

Q2 Results for the Fiscal Year ending March, 2023

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

November 16, 2022

SEGA SAMMY HOLDINGS INC.

IR/SR Department, Corporate Planning Division

■ Date: Monday, October 31, 2022, 13:00-

■ Respondents:

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

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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: Without the positive impact of the foreign exchange, would the first half results have been below the profit forecast? Is it possible to recover in the second half?

A: Without the positive impact of the foreign exchange, results were slightly below the initial forecasts. This was mainly due to the impact of release delay in some titles and the fact that repeat sales of consumer titles were weaker than expected. Although sales growth from stay-at-home spending has stabilized globally, repeat sales have remained at a higher level than before COVID-19. For example, while sales of "Total War: WARHAMMER III", the new title in the previous fiscal year was strong at the beginning, it was not as good as expected thereafter, so we worried about it. However, due to the implementation of large-scale updates, it is showing a major recovery, and we expect it to catch up in the future.

Q: Please tell us how you evaluate the status of new titles launched in Q2.

A: Currently, sales of "Soul Hackers 2" are struggling as it hasn't reached to the expected sales level. However, we believe it is a title that can be sold over the long term, so we will continue to aim for sales

expansion through updates and other measures in the future. The number of users and user ratings for "Two Point Campus" were all-time highs as it supports multi-platform, including subscription services. However, unit sales were weaker than expected. As the game quality and user rating are high, we will aim to expand sales in the same way.

Q: You explained that marketing expenses were increased in order to expand sales of "Sonic Frontiers", and you raised the target unit sales as well. How should we consider the impact on profits and losses for the current fiscal year?

A: With the growth of Sonic IP, including movies, we increased its marketing expenses from our initial plan and raised its target line. Since "Sonic Frontiers" is a title which supports multi-platform and can be expected to be sold not only in the current fiscal year but also over the long term, we are expecting that it will contribute to profits not only in the current fiscal year but also in the next fiscal year and beyond.

Q: Please tell us why the Metacritic score of "Persona 5 Royal" (Remaster) is so high.

A: As it is a remastered title, we guess it is largely because the original title was highly rated. In addition, since the remaster support of the title, such as multi-platform and multi-language was done by Sega's development team, we believe that we were able to utilize the know-how accumulated at Sega to remaster the game to a high level that satisfy even core fans of the game for PC. Especially in the Metacritic score, PC is rated the highest. SEGA also believes that it was good from an efficient point of view to be able to remaster Atlus title in between projects.

Pachislot and Pachinko Machines Business

Q: How many Smart Pachislot machines do you expect to be sold in the market as a whole by the end of FY24/3?

A: Demand is extremely strong, so depending on parts procurement and approval status, we think there is potential for sales of around 500 to 600 thousand units in the next fiscal year, in addition to sales of current fiscal year. On the other hand, the current status is that the supply of dedicated units for smart machines has not kept pace even with the demand until next spring. For this reason, as a countermeasure, the Group is promoting development by balancing smart machines and conventional medal machines.

Q: For pachislot, are you start looking at No. 7 models? Do you expect positive regulatory revisions, as in the case of No. 6.5 models and Smart Pachislot?

A: If there are any improvements, etc. need to be made to No. 6.5 models or future Smart Pachislot machines, the association will make a request to the government. However, for No. 7 models, there is nothing in particular that we can tell you at present.

Q: Please tell us the short-term downside and upside risk, as there was some damage to the external factory.

A: Downside risks include the impact of overseas conditions, for example, parts procurement risk from China

in the event of a Taiwan emergency. This may affect to Amusement Machine and Toy area as well, but we have been working to reduce our dependence on China in preparation for risks and we recognize that alternative procurement routes need to be prepared. Regarding the upside, if the approval status and parts procurement recover to the standardized level, we would expect some upside.

Q: Why is there a gap between supply and demand for dedicated units for Smart Pachislot machines?

A: The main reasons were the delay in requesting to unit manufacturers for support due to the long-term negotiations between the association and the government for the revision of regulations for Smart Pachislot machines, as well as the overlap of current difficulties in procuring parts. As a manufacturer of pachislot and pachinko machines, we cooperate as an industry by procuring as many parts as possible and distributing them to unit manufacturers to the extent possible. However, because it does not use exactly the same parts as the pachislot and pachinko machines, we are not able to fully respond to the demands.

Q: Are your approval status lagging behind your competitors? Also, are the mainstay titles included in the titles that hasn't been approved?

A: The pachislot title which hasn't been approved yet is Smart Pachislot machine. It is taking time to obtain approval due to the development process which doesn't allow compromise. As for pachinko, the biggest mainstay title for this fiscal year has been approved.

Resort Business

Q: Please tell us the background of the strong performance in PHOENIX RESORT. Can we expect this momentum to continue in the future?

A: As shown in the graph on P. 22, various measures to stimulate tourism demand and high unit price measures have contributed, and sales are rising, particularly by individual customers. Currently, we are able to capture demand from Japanese who cannot go abroad due to COVID-19, but the key to the future will be how to maintain this utilization rate and unit price, as well as how much group demand can be captured.

Consolidations / Others

Q: Regarding growth investment, is there any change in domestic and overseas investment concept due to the impact of exchange rates, such as the depreciation of the yen making investment in Europe and the North America more expensive?

A: We are considering within the overall investment budget, including how to allocate 50.0 billion yen within the "other" portion. For example, although there is a chance we will add 10.0 or 20.0 billion yen in the Consumer area, we do not think it is realistic to expand the total budget significantly from the current 250.0 billion yen, and we would like to control the amount of investment that will occur in yen basis. As you have pointed out, although there is an impact on foreign exchange, the acquisition of post-acquisition

returns is also a foreign currency in cross-border M&A. We also need to be aware of the return on investment in foreign currency basis.

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