



FY Ending March 2020 2Q Results Presentation

Oct 31, 2019

[Disclaimer]

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These contents involve the risk and uncertainty and the actual results may differ materially from them.

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(All contents here are the translation of Japanese materials)

Thank you for taking the time to be at the phone conference concerning our 2Q results for the fiscal year ending March 31, 2020.

I am Yoichi Owaki, Vice President, Senior Executive Officer and Managing Director of the Finance & Accounting Division at SEGA SAMMY HOLDINGS INC.

Today's presentation will be given by two of us, Makoto Takahashi, Vice President, Senior Executive Officer and Managing Director of the Group Executive Office, and myself.

As stated earlier, from this fiscal year, we've decided to hold our results presentation for 2Q via phone conference as well.

We will explain our business strategies and mid- to long-term forecasts in a larger meeting scheduled to be held on December 5 at our company, and we ask for your attendance at the meeting.

For this conference, we'll be using the material "FY Ending March 2020 2Q Results Presentation" uploaded to our website.

Now, please turn to page 3 of the material.

1. Fiscal Year Ending Mar 2020, 2Q Results / Full Year Forecasts

Results Highlights

(JPY Billion)

	2019/3		2020/3	
	Results Through 2Q	Full Year Results	Results Through 2Q	Full Year Forecast
Sales	171.0	331.6	165.5	390.0
Operating Income	10.2	13.0	14.6	27.0
Operating Income Margin	6.0%	3.9%	8.8%	6.9%
Non-operating income	1.3	2.1	1.3	1.5
Non-operating expenses	2.3	7.7	3.3	5.5
Ordinary Income	9.1	7.4	12.6	23.0
Extraordinary income	1.7	8.2	0.0	-
Extraordinary losses	0.2	8.7	0.1	-
Income before income taxes	10.6	6.9	12.5	23.0
Profit (loss) attributable to owners of parent	6.7	2.6	9.8	15.0
ROA [※]	-	0.6%	-	-

※ ROA = Profit attributable to owners of parent / Total assets

2020/3 2Q Results

- ◆ Profits increased while sales decreased YoY.
 - ✓ Sales decreased mainly due to the decreased sales unit in Pachislot and Pachinko machines
 - ✓ Profits increased because of the strong performance in Entertainment Contents Business centered on Digital Games area

2020/3 Forecast

- ◆ As several major titles will be launched in each segment in stages, need to carefully observe the sales status.



*For more details, please see "FY Ending March 2020 2Q Result / Appendix"

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We will explain the individual details later, but as a whole, sales decreased and profit increased in 2Q compared with the same cumulative period in the previous fiscal year.

Sales decreased mainly because of the drop in sales units in the Pachislot and Pachinko Machines Business compared with the same period in the previous fiscal year. On the other hand, a major increase in profit was achieved, led by the Entertainment Contents Business mainly through Digital Games area.

Although results, especially profit, up to the second quarter are progressing well compared with the full-year forecasts, we need to watch closely the sales status of the titles released on third quarter as several major titles will be launched in each segment.

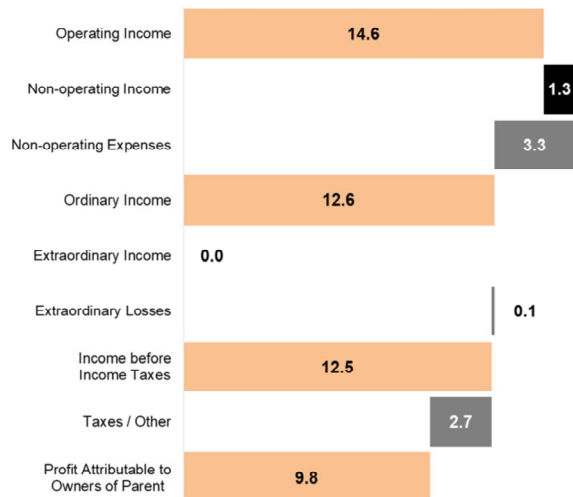
In the Pachislot and Pachinko Machines Business, several mainstay titles will be launched around end of the year when demand for replacement is expected to increase as that will be time when Pachislot machines conforming to previous regulations are scheduled to be removed. In addition, we are also planning to launch several new major titles in the Entertainment Contents Business, mainly in Packaged Games area.

We will carefully observe the sales status of these titles, and will promptly announce any necessary revision to the operating results forecast.

We will explain detailed results and forecasts for each segment later.

Breakdown of Income (2020/3 2Q Results)

(JPY Billion)



Break down of non-operating income / losses

(JPY Billion)

Non-operating income	1.3
Interest income	0.1
Dividends income	0.2
Gain on investments in partnership	0.4
Other	0.6
Non-operating expenses	3.3
Interest expenses	0.2
Equity in losses of affiliates	2.1
Other	1.0

Let's move on to page 4, which covers the breakdown of income.

As for non-operating expenses, equity in losses of affiliates includes the results of Paradise City for January to June. The margin of losses increased compared with the same period in the previous fiscal year due to an increase in common fixed expenses for FunCity, the non-gaming area opened in September 2018.

Consolidated Costs and Expenses

(JPY Billion)

	2019/3		2020/3		2020/3 2Q results / main factors
	Results Through 2Q	Full Year Results	Results Through 2Q	Full Year Forecast	
R&D Expense / Content Production Expense	30.8	66.6	33.5	72.5	Increased in association with the launch of new titles in Packaged Games area
Cap-ex	17.8	34.4	10.5	24.8	Decreased in association with the completion of relocation of headquarter
Depreciation	7.4	14.5	7.3	13.6	-
Advertising	8.4	16.0	8.5	21.0	-

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Next, page 5 indicates various costs and expenses.

R&D expenses increased in association with the launch of new titles in Packaged Games area.

Cap-ex decreased compared with the same period in the previous fiscal year as cap-ex increased exceptionally in the previous year as one off expenses associated with the relocation of our headquarters included.

Consolidated Balance Sheet

(JPY Billion)

	As of end of March 2019	As of end of September 2019	Change
Total Current Assets	260.4	238.6	-21.8
Cash and Deposits	137.4	82.4	-55.0
Securities	14.5	33.2	+18.7
Total Noncurrent Assets	204.1	201.1	-3.0
Total liabilities and net assets	464.6	439.7	-24.9
Total Current Liabilities	87.5	77.9	-9.6
Corporate Bonds	12.5	10.0	-2.5
Total Noncurrent Liabilities	71.7	59.2	-12.5
Corporate Bonds	10.0	-	-10.0
Total Liabilities	159.3	137.2	-22.1
Total Net Assets	305.3	302.5	-2.8
Total Liabilities and Net Assets	464.6	439.7	-24.9
	As of end of March 2019	As of end of September 2019	Change
Cash and cash equivalents	148.0	110.1	-37.9
Interest bearing debt	76.1	54.5	-21.6
Net cash	71.8	55.6	-16.2
Equity Ratio	65.1%	68.1%	+3.0pt

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Consolidated Balance Sheet
Summary

Main factors	Changes
Current Assets	-21.8
Cash and deposits decreased due to acquisition of securities and repayment of interest-bearing debt, etc.	
Non-current Assets	-3.0
Investment securities decreased due to market valuation but tangible fixed assets increased in association with change of accounting regulation in some overseas subsidiaries	
Liabilities	-22.1
Decreased due to redemption of corporate bond and repayment of loans payable	

*For more details, please see "FY Ending March 2020 2Q Result / Appendix"

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Now, please look at the consolidated balance sheet on page 6.

Among current assets, cash and deposits decreased largely.

This is due to acquisition of securities intended for short-term management including certificates of deposit, as well as repayment of interest-bearing debt and payment of dividends.

Interest-bearing debt decreased due to redemption of corporate bonds in the first quarter and progress in repayment of loan payable in the second quarter.

As a result of the above, the equity ratio as of the end of the second quarter increased by approximately 3.0 percentage points from the end of the previous fiscal year to 68.1%.

Please see "FY Ending March 2020 2Q Results / Appendix" or "Consolidated Financial Statements" for additional details.

Our cash flows are currently under auditing, but we forecast as of present; cash flow from operating activities of 3.5 billion yen, cash flow from investing activities of minus 13.7 billion yen, and cash flow from financing activities of minus 26.7 billion yen.

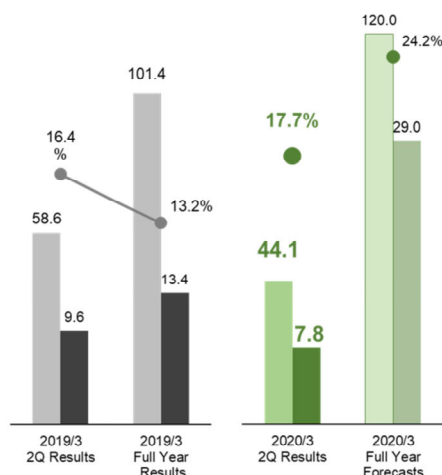
The official figures will be disclosed in our quarterly report scheduled to be published on November 13, 2019.

2. 2Q Results / Full Year Forecast per Segments

Pachislot and Pachinko Machines Business

■ Sales
■ Operating Income
● Operating Income margin

(JPY Billion)



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2020/3 2Q Results

- ◆ Sales unit decreased YoY while profitability improved.
 - ✓ Pachislot: Launched "Pachislot AnoHana: The Flower We Saw That Day"
 - ✓ Pachinko: Launched a major title "P Hokuto No Ken 8 Haou"

2020/3 Forecast

- ◆ Release major titles in line with the increase in demand for replacement of Pachislot in 3Q but need to closely observe the sales status.
 - ✓ Pachislot: Launch major titles such as "Pachislot Hokuto No Ken Tenshou," "Pachislot Psalms of Planets Eureka Seven 3 HI-EVOLUTION ZERO" and etc.
 - ✓ Pachinko: Release multiple titles including "P GAOGAOKING 3"

(Sales units transition)

	2019/3 2Q Results	2019/3 Full Year Results	2020/3 2Q Results	2020/3 Full Year Forecasts
Pachislot	12,853	67,140	28,360	120,000
Pachinko	117,891	159,848	66,140	164,000
Board + Frame	77,518	91,858	15,850	78,600
Board	40,373	67,990	50,290	85,400

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Next, please turn to page 8 for details per segment.

First of all, as for the Pachislot and Pachinko Machines Business, we launched major titles such as "Pachislot AnoHana: The Flower We Saw That Day" and "P Hokuto No Ken 8 Haou." Although sales units of Pachislot increased, sales units of Pachinko decreased.

Despite decrease in sales units, profitability has improved compared with the same period in the previous fiscal year due to increase in sales units of Pachislot with a high margin of income as well as increase in the ratio of board sales for Pachinko and such.

As for the forecast on Pachislot, launch of a major title "Pachislot Hokuto No Ken Tenshou" is scheduled for November to coincide with an expected increase in demand for replacement at the end of the year, and the status of orders received is very favorable.

In addition, we were notified that "Pachislot Psalms of Planets Eureka Seven 3 HI-EVOLUTION ZERO" has been approved, and we will be proceeding with preparations toward delivering it within this year.

However, as the approval status of Pachislot prototype testing is still low, we must be observing this circumstance carefully and continuously.

As for Pachinko, several titles will be launched including "P GAOGAOKING 3."

Pachislot and Pachinko Machines Business

Major titles in 2Q

Pachislot Machine



**"Pachislot AnoHana:
The Flower We Saw That Day"**

©ANOHANA PROJECT ©Sammy

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Pachinko Machine



**"P Hokuto No Ken 8
Haou"**

©Buronson & Tetsuo Hara/NSP 1983,
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Titles in and after 3Q

Pachislot Machine



**"Pachislot Hokuto No Ken
Tenshou"**

©Buronson & Tetsuo Hara/NSP 1983,
©NSP 2007 Approved No.YAF-420
©Sammy

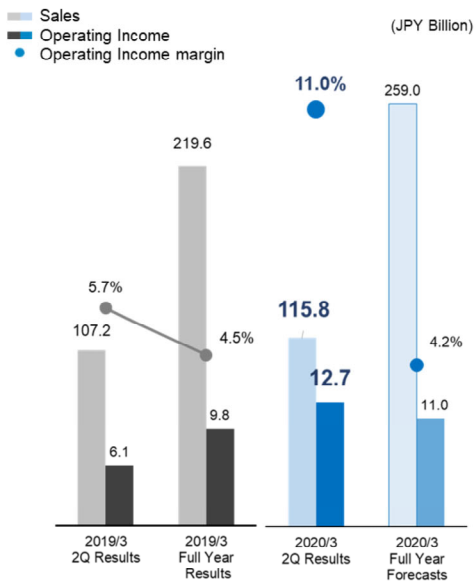
Pachinko Machine



"P GAOGAOKING 3"

©Sammy

Entertainment Contents Business



2020/3 2Q Results

- ◆ Strong performance overall in business segment centered on Digital Games area.
 - ✓ Recorded revenues from offering titles in Digital Games area
 - ✓ Expenses of Digital Games area decreased due to impairment loss recorded in previous fiscal year
 - ✓ Sold "Mega Drive Mini," etc. and sales of new titles and repeat titles performed solidly in Packaged Games area

2020/3 Forecast

- ◆ Need to observe the sales trend as multiple new major titles are scheduled to be launched in 3Q mainly in Packaged Games area.

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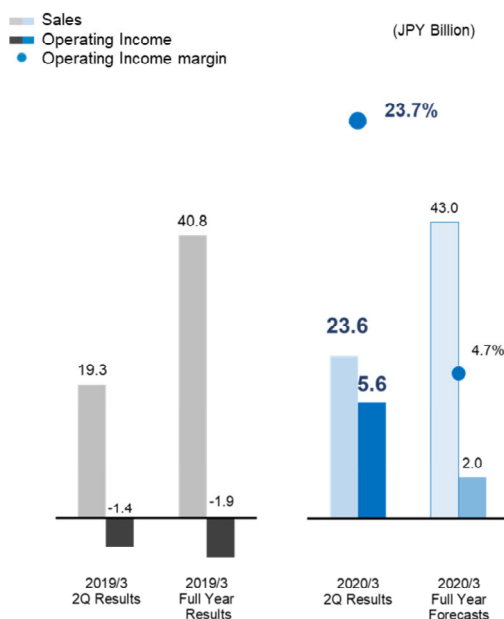
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Next, please turn to page 10. Here is information about the Entertainment Contents Business.

In the second quarter, sales and profit increased from the same period in previous fiscal year, led by Digital Games area.

Operating income has already exceeded the amount in the full-year forecast for the Entertainment Contents Business. However, we must observe the sales trend carefully as multiple new major titles are scheduled to be launched in 3Q and after mainly in Packaged Games area.

Next, I will explain about sub-segments. Please turn to page 11.



2020/3 2Q Results

- ◆ Profit significantly improved YoY.
 - ✓ Recorded revenues from transfer of titles in Digital Games area in 1Q
 - ✓ Recorded revenues from offering titles to Apple Arcade in 2Q
 - ✓ Expenses decreased due to impairment recorded in previous fiscal year
- ◆ Steady performance of existing titles.
- ◆ Launched multiple new titles.
 - ✓ "Fist of the North Star LEGENDS ReVIVE"
 - ✓ "Kemono Friends 3," etc.

2020/3 Forecast

- ◆ Strengthen operation of existing titles.
- ◆ Continue to optimize the scale of operation.

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First, in Digital Games area, we saw a significant year-on-year improvement in profit.

In addition to the launch of multiple new titles including "Fist of the North Star LEGENDS ReVIVE," existing titles performed solidly in general. Furthermore, two titles, namely "Sonic Racing" and "Chu Chu Rocket! Universe," were provided for Apple Arcade and recorded revenue. Due to this and other factors including recording revenue from the transfer of titles in the first quarter as well as a decrease in various expenses due to impairment losses recorded in previous fiscal year, profit is at a level significantly higher than our initial projections.

Going forward, we will strive to strengthen operation of existing titles and new titles while closely ascertaining the optimal scale for operation.

Major topics in 2Q

Launched service of multiple titles



"Fist of the North Star LEGENDS ReVIVE"

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"Kemono Friends 3"

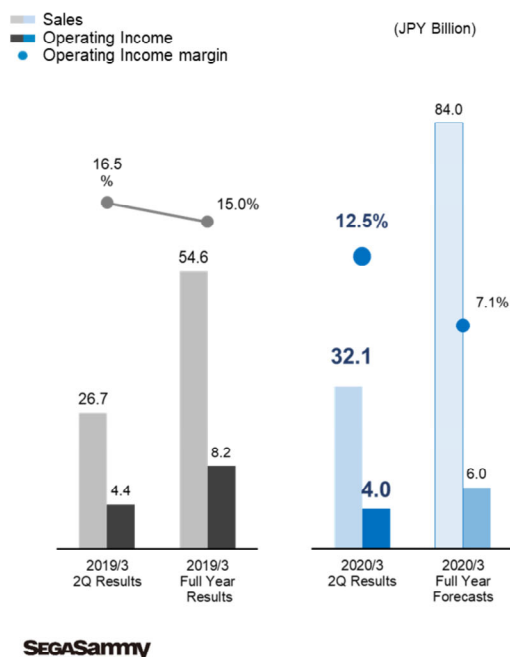
©Kemono Friends Project2G ©SEGA



"LEAGUE OF WONDERLAND"

©SEGA

Packaged Games



2020/3 2Q Results

- ◆ Solid performance with new titles and repeat sales.
 - ✓ Sold "Mega Drive Mini" globally (released in Oct 2019 in Europe)

2020/3 Forecast

- ◆ Need to closely observe the sales status as we launch multiple new titles.
 - ✓ "PERSONA 5 THE ROYAL": Released in Oct, 2019
 - ✓ "Mario & Sonic at the Olympic Games Tokyo 2020™": To be released in Nov, 2019
 - ✓ "New Sakura Wars": To be released in Dec, 2019
 - ✓ "Ryu ga Gotoku 7": To be released in Jan, 2020

Unit sales of Packaged Games

	2019/3 2Q Results	2019/3 Full Year Results	2020/3 2Q Results	2020/3 Full Year Forecasts
New titles	1,880	4,090	3,560	10,690
Repeat titles	9,300	19,350	7,810	14,500
Total	11,180	23,440	11,370	25,190

(Thousand units)

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Page 13 covers Packaged Games area.

In the second quarter, "Mega Drive Mini" was released in Japan, Asia and North America.

Although some of the new titles performed below our expectation, repeat sales, etc. have performed solidly.

The factor behind the decrease in profit albeit increase in sales from the same periods of the previous fiscal year is that expenses relating to R&D and advertising increased in association with the launch of several new titles compared with the same period in the previous fiscal year operating centered on repeat sales.

Going forward, in addition to "Mega Drive Mini" for Europe scheduled to be released in October, multiple new titles including "Mario & Sonic at the Olympic Games Tokyo 2020™," "PERSONA 5 ROYAL," and "New Sakura Wars" will be launched around the end of the year.

We will observe the sales status carefully as all of these are major titles.

Packaged Games

Major titles in 2Q



"Mega Drive Mini"
©SEGA



"Olympic Games Tokyo 2020 - The Official Video Game"

TM IOC/TOKYO2020/USOC 36USC220506.
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"PERSONA 5 ROYAL"

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"New Sakura Wars"

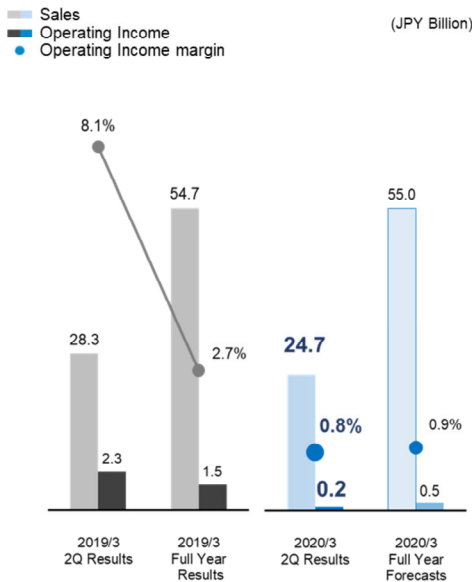
©SEGA
©2015 CAVE Interactive CO.,LTD.



"Mario & Sonic at the Olympic Games Tokyo 2020™"

TM IOC/TOKYO2020/USOC 36USC220506.
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Amusement Machine Sales



2020/3 2Q Results

- ◆ Sales of prize machine remained steady while utilization of video games went below expectation.
- ◆ Common fixed expenses increased accompanied by relocation of headquarter.
- ◆ Started the installation of casino machines in state of Nevada.

2020/3 Forecast

- ◆ Launch new series of major title "StarHorse".
✓ "StarHorse4": To be in service in end Nov, 2019

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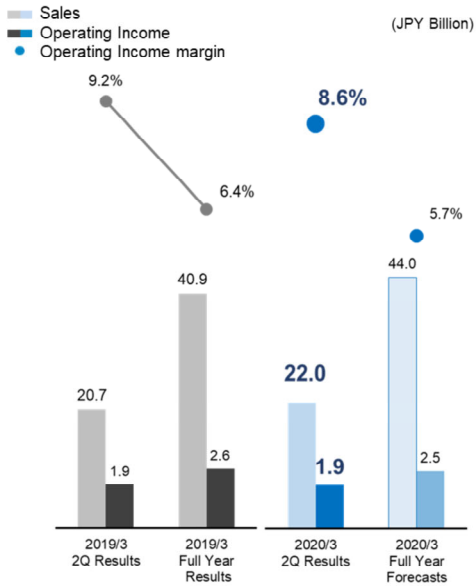
Next, please turn to page 15, which covers Amusement Machine Sales area.

In the second quarter, although sales of prize machines such as "UFO CATCHER" remained steadily, profit decreased due to utilization of video games sold in the previous fiscal year falling below our expectations as well as increase in common fixed expenses associated with the relocation of our headquarters.

As for other topics, we obtained permission to sell casino machines to casino facilities in the U.S. state of Nevada, and started the installation of casino machines from July on a trial basis.

Going forward, "StarHorse4," the latest title of the "StarHorse" series that realizes a complete transition to "e-medal" services for the first time in medal games, will be launched in late November.

Amusement Center Operations



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2020/3 2Q Results

- ◆ Solid performance centering on prize machines.
- ◆ Sales at existing stores exceeded 100% YoY for the fifth consecutive fiscal year.
- ◆ Store openings: 3 Closings: 1

2020/3 Forecast

- ◆ Open new stores (scheduled store openings: 4 closings: 1 in 3Q).
- ◆ Estimate the impact of consumption tax hike from October.

Domestic amusement centers: No. of stores / YoY sales ratio comparison

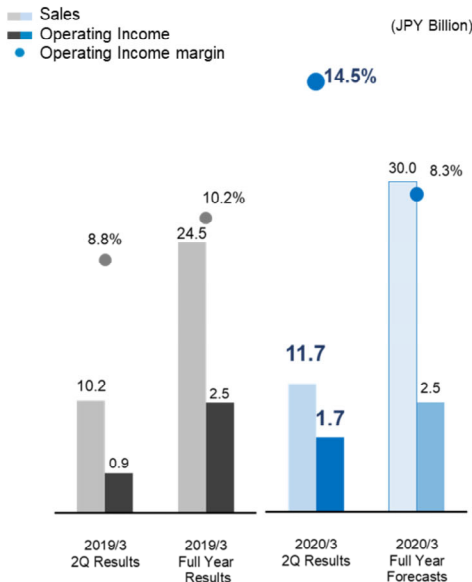
	2019/3 2Q Results	2019/3 Full Year Results	2020/3 2Q Results	2020/3 Full Year Forecasts
No. of stores	189	190	192	195
YoY Sales Ratio comparison (%)	104.5	104.0	103.6	104.4

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Page 16 covers Amusement Center Operations area.

Amusement Center Operations continued to perform solidly in the second quarter centering on prize machines category, and sales at existing stores was 103.6% year on year.

Going forward, 4 new stores are scheduled to be opened while 1 store is to be closed. In addition, we are estimating the impact of the consumption tax hike to be seen from October.



2020/3 2Q Results

- ◆ Both sales and profits increased YoY.
- ◆ Animation: Recorded allocated revenue of movies.
 - ✓ Box office revenue of "Detective Conan The Fist of Blue Sapphire" breaks the record of past series
- ◆ Toys: Sold new products and regular products.

2020/3 Forecast

- ◆ Animation: Record allocated revenue of movies and revenue from video distribution, etc.
 - ✓ Schedule to release theatrical version of "Lupin The Third THE FIRST" on Dec 6, 2019
- ◆ Toys: Promote sales towards the holiday shopping season
 - ✓ To release new products including "WHO are YOU ? " series and "YUME-PETS coming babies"

Page 17 shows Animation/Toys area.

As for Animation, we recorded allocated revenue from film distribution for "Detective Conan: The Fist of Blue Sapphire," which set a series box-office record for revenue.

Moreover, Toys performed solidly by selling regular products centering on the "ANPANMAN" series as well as new products.

As for the forecast, concerning Animation, a theatrical version of "LUPIN THE 3rd THE FIRST," the first 3DCG film for the "LUPIN THE 3rd" series, is scheduled to be released on December 6.

In addition to the production revenue associated with the release of the film, we expect continuous recording of allocated revenue from film distribution as well as earnings from video distribution.

As for Toys, we are enhancing sales of multiple toys including new products that won awards at International Tokyo Toy Show, in addition to regular products, targeting the year-end shopping season.

Topics in and after 3Q



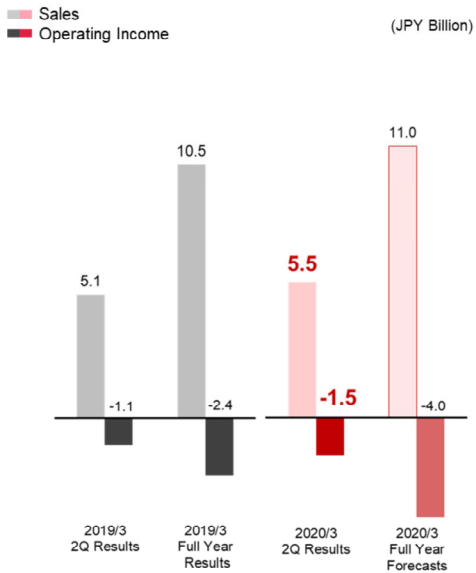
Theatrical version of
 "Lupin The Third THE FIRST"
 ©Monkey Punch/2019 Movie
 "Lupin The Third" Production Committee

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Toys: "WHO are YOU ? Real Rescue"

Designed & ©2019 Worlds Apart Ltd. All Rights Reserved.
 ©SEGATOYS



2020/3 2Q Results

- ◆ Profitability of PHOENIX RESORT improved while expenses for domestic Integrated Resort (IR) increased, resulting increase of losses.

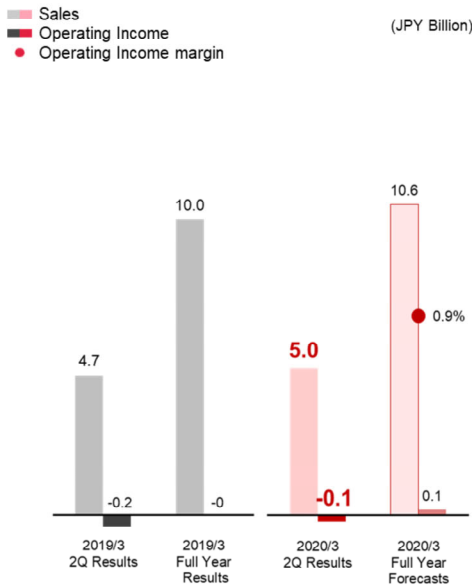
2020/3 Forecast

- ◆ Continue efforts to improve profitability of existing facilities.
- ◆ Expect increase of expenses as the measures towards participating into domestic IR will be activated.

Next, let me explain about the Resort Business on page 19.

In the Resort Business, although the profitability of PHOENIX RESORT improved, prior investment expenses aimed at participation in domestic Integrated Resort (IR) increased, resulting in an increase in losses. However, performance is at a level generally close to our plan.

Going forward, we will strive to improve the profitability of existing facilities. On the other hand, we foresee expenses increasing as we expect the actions toward participation in domestic IR will be activated.



2020/3 2Q Results

- ◆ Number of users increased due to various measures, etc. despite the impact of repeated natural disasters.
 - ✓ Various measures during summer vacation
 - ✓ Promotion measures targeting the Kyushu area
 - ✓ Measures to strengthen repeat sales targeting members

2020/3 Forecast

- ◆ Continuously implement various promotion activities and strengthen customer base to improve profitability.
 - ✓ Seagaia 25th anniversary project
 - ✓ Measures towards New Year's holiday
- ◆ Implement measures to boost golf and MICE use.

I will explain about PHOENIX RESORT on page 20.

In the second quarter, despite the impact of repeated natural disasters including typhoons, the number of users increased due to implementation of various measures including those during summer vacation, enhancement of promotions targeting the Kyushu area and measures on repeat sales targeting members.

Going forward, we will implement various promotions including the Seagaia 25th anniversary project "The DELICIOUS FESTIVAL" and measures for year-end and New Year holidays in an aim to further improve profitability.

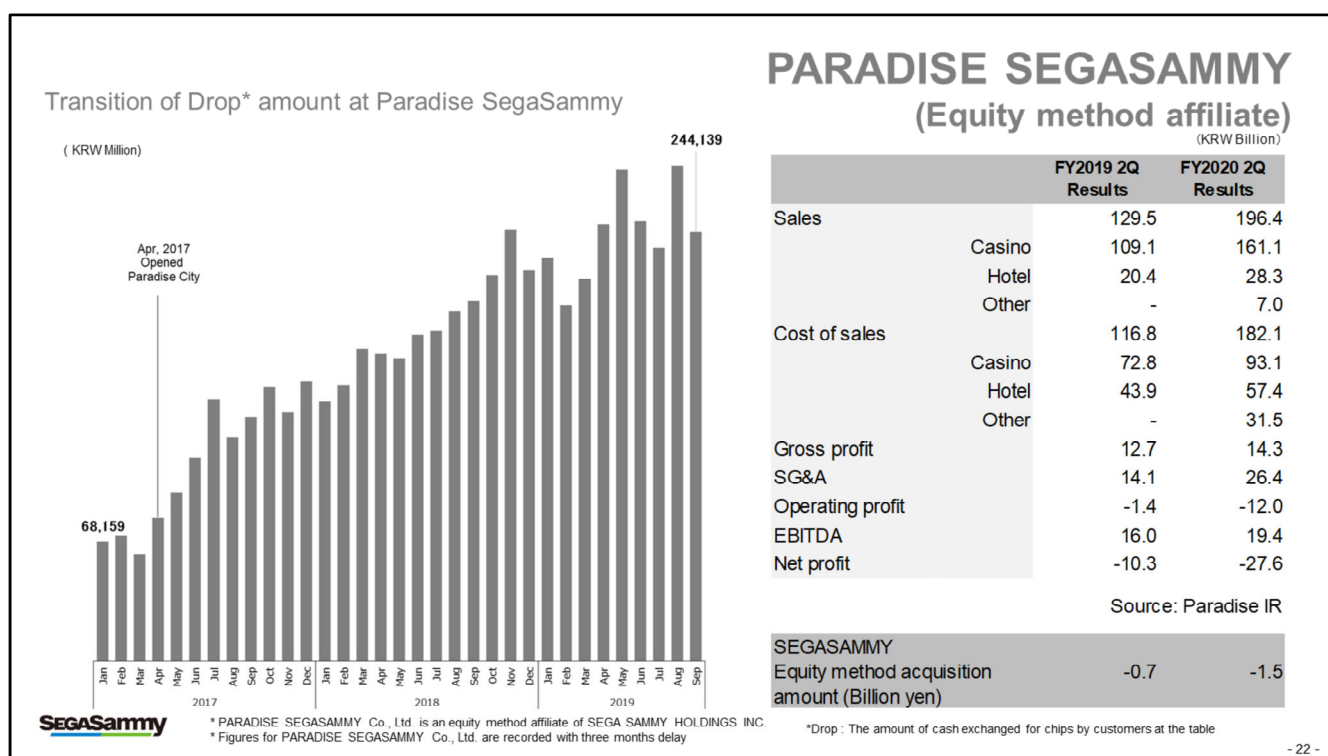
25th Anniversary of SEAGAIA

PHOENIX RESORT



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Page 21 shows the results for PARADISE SEGASAMMY, our equity-method affiliate.

Since the figures for PARADISE SEGASAMMY are recorded with a delay of three months, the results shown here are for January to June 2019, which shows an increase in losses from the same period in previous fiscal year. This is mainly due to the increase in common fixed expenses from the opening of FunCity.

On the other hand, the resort continues to attract many customers centered on those from Japan and the drop amount in the casino set a new record in August. As for the impact on our operating results for the second quarter, we recorded approximately 1.5 billion yen of equity in losses of affiliates as non-operating expenses.

That concludes the presentation.
Thank you for your attention.



<https://www.segasammy.co.jp/english/>

Cautionary Statement for Investors and Shareholders with Respect to Nevada Gaming Statutes and Regulations

SEGA SAMMY HOLDINGS INC. ("the Company") is registered with the Nevada Commission as a publicly traded corporation and has been found suitable to directly or indirectly own the stock of SEGA SAMMY CREATION INC., and Sega Sammy Creation USA, Inc., both of which are subsidiaries that have been licensed as manufacturers and distributors of gaming devices in Nevada. Pursuant to Nevada law, the Company's shareholders are subject to the rules and regulations of the Nevada Gaming Authorities. A detailed explanation of Nevada gaming statutes and regulations can be found on the Company's corporate website:

<https://www.segasammy.co.jp/english/ir/stock/regulation/>

Please visit below websites for products and service information.

<https://www.segasammy.co.jp/english/pr/corp/group/list.html>
(SegaSammy Group Website list)

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