in the first quarter.

Q: Have the European structural reforms been completed? What are the effects of them?

The structural reforms in Europe have been finalized with the MBO of Amplitude. Each studio is now focusing on organizing a lineup that highlights its core strengths. In the *Total War* series, the introduction of additional DLC to *Total War: WARHAMMER III*, supported by enhanced dialogue with the user community, has received positive feedback. Furthermore, improvements to the main game are showing promising results, with sales performance surpassing expectations.

Q: What factors enabled the swift and judicious decision to cease the development of *HYENAS* in FY2024/3?

A: We made our decision based on quantitative information. There were positive comments in the preliminary tests, and we considered launching the game to let the players to decide its fate, however, we faced several challenges, such as it being a new IP, the European studio's lack of experience in online game development and operation, and a deteriorating cost structure due to inflation. In light of these circumstances, the decision was made to discontinue the project, considering the profitability of post-launch operations and additional development.

Q: Titles from ATLUS are performing well globally. Are you considering strengthening ATLUS's development resources to increase the weight of Full Game?

A: ATLUS is one of the most successful M&A transactions our group has conducted. In the past, ATLUS used to often sell its products in a limited number of countries, regions, and platforms under its limited resources. However, after joining SEGA group, they gained the capability to expand their reach. As for *Metaphor: ReFantazio*, its impressive launch was driven not only by its exceptional product quality but also by the strategic use of SEGA's publishing power, enabling a seamless, simultaneous global release across multiple platforms.

Q: You mentioned that you have been cooperating with platformers by providing launch titles on each platform. Can we assume the same for the next generation platforms?

A: Due to our Group's strong development capabilities and adaptability across a wide range of platforms, we have been cooperated with platformers by providing titles during the launch of various new hardware and platforms. By supplying launch titles, we are also able to receive significant support from platformers.

Q: Will the Animation area gain increased significance in the future?

A: We have established it as an independent sub-segment from FY2025/3 and aim to strengthen it further as part of our transmedia strategy. TMS ENTERTAINMENT, which serves as the core of this sub-segment, is now focusing on producing cinematic works in addition to its traditional animation production. They are aiming to expand their pipeline by involving not only the companies within the Group but also external production companies. Furthermore, as a group, we aspire to expand this business while maintaining a balance between bold investments, such as in the case of Sonic movie, and adopting risk-mitigation strategies such as licencing out.

Q: The drama adaption of *Like a Dragon: Yakuza* (Prime Video) appears to be receiving mixed reviews. Has it already impacted repeat sales of the *Like a Dragon* series?

A: We are aware that the drama adaptation of *Like a Dragon* has received both positive and negative reviews. This is not limited to *Like a Dragon*, but we are expanding the development of our IPs into cinematic works and other formats. For instance, *Like a Dragon* has successfully attracted new fans, who do not necessarily play the game, but have engaged with it through gameplay video distribution. We as a group intend to expand our fan base by promoting the cinematic production and other initiatives.

Q: The Full Game market is currently weak. How do you anticipate this changing over the next year?

A: We recognize that while the market in Japan is limited in its enthusiasm, global market growth continues unabated. We believe that there is potential for growth, as the expansion of digital distribution has increased price flexibility and our measures to boosting sales. On the other hand, the

concentration of popularity on existing major IPs poses a challenge, making it difficult for the industry as a whole to venture into new IPs. We as a group will address this by leveraging Legacy IPs and creating new ones, all while maintaining a balance with our core IP titles.

### **Pachislot & Pachinko Machines Business**

Q: Is the weak order situation for titles to be released in the second half of the year a market-wide trend or is there a specific factor in SEGA SAMMY?

A: We believe that both market conditions and our product lineup are affecting. While pachinko utilization has been trending weak, we think the pachinko hall operators are cautious about purchasing pachinko machines. Under such circumstances, for example, we thought the title like *P IKUSA no KO Legend of Oda Nobunaga*, equipped attractive specs, but the fact that it does not equip a lucky trigger made it difficult for them to accept and sales were suffered.

Q: Your total utilization share has recently declined, and it is now ranked fourth in the industry. What is the reason behind this?

A: The introduction of mainstay titles from other companies in the same industry reduced our utilization share relatively.

Q: What is the implementation status of the test-shoot evaluation process in title development? Also, how do you evaluate this process in light of the weak utilization status of your most recent title?

A: Our employees and a professional evaluation company evaluate titles and compare the evaluation results with actual utilization in the market in order to make our measures more effective. Regarding the most recent utilization situation, we believe that one of the factors was that we were not able to properly match the lineup with the change in regulations, which resulted in weak utilization for some titles.

-End-