Financial Results for Q2 of the Fiscal Year Ending March, 2026
Major Questions in Results Briefing for Analysts and Institutional Investors (Summary)

December 3, 2025
SEGA SAMMY HOLDINGS INC.
IR/SR Department, Corporate Planning Division

■ Date and Time: Friday, November 7, 2025, 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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Company-wide

Q. Past M&A activities have created short-term performance risks. Has there been any change in the cash allocation policy? Please clarify the strategy again.

A. We have allocated approximately 80.0 billion yen for strategic investment at present, but it is not our policy to fully use it within the current medium-term plan period. As large-scale overseas M&A requires significant resources for PMI, unless the deal is exceptionally reasonable, it is difficult to gain investors' understanding for actively pursuing further investment. Fundamentally, we will prioritize returning Rovio to its growth trajectory and also formulating and executing business revitalization programs for the two companies in the Gaming Business, rather than pursuing new deals.

Q. The burden of overseas M&A may not be limited to one-time expenses but could remain as a structural issue. Regarding Rovio, an example of this, how will you address the fact that it has not been able to adequately handle the maturation of its mobile business?

A. Regarding overseas M&A, Rovio is currently strengthening its organizational structure and enhancing existing titles. For *Angry Birds 2*, we will actively pursue marketing following this major event to acquire new users and improve sales, but we believe more time is needed to assess the results, such as ROAS (Return on Advertising Spend). For GAN and Stakelogic in the Gaming Business, we are actively deploying experienced personnel and also formulating and executing a business revitalization program to achieve vertical startup by focusing on each company's strengths. As the business model for the Gaming Business centers on recurring model, we aim to achieve long-term profitability.

Entertainment Contents Business

<u>Q. We consider the significant fluctuations in revenue from Full Game and F2P to be a structural issue. How will you address this going forward?</u>

A. We are currently building a stable revenue base consisting of high-margin licensing revenues and repeat sales of Full Game, and F2P as a continuous revenue source. On top of this base, we aim to build a revenue structure that enables us to take on challenges for new titles in Full Game, which tend to have high volatility. By continuously expanding transmedia initiatives and diversifying our revenue sources across multiple layers, we aim to reduce performance fluctuations caused by the presence or absence of new titles.

<u>Q. Many new titles of Full Game released in recent years have received high acclaim, yet their sales performance often fell short of expectations. How do you view the factors behind this?</u>

A. We believe that the presence of competing titles in the same genre, initial pricing at the time of release, and concerns that so-called "complete editions" might be released later could be causing consumers to hold off on purchasing. Additionally, while the exact cause has not been clearly identified, we believe there are also marketing-related issues, such as not sufficiently conveying the appeal of the game to users, and we are currently conducting analysis. Since the quality of our titles, such as *Sonic Racing: Crossworlds*, is highly acclaimed, we aim to build up our sales performance by analyzing and addressing those issues.

<u>Q. What are the factors causing repeat sales to struggle following their strong performance in FY2025/3?</u>

A. The title lineup is a factor. We released many hit titles (*Persona 3 Reload*, *Like a Dragon: Infinite ∞ Wealth, Unicorn Overlord*, etc.) in the latter half of the second half in FY2024/3. These titles continued to sell well in the following fiscal year with maintaining a certain price point and drove overall repeat sales. There were fewer major titles in the latter half of the second half in FY2025/5, which we believe lead to the weak repeat sales for this fiscal year.

<u>Q. While the Full Game lineup for FY2027/3 is expected to be stronger than this fiscal year, considering the weakness of titles in this fiscal year and the accumulated content production costs, risks also seem heightened. Will you be able to establish a structure that ensures stable profits?</u>

A. In the market, popularity is concentrated on either indie titles or triple-A titles, leaving double-A and single-A titles in a challenging position. While our titles receive triple-A-level evaluations in terms of quality, they have not yet reached the position where users perceive them as "must-buys." Going forward, we will strengthen our pipeline to create hit titles while carefully balancing development investment with market trends and aim to stabilize profits.

<u>Q. Game development scales are trending larger. Will you follow this trend toward larger projects, or pursue efficiency?</u>

A. Rather than fully following the trend toward the large-scale development, we will also pursue efficiency improvements, such as leveraging AI. However, as AI adoption can face strong resistance in creative areas such as character creation, we will proceed by carefully assess appropriate use cases, such as streamlining development processes.

Q. How do you view the growth potential of the licensing business, and how will you approach it going forward?

A. We view it as a high-margin area with growth potential. We are currently proceeding with the invest in this area including increasing personnel in Japan, Europe, and the US. *Sonic* is already widely merchandized. In addition to existing product categories such as toys and apparel, we will use *Sonic* to expand into new areas, such as food products that can drive repeat purchases, and apply these efforts to grow IPs other than *Sonic*. Furthermore, regarding *Sonic*, we are seeing examples of leveraging the IP's recognition and popularity to promote other companies' products and services. We feel this represents a step forward in IP utilization and will work on expanding these initiatives while maintaining a focus on quality control.

Q. What are the criteria for determining impairment at Rovio? Are you already seen the signs for impairment?

A. We assess it based on the recoverability of cash flows relative to invested capital. As of Q2, there were no signs for impairment, and we did not conduct an impairment test. However, as its' performance is trending downward, we are advancing measures such as improving the performance of their mainstay titles, launching new titles to the market, and strengthening profitability through structural reforms. Through these efforts, we aim to establish a structure capable of generating stable cash.

Q. What is the outlook for Full Games in the second half?

A. *Sonic Racing: CrossWorlds* has received high praise, and influencer promotions are ongoing. We will further intensify sales efforts toward the Christmas shopping season. For *Football Manager 26*, while it is facing critical reviews due to the overhaul of development engine and UI, it was off to a good start with the fastest sales pace in series history. We will proceed the improvements by fixing bugs and introducing the additional features. For repeat sales, we will review pricing and promotional strategies, incorporating best practices.

Q. Please tell us your thought about the impact of the user reviews for *Football Manager 26* to the next installment. Also, as title development continues to be larger in scale, how will you plan to manage quality control for bugs going forward?

A. Regarding *Football Manager 26*, no critical bugs affecting game progression have been identified. We will continue applying patches and making improvements as needed. Regarding user reviews, while we've received critical feedback from some fans due to the overhaul of the development engine and UI in this installment, we also sense high expectations for the *Football Manager* series. We will continue to listen to user feedback and strive to improve user reviews through ongoing updates and quality enhancement. We will prioritize the review for the aspects directly impacting the gameplay experience, such as language quality and UI improvements, and strengthen our quality control system for the next installment.

Q. How has the initial response been for *Sonic Rumble*?

A. Although it has only been about two days since the service launched on November 5, user feedback has been positive, and it seems to have gotten off to a generally good start. We will continue working on measures to get more users to play.

Q. How is the feedback on the update for *Angry Birds 2*?

A. It has been about two weeks since the update and campaign launched on October 24, and all key indicators- acquired number of new users, the number of active users and sales- have improved compared to them before the update. This update is not a one-off; we plan to continue implementing updates, including major ones, and aim to build on this improvement trend through successive updates.

Q. How is the development progress of "Super Game"?

A. We are reviewing it from the definition internally. While we initially envisioned "cumulative sales of 100.0 billion yen" and "games that foster online communities," implementing community features increases development and operational costs. Therefore, we are reviewing aspects that need adjustment based on the current market environment.

Pachislot & Pachinko Machines Business

Q. How do you view the future regulatory environment?

A. There is a possibility that some adjustments will be implemented as the number of models with higher gambling aspect level is increasing for pachinko. On the other hand, our Group has produced hit titles with machines featuring slightly lower gambling aspect level, so we believe the impact would be limited even if regulations were strengthened. While adjustments could affect sales across the industry in the short term, we expect them to promote the soundness of the industry and have a positive effect on the market environment in the medium to long term.

Q. Lucky Trigger 3.0 Plus initially featured machines with higher gambling aspect level, but recently, specifications prioritizing balance have also emerged. Will the spread of balanced types contribute to revitalizing the pachinko market?

A. The high-middle range products sold by our Group have been well received. Not all users seek specifications with higher gambling aspects, so we believe that if we can create hits with such specs, users will play them.

Q. Can the growth trend be sustained in the next fiscal year or later?

A. Our group positions the Pachislot & Pachinko Machines Business as the business that can consistently generate annual operating income of 20.0 to 30.0 billion yen. We do not assume continuous upward growth for this business, yet we have already prepared a lineup to maintain the current level of operating income next fiscal year. For this fiscal year, we have forecasted an operating income of 28.5 billion yen, and for the next fiscal year, we expect a minimum of 20.0 billion yen, possibly exceeding 30 billion yen if performance is strong.

Gaming Business

Q. Regarding the consolidation of the two acquired companies in the Gaming Business, it was explained that including goodwill amortization, an operating loss of 8.0 billion yen is projected for the total of two

companies in FY2026/3. Is there a possibility this could increase further?

A. Both companies are currently unprofitable. Although they are working on cost reduction measures, losses within the projected range are expected to incur in this fiscal year. Stakelogic has yet to initiate fundamental reforms, making it highly likely that additional extraordinary losses will incur in FY2026/3 or early FY2027/3. The scale of these additional losses is currently under review, and we plan to incorporate the finalized figures when preparing the guidance for the next fiscal year and report accordingly.

Q. Please share your outlook on profit improvement for the Gaming Business in the next fiscal year and beyond.

A. While it is difficult to provide a specific scale for the Gaming Business as a whole, we believe both of our existing business, gaming machine sales and our equity-method affiliate PARADISE SEGASAMMY will maintain strong performance. For the two acquired companies, we will advance the formulation and execution of business revitalization programs. For GAN, the program formulation is nearly completed and is targeting to become profitability within 2-3 years. Looking ahead, if the next-generation tech stack “V2” gains broader adoption in the B2B online gaming, it is expected to drive revenue expansion. For Stakelogic, we aim to complete the formulation of business revitalization program within this year.

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[Important Notice to Investors and Shareholders Regarding Gaming Laws and Regulations]

As a publicly traded company, we are registered with the Nevada Gaming Commission and are certified as qualified to directly or indirectly hold shares in our subsidiaries operating in the State of Nevada, USA: Sega Sammy Creation Co., Ltd. and its wholly-owned subsidiaries Sega Sammy Creation, USA Inc., GAN (UK) Limited, and GAN Nevada, Inc. (collectively referred to as the "Operating Subsidiaries"). The Operating Subsidiaries hold licenses in Nevada as manufacturers/sellers of gaming equipment and as information service providers. Under Nevada state regulations, our shareholders are also subject to rules established by the Nevada Gaming Authority. For details on these regulations, please refer to:

https://www.segasammy.co.jp/ja/ir/stock/regulation/

Furthermore, the Operating Subsidiary holds licenses in multiple countries, states, and regions outside Nevada (collectively, the "Other Jurisdictions") as a supplier, vendor, data provider, and manufacturer/seller of gaming equipment. Our shareholders may be subject to regulations in the Other Jurisdictions that are similar or comparable to those in Nevada, based on the laws and regulations of those jurisdictions and the rules established by their respective gaming authorities.