

Major Questions in SEGA SAMMY Management Meeting 2025 (Summary)

June 18, 2025
SEGA SAMMY HOLDINGS INC.
IR & SR Department, Corporate Planning Division

- Date and Time: June 18, 2025 (Wednesday) 3:00 PM – 6:00 PM
- Respondent: **【SEGA SAMMY Group Initiatives】**
Haruki Satomi (President and Group CEO, Representative Director, SEGA SAMMY HOLDINGS INC.)
【Progress of the Entertainment Contents Business Mid-Term Plan】
Shuji Utsumi (President and COO, Representative Director of SEGA CORPORATION)
【Pachislot & Pachinko Machines Business Medium-Term Plan Progress】
Ayumu Hoshino (President and COO, Representative Director, Sammy Corporation)
【Gaming Business Growth Strategy】
Koichi Fukazawa (Senior Executive Vice President and Group CFO, Director of Board, SEGA SAMMY HOLDINGS INC.)

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【SEGA SAMMY Group Initiatives】

Q. Regarding the valuation of the Pachislot & Pachinko Machines Business, what measures and approaches will you take to increase the PER given the restrictions imposed by regulations and other factors?

- A. The Pachislot & Pachinko Machines Business is heavily affected by regulations, making it difficult to predict prospects and increase valuation. On the other hand, the strong cash flow from this business is a source of growth investment and sustainable shareholder returns of the Company and plays an important role in executing the Group's growth strategy. Going forward, we will strive to further contribute to profits through the creation of hit products and the development of new cabinets in this business.

Q. Please tell us your current assessment and response to the most recent M&A, as well as your future M&A strategy, areas of focus, and scale.

- A. Regarding GAN and StakeLogic, as the acquisitions have just been completed, we will explain our specific strategies in the Gaming Business segment session later in this presentation. Regarding Rovio, sales have been in declining trend due to a temporary reduction in advertising investment in response to soaring advertising prices, but we are steadily promoting initiatives to leverage their strengths for the growth of the entire group through major updates to existing titles, movie adaptations, global marketing support for SEGA's *Sonic Rumble*, the development of new titles and other initiatives.
- Regarding future M&A strategy, we have set a strategic investment frame of 80.0 billion yen and will execute further M&A if they align with our growth strategy and meet various criteria, including investment standards.

Q. How do you steadily accumulate profits after a hit title is released? Please explain the revenue structure and growth strategy you are aiming for.

A. Our revenue base is supported by three pillars: high-margin repeat sales, licensing business, and stable revenue from F2P. We are working to build a revenue structure like a mille-feuille that can absorb the volatility of new titles.

Q. In terms of IP strategy and transmedia strategy, how are you collaborating across business boundaries and creating synergies, such as through partnerships with movies, games, and Sammy?

A. For example, through cooperation between Sammy and SEGA, we have been able to acquire licenses that would have been difficult to obtain on only either of them, and they are also collaborating in a wide range of areas such as video, animation, merchandise, and games. For example, synergies are creating in "Tokyo Revengers," as such that Sammy is responsible for pachislot & pachinko machines, while SEGA is responsible for some of the merchandising. Going forward, we aim to leverage assets within the group to simultaneously develop games, video content, and merchandising, leading to attract new fans and improve marketing efficiency.

[Progress of the Entertainment Contents Business Mid-Term Plan]

Q. What stage are you currently at to the goal, "reach 3 billion people", how do you evaluate the progress, and how do you assess the likelihood of achieving the goal?

A. For example, we are considering focusing on the number of impressions (how widely our information reaches people through social media) as a key performance indicator (KPI) going forward. We aim to leverage SEGA's media influence and collaborate with influencers and creators to reach a wider audience. In particular, we believe that the spread of information on social media is crucial and are exploring ways to track the reach of SEGA's information through measurable data.

Q. Although the sales units of individual major IPs may lag behind the competitors, what specific areas, such as development or marketing, are being considered for strengthening to drive growth?

A. It is true that our individual performance may currently lag behind other companies, but each of SEGA's IPs is growing year by year. For example, *Like a Dragon* was previously aimed to exceed one million units sold, but the franchise has now become standard for titles to achieve lifetime sales of over two million units. In order to move to the next stage, we believe that strengthening our development capabilities is the most crucial factor. We need to enhance our development capabilities while creating titles that will be widely accepted by users. Of course, from a strategic planning perspective, we will approach this by allocating investments selectively and with clear priorities. Personally, I have high expectations for *Persona 4 Revival* and *STRANGER THAN HEAVEN* etc., so I hope everyone will look forward to them as well.

Q. Regarding the 'captivating experiences' SEGA provides, please explain how many people have actually experienced them, how the depth and overall impact are quantified and how such data and feedback are being applied in practice.

A. For example, at SEGA, brand value has been adopted as one of the internal KPIs (Key Performance Indicators), measuring brand valuation and fan engagement, and started the initiatives to incorporate them as internal KPIs.

Q. How are you planning to achieve long-term sales growth for repeat titles?

A. We aim to achieve long-term sales growth by leveraging the strengths of IP and combining transmedia strategies with flexible pricing strategies. For example, since we have identified that digital sales of related titles increase significantly at the release of *Sonic* movies, we lower the prices of some titles to attract new users while maintaining the prices of others. We set the most appropriate price for each title in this way. Additionally, we adjust prices and promotions in conjunction with various media campaigns, such as movies, events, and collaborations with influencers, to maximize sales.

Q. Could you explain your policy in the allocation of development resources by studio, game

genre, and service type?

- A. We will continue to actively invest in development for our domestic studios to further strengthen them. We have downsized our European studios through structural reforms but will work toward growth while securing the necessary resources. In addition to Full Games, we believe that GaaS is also an essential business for future growth, and we intend to allocate resources in an appropriate balance.

Q. How will you strengthen your overseas publishing functions, particularly in terms of marketing, distribution, and pricing strategies, and how do you expect this to improve your operating income margin?

- A. We are currently strengthening our digital sales structure. Additionally, we aim to expand our reach into markets such as South America and China by increasing the number of supported languages in the future. We expect those will lead to both increased sales volume and improved profitability as a result.

Q. You are also actively developing the title at overseas studios. Could you explain how you manage risks and monitor progress?

- A. The percentage of projects developed by overseas studio has decreased compared to before, but European studios have strong IPs that have many fans, and we expect them to contribute significantly in medium- to long-term. We are strengthening information sharing, management, and checks and balances by enhancing cooperation with the publishing team. Additionally, similar to domestic studios, we are strengthening mechanisms to accurately grasp development progress and quality by enforcing stricter testing during the development process.

Q. Regarding Rovio, what are your responses on the initiatives for *Sonic Rumble* and a new title?

- A. *Sonic Rumble* has been soft launched in several countries and is currently reaching its target indicators. This is the first time that SEGA has launched a full-scale global mobile title, so it is taking longer than expected, but we believe that we are beginning to see results thanks to the expertise of Rovio. *Sonic Blitz* has also been soft launched in some regions, and initial feedback has been positive, so we have high expectations for this title.

Q. We understand that a GaaS model for global markets requires a design that encourages widespread and shallow monetization. How are you approaching this?

- A. To leverage Rovio's expertise, we are repeatedly conducting test with soft launch in various countries and adjusting the balance based on each metric that emerge during these tests.

Q: You are currently promoting the transmedia strategy. How do you plan to revitalize past IP such as *Sakura Wars*, which originally incorporated transmedia features?

- A. Having served as the producer of *Sakura Wars 2* myself, I now look back and consider *Sakura Wars* was a transmedia development. We do not have any specific plans at this point, but we position *Sakura Wars* as one of our important legacy IPs, and we would like to consider its reactivation when the timing, partners, and other conditions are right.

[Pachislot & Pachinko Machines Business: Medium-Term Plan and Progress]

Q. You mentioned the gap between the titles you have launched and users' needs as a factor behind the current weak performance. Could you share what you are doing to address this gap and expand market share?

- A. At present, some of our competitors have released hit models with high gambling aspect, so we have been reviewing the combination of content and gambling aspect level at Sammy. In addition, we have been taking a new approach to market analysis and marketing methods, and we believe that we will be able to release products that meet users' needs by such initiatives and also reviewing the allocation of personnel.

Q: We understand that titles with high gambling aspects are selling well in the market, but at the same time, some users appear to be becoming exhausted. Given this situation, what are your thoughts on users' current needs?

A. Currently, titles with high gambling aspects are performing well, but we do not consider this to be a positive situation. Similar discussions have been taking place within the manufacturers' association, and we are conducting various studies to create an environment that will enable us to promote the development of a diverse range of products. We have already begun to take action in this regard. Under such circumstances, Sammy also intends to continue supplying products with middle range of gambling aspects, which is one of our strengths.

Q: Will the new pachislot cabinet become the industry standard in the future? Do you expect other companies in the same industry to adopt it?

A. Several companies in the industry have expressed interest in adopting this cabinet, and ZEEG has already signed a contract with one company. We hope that many manufacturers will adopt this cabinet because it offers various advantages, such as reducing the burden on pachinko halls when replacing titles and reducing CO2 emissions during transportation.

Q. Could you share your strategy for acquiring license such as animation IP?

A. Regarding license acquisition, we recognize that there is intense competition across the industry at present. At Sammy, we are striving to secure good license by building relationships with license holders and acquiring priority negotiation rights through investments in animation production committees. We are actively pursuing license acquisition, including for unannounced content, and we hope you will look forward to them.

Q. Please tell us about the evaluation of the new pachislot cabinet and "e Tokyo Revengers."

A. We understand that the new pachislot cabinets have been well received by pachinko halls, and we have heard from related parties that they hope they will become the industry standard. Although we cannot disclose the exact number of units, we have received more orders than expected for the smart pachinko machine "e Tokyo Revengers," which meets Lucky Trigger 3.0 plus standard.

Q. You mentioned that the acquisition of approval is taking longer than expected. Is this a problem for the industry as a whole, or is it specific to Sammy?

A. Since the approval rate remains low for the industry as a whole, the manufacturers' association is aware of this issue and is consulting with the public administration. Sammy will not compromise on specifications just to obtain approval but will strive to develop products that meet users' needs and launch them at the appropriate time.

[Gaming Business Growth Strategy]

Q. What is the impact of the acquisitions of GAN and Stakelogic on this fiscal year and mid-term plan?

A. We are currently in the process of PMI (integration process) following the completion of the acquisitions. Goodwill amortization, etc. associated with the acquisitions will occur, but we are not able to provide specific figures at this moment. We are reviewing our future business plans as we proceed with the PMI and will provide updated forecasts, etc. as soon as the review is complete.

Q. When is the Gaming Business expected to start contributing to performance?

A. While the gaming business has high barriers to entry, it is an area where, if successful, profit margins exceeding those of the Pachislot & Pachinko Machines Business and stable recurring revenue (continuous income) can be expected. However, we do not expect it to contribute significantly to profits in the short term, and due to amortization expenses, we anticipate that it will take time before it contributes significantly to earnings. In the long term, we aim to make it a core business alongside the Pachislot & Pachinko Machines Business by around 2030.

Q. Could you share any positive or negative aspects of the PMI progress compared to initial expectations?

A. While the closing was delayed due to awaiting approval from licensing authorities, we were able to establish working groups across development, sales, and corporate units during this period to prepare in advance, enabling the integration to proceed smoothly. Additionally, through the working groups, we were

able to confirm the strong development capabilities of Coolbet, which is operated by GAN's group company Vincent Group Ltd. and also the Malta team of Stakelogic, which was a positive finding. On the other hand, there are challenges in the corporate department, so we have already dispatched members from relevant departments of our group to the acquired companies and are working with local members to strengthen the organizational structure. We have already implemented some organizational changes and are actively working to improve efficiency with a sense of urgency to realize the benefits of the integration.

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