



Fiscal Year Ended March 2020 Full Year Results Presentation

May 13, 2020

[Disclaimer]

Market forecasts, operating results forecast and other information contained in this materials are based on judgements and projections of the Company's managements based on currently available information. Therefore, please understand that the contents herein involve risks and uncertainties and that actual results could differ materially depending on various factors.

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(All contents here are the translation of Japanese materials)

Current impacts of the spread of COVID-19

[Response of the Company]

- ✓ Employees to work from home
 - From end of February - work from home in principle; from April 8 - suspension of going to the office in principle; from May 11 to 31 - work from home in principle (Headquarter at Osaki)

[Impact on the results for fiscal year ended Mar 2020]

- ✓ Growth trend in download sales overseas (Packaged Games)
- ✓ Temporary closure of facilities business
 - Amusement Center Operations: From March - at some stores (from April 8 - at stores in areas where self-restraint on going outside is applied; from April 17 to May 7 - at stores nationwide)
 - Phoenix Seagaia Resort: From March - in some facilities (from May 7 - at whole facilities)
 - PARADISE CITY (South Korea): From March 2 to May 2 - in some facilities; from March 24 to Apr 20 - in casino section
- ✓ Group-wide
 - Tax expenses increased from estimation by approx. 7 billion yen accompanying with the reversal of deferred tax assets.
 - Reconsidering the business plan for fiscal year ending Mar 2021 and the next mid-term management plan and postpone their announcement.



- 2 -

Speaker: Koichi Fukazawa, Executive Vice President and Group CFO

Thank you for accessing our Company's results briefing today.

Before explaining results, I would like to explain how our Company is currently responding to the expansion of COVID-19.

Our Group responds swiftly to ensure the safety of our customers, business partners, employees and their families, and towards curb and settlement of the spread of COVID-19 based on policies and action plans of the government and local governments.

We will explain the status of each business in the following section from Satomi. However, we have basically shifted the working structure to work from home in principle since the end of February, and we are continuing work from home structure with the exception of the minimum level of functions.

In March, one employee of our group company that was not located in Osaki was infected but fortunately, this employee has recovered, and no new infections occurred from the same company.

Although Company's head office at Osaki and other business sites of group companies have not experienced any infection until now, we will continue to take strict precautions to curb the spread of infection.

In terms of the impact of the FY2020/3 results, we saw a positive impact on our business performance, such as growth in download sales overseas in Packaged Games, while we saw a slight deterioration in business performance in facilities-related business, including Resort business.

As there are concerns for uncertain elements in the future, as announced today in the

disclosure at Tokyo Stock Exchange site, we reversed deferred tax assets for approximately 7.0 billion yen at the end of FY2020/3 and recorded as income taxes-deferred. As a result, income after income taxes was worsened compared to the amount that had been announced as revised forecasts on February 5.

As for the forecast for FY2021/3 and the next mid-term management plans, we are currently undergoing a major review of the action plan. Due to the difficulty in observing the future status at current situation, we have decided to postpone the publication of the mid-term plan and the guidance for this fiscal year. We will disclose them as soon as it becomes possible to make a disclosure with rational estimates.

1 . Fiscal Year Ended March 2020 Results

Results Highlights

(Unit: billion yen)

	2019/3 Full Year Results	2020/3 Full Year Results
Sales	331.6	366.5
Operating Income	13.0	27.6
Operating Income Margin	3.9%	7.5%
Non-operating income	2.1	3.2
Non-operating expenses	7.7	5.5
Ordinary Income	7.4	25.2
Extraordinary income	8.2	3.1
Extraordinary losses	8.7	1.2
Income before income taxes	6.9	27.1
Profit (loss) attributable to owners of parent	2.6	13.7
ROA [※]	0.6%	3.0%

※ ROA(%)= profit attributable to owners of parent/total assets

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FY2020/3 Full-year Results

- ◆ Both sales and profit increased YoY.
 - ✓ Unit sales of Pachislot increased in Pachislot and Pachinko Machines Business.
 - ✓ Strong performance in Digital Games area.
 - ✓ Due to the impacts of the spread of COVID-19, reversed the deferred tax assets for approximately 7 billion yen and recorded as income taxes-deferred.

FY2021/3 Forecast

- ◆ TBD
 - ✓ The impact of spread of COVID-19 is currently difficult to calculate rationally so results forecast and dividends plan for FY2021/3 are not yet decided
 - ✓ We will disclose them as soon as it becomes possible to make a disclosure with rational estimates.

⇒ For more information, please see

"Fiscal Year Ended March 2020 Results / Appendix

- 4 -

In the results for FY2020/3, sales and profit increased YoY.

I will explain the details of each business later, but unit sales of pachislot increased in Pachislot and Pachinko Machines Business, and Digital Games area performed well in Entertainment Contents Business.

Income before income taxes achieved at the same level as revised forecast announced on February 5. However, as stated earlier, tax expenses increased as we reversed deferred tax assets for approximately 7.0 billion yen due to the impact of the spread of the COVID-19 and resulting in profit attributable to owners of parent falling below the previously announced forecast by approximately 7.2 billion yen.

Breakdown of Income (FY2020/3 Full Year results)

(Unit: billion yen)



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Non-operating income/ losses and extraordinary income / losses

(JPY Billion)

Non-operating income	3.2
Dividends income	0.4
Gain on investments in partnership	0.6
Other	2.2
Non-operating expenses	5.5
Equity in loss of affiliates	2.8
Loss on investments in partnership	0.4
Other	2.3
Extraordinary income	3.1
Gain on sales of noncurrent assets	2.9
Other	0.2
Extraordinary losses	1.2
Impairment loss	0.3
Loss on valuation of investment securities	0.5
Other	0.4

- 5 -

Non-operating income amounted to 3.2 billion yen, while non-operating expenses amounted to 5.5 billion yen due to the inclusion of approximately 1.6 billion yen of equity in losses of affiliates such as PARADISE SEGASAMMY.

As for extraordinary profits and losses, we recorded extraordinary income of 3.1 billion yen, including gain on sale of fixed assets of 2.9 billion yen.

Consequently, income before income taxes amounted to 27.1 billion yen, while taxes and other amounted to 13.4 billion yen and profit attributable to owners of parent amounted to 13.7 billion yen.

Consolidated Costs and Expenses

(Unit: billion yen)

	2019/3 Full Year Results	2020/3 Full Year Results	(Main Factors)
R&D Expense / Content Production Expense	66.6	76.5	✓ Increased in association with the launch of new titles in Packaged Games area
Cap-ex	34.4	22.8	✓ Decreased as the reaction to the completion of relocation in FY2019/03
Depreciation	14.5	14.8	
Advertising	16.0	17.4	✓ Increased in association with the launch of new titles in Packaged Games area

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- 6 -

R&D expenses / content production expenses and advertising expenses increased dramatically in FY2020/3 due to launch of several new titles in Packaged Games. Cap-ex decreased due to the completion of relocation of headquarter conducted in FY2019/3.

Consolidated Balance Sheet Summary

(Unit: billion yen)

	As of end of March 2019	As of end of March 2020	Change
Total Current Assets	260.4	268.9	+8.5
Cash and Deposits	137.4	159.0	+21.6
Accounts Receivable	39.2	40.4	+1.2
Securities	14.5	5.3	-9.2
Total Noncurrent Assets	204.1	189.2	-14.9
Investment securities	73.4	55.0	-18.4
Total assets	464.6	458.2	-6.4
Total Current Liabilities	87.5	86.1	-1.4
Notes and accounts payable trade	24.7	17.8	-6.9
Other	12.1	17.4	+5.3
Total Noncurrent Liabilities	71.7	75.2	+3.5
Other	10.5	11.6	+1.1
Total Liabilities	159.3	161.4	+2.1
Total Net Assets	305.3	296.8	-8.5
Total Liabilities and Net Assets	464.6	458.2	-6.4

	As of end of March 2019	As of end of March 2020	Change
Cash and cash equivalents	148.0	158.0	+10.0
Interest bearing debt	76.1	75.3	-0.8
Net cash	71.8	83.2	+11.4
Equity Ratio	65.1%	64.2%	-0.9pt



Main factors	Changes
Current Assets	+ 8.5
Cash and deposits increased due to the steady performance in Digital Games area while securities decreased mainly due to the redemption of money trusts at maturity.	
Non-current Assets	-14.9
Investment securities decreased mainly due to market valuation.	
Liabilities	+2.1
Lease payable in total current liabilities and non current liabilities increased in association with changes in accounting policies at some overseas subsidiaries while notes and accounts payable trade decreased.	

⇒ For more information, please see

"Fiscal Year Ended March 2020 Results / Appendix

- 7 -

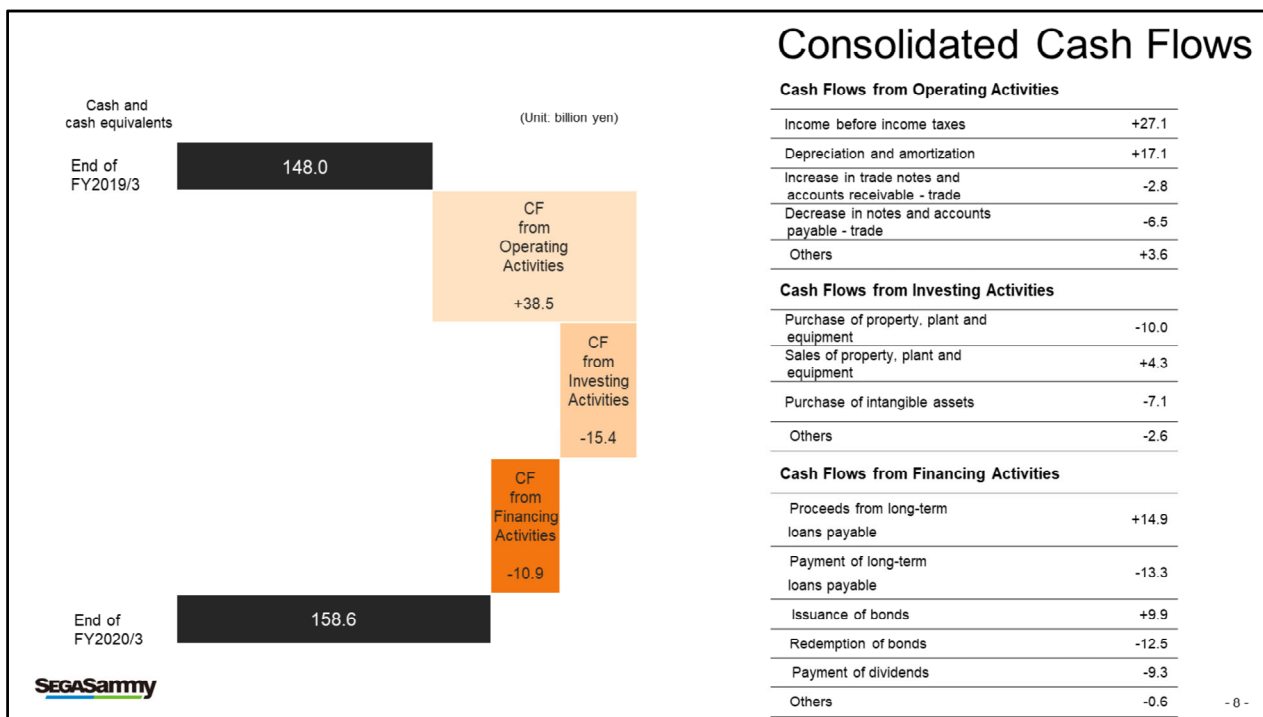
Current Assets increased by 8.5 billion yen due to an increase in cash and deposits resulting from the steady performance of Digital Games area, while securities decreased mainly due to the redemption of money trusts at maturity.

Non-current assets decreased by 14.9 billion yen due to a decline in investments and other assets resulting from the market valuation of investment securities held by the Company.

Liabilities increased by 2.1 billion yen mainly due to an increase in lease payable resulting from changes in accounting policies at some overseas subsidiaries while notes and accounts payable trade decreased.

Net cash as of the end of FY2020/3 was 83.2 billion yen.

In addition to current cash holdings, Company has a commitment line from financial institutions and an overdraft limit of approximately 150.0 billion yen and will respond flexibly to future demand for capital.



Cash Flows from Operating Activities was positive at 38.5 billion yen, while Cash Flows from Investing Activities was negative at 15.4 billion yen, and free cash flow was positive at 23.1 billion yen.

Although Cash Flows from Financing Activities was negative at 10.9 billion yen due to dividends paid and other factors. However, we proceed rebalancing it by issuing new 10 year bonds for the first time while there was a redemption of bonds due to their maturity.

Consequently, the total cash flow for the FY2020/3 was positive at 12.2 billion yen.

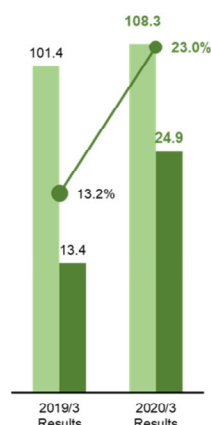
2. Per Segments Results

Pachislot and Pachinko Machines Business

■ Sales
■ Operating income
● Operating income margin

(Unit: billion yen)

FY2020/3 Full-year Results



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- ◆ Both sales and profit increased YoY.
- ◆ Adjusted release timing for several titles in response to approval status of prototype testing and etc.
- ◆ Profitability improved due to the measures to improve profitability, such as reuse.
 - ✓ Pachislot: Unit sales increased mainly due to launch of mainstay titles such as "Pachislot Hokuto No Ken Tenshou" and others.
 - ✓ Pachinko: The number of unit sales decreased.

(Changes in unit sales)

	2019/3 (Results)	2020/3 (Results)
Pachislot	67,140 units	123,336 units
Pachinko	159,848 units	104,581 units
Frame	91,858 units	33,056 units
Board	67,990 units	71,525 units

- 10 -

In Pachislot and Pachinko Machines Business, sales and profits increased in YoY.

While pachinko's unit sales decreased, pachislot's unit sales increased significantly due to the launch of mainstay No. 6 models titles such as "Pachislot Hokuto No Ken Tenshou" and others.

Although the results fell below initial forecast as approval status of new models continued to be sluggish, and the timing of sales of several titles was reconsidered, operating income margin was significantly improved compared to FY2019/3.

In particular, in FY2020/3, in addition to the increase in the percentage of pachislot sale, which has a higher income margin, we implemented the measures to improve profit margin, which were also included in our mid-term management plans, including improvement of procurement costs by promoting reuse, commonizing components, and reducing shared common fixed expenses, and achieved success.

With deadline for removal of previous regulation machines coming in January 2021, demand for replacement is expected to expand, but we need to carefully assess the impact of the spread of COVID-19.

Pachislot and Pachinko Machines Business

Major titles in FY2020/3

Pachislot

Pachinko



"Pachislot Hokuto No Ken Tenshou"

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©Sammy

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"Pachislot Psalms of Planets Eureka Seven 3 HI-EVOLUTION ZERO"

©2017 BONES/Project EUREKA MOVIE
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©Sammy



"P Anohana: The Flower We Saw That Day"

©ANOHANA PROJECT
©Sammy



"P Hokuto No Ken 8 Haou"

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Pachislot and Pachinko Machines Business

Major titles in FY2021/3

Pachislot

Pachinko



"Pachislot Shin Hokuto Muso"



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©Sammy



"P Psalms of Planets
Eureka Seven
HI-EVOLUTION ZERO"



©2017 BONES/Project EUREKA MOVIE
©BANDAI NAMCO Entertainment Inc.
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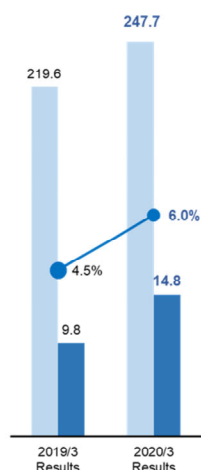
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Entertainment Contents Business

■ Sales
 ■ Operating income
 ● Operating income margin

(Unit: billion yen)

FY2020/3 Full-year Results



- ◆ Both sales and profits increased YoY.
 - ✓ Revenue in Digital Games area contributed the whole segment.
 - ✓ Significant increase in the sales of Packaged Games area

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- 13 -

In Entertainment Contents Business, sales and profits increased YoY. Packaged Games contributed to sales, while operating income was increased by solid sales of Digital Games.

Entertainment Contents Business Per Sub Segments

(Billion yen)	2019/3 Results	2020/3 Results
Sales	219.6	247.7
Digital Game	40.8	47.2
Packaged Game	54.6	78.2
Amusement Machine Sales	54.7	51.1
Amusement Center Operations	40.9	41.9
Animation / Toys	24.5	26.2
Others / Elimination	4.1	3.1
Operating Income	9.8	14.8
Digital Game	-1.9	9.8
Packaged Game	8.2	4.8
Amusement Machine Sales	1.5	-2.3
Amusement Center Operations	2.6	1.4
Animation / Toys	2.5	2.7
Others / Elimination	-3.1	-1.6
Operating Income Margin	4.5%	6.0%

Sub Segment	Summary
Digital Game	<ul style="list-style-type: none"> Recorded one-off revenue from transfer of titles and offering of titles Expenses decreased due to the impairment loss recorded in the previous fiscal year. Both existing and new titles performed steadily.
Packaged Game	<ul style="list-style-type: none"> Amortization of development cost accelerated due to the launch of several large new titles. Unit sales: 26,760K units (FY2019/3 results: 23,440K units) Implemented a write-down at the end of the fiscal year.
Amusement Machine Sales	<ul style="list-style-type: none"> Video games struggled while prize machines performed solidly. Implemented a write-down at the end of the fiscal year.
Amusement Center Operations	<ul style="list-style-type: none"> Store opening: 7, Store closing: 5, Total: 192 stores Sales of existing stores is 97.7% from previous year, which fell below 100% for the first time in 6 years due to the impact of consumption tax hike, repeated typhoons and spread of COVID-19.
Animation / Toys	<ul style="list-style-type: none"> Animation: Recorded allocated revenue of movie, revenue from video distribution and etc. Toys: Sold new products and regular products.
Others / Elimination	<ul style="list-style-type: none"> Recorded the expenses associated with relocation of headquarter in previous fiscal year.

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- 14 -

As for Digital Games, expenses decreased in FY2020/3 due to a recording of significant impairment loss in FY2019/3. In addition, one-off revenues from transfer of titles and others were also recorded. Also due to efforts to optimize the number of titles under development and operation, and solid performance in new titles such as "Fist of the North Star LEGENDS ReVIVE," sales and profits increased significantly from the previous fiscal year.

Sales of Packaged Games increased significantly in YoY due to launch of several new titles, but operating income decreased due to increased amortization of R&D expenses. The number of unit sales of Packaged Games increased by approximately 3 million units to 26,760K units on a YoY basis as both new titles and repeat titles increased.

With regard to Amusement Machine Sales, sales and profits decreased in YoY due to sluggish videogames, the write-down of several titles implemented during this fiscal year, and the sales of CVT Kits, which profitability is higher was limited. In addition, Amusement Machine Sales area recorded losses as the gaming machine business (casino machine) continued to incur upfront expenses. In terms of gaming machine business, we plan to change the segment classification to Pachislot and Pachinko Machines Business from FY2021/3, as we will further pursue synergies with Pachislot and Pachinko Machines Business.

In Amusement Center Operations, sales increased while profits decreased YoY, as depreciation costs increased due to an increase in the number of stores, as well as a combination of consumption tax hikes and temporary closure or shortened operation time due to the impacts of the spread of COVID-19, although we worked to operate facilities centered on prize machine. In addition, although the sales of existing stores exceeded 100% compared to the previous year for the fifth consecutive year, due to the aforementioned factors, this figure was in the 90% range from around August last year, and in March, when the effects of the temporary closure began to appear, it went 69%, which is strongly influenced by the expansion of COVID-19. We will continue to take measures to prevent the spread of infections

at our store operations in light of governmental requests and social conditions.

With regard to Animation & Toys, sales and profits increased YoY thanks to record-breaking hits in animation for theatrical version of "Detective Conan The Fist of Blue Sapphire" and strong sales of new products in toys.

Note that the theatrical version of Sonic is not included in Animation & Toys segment. This is scheduled to be recorded as a non-operating income, but it is expected to contribute in FY2021/3.

Digital Games

Major Titles for FY2020/3



"Fist of the North Star LEGENDS ReVIVE"

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©SEGA



"Kemono Friends 3"

©Kemono Friends Project2G ©SEGA

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Major titles in and after FY2021/3



"Phantasy Star Online 2" North American version (Full service launched in April 2020)

©SEGA



"Project SEKAI COLORFUL STAGE feat. Hatsune Miku"

© SEGA / © Craft Egg Inc. Developed by Colorful
Palette / © Crypton Future Media, INC.
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"Sonic at the Olympic Games – Tokyo 2020™" (Released in May 8, 2020)

TM IOC/TOKYO2020/US*OC 36USC220506.
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"Re: ZERO -Starting Life in Another World- Lost in Memories"

©Tappei Nagatsuki,KADOKAWA/Re:ZERO2 PARTNERS
©SEGA

Packaged Games

Major Titles for FY2020/3



"Team Sonic Racing"
©SEGA



"PERSONA 5 ROYAL"
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"Ryu ga Gotoku 7"
©SEGA



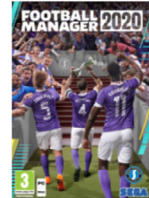
"Total War Saga: TROY"
© SEGA. Developed by The Creative Assembly Limited.



**"Total War:
THREE KINGDOMS"**
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**"Mario & Sonic at the Olympic
Games Tokyo 2020™"**
TM IOC/TOKYO2020/USOC 36USC220506.
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"Football Manager 2020"
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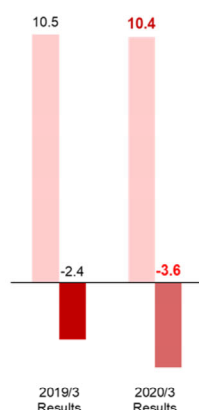


"HUMANKIND™"
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■ Sales
■ Operating income

(Unit: billion yen)

FY2020/3 Full-year Results



- ◆ Sales remained at the same level YoY while the scale of losses expanded.
- ◆ Expenses increased in associated with the enhancement of measures towards domestic Integrated Resort (IR).

(PHOENIX RESORT)

- ✓ Despite an upward trend in the number of users due to the impact of renewals and various promotional measures, scale of losses expanded YoY due to the impact of the spread of the COVID-19.

Results of Phoenix Resort

(Billion yen)	FY2019/3 (Result)	FY2020/3 (Results)
Sales	10.0	9.9
Operating Income	-0.0	-0.2

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- 17 -

In Resort Business, in FY2020/3, sales remained at the same level YoY while the scale of losses expanded, but this was mainly due to the increased costs associated with the strengthening of efforts to enter the IR business in Japan.

In January 2020, we participated in industrial exhibition of integrated resort held in Yokohama City as an integrated resort operator for the first time, and explained the IR SEGA SAMMY is aiming for including the announcement of our partners such as Kyoto Kitcho, Foster & Partners, and Katana.

In FY2021/3, we will continue to prepare for the RFP will be implemented by Yokohama City.

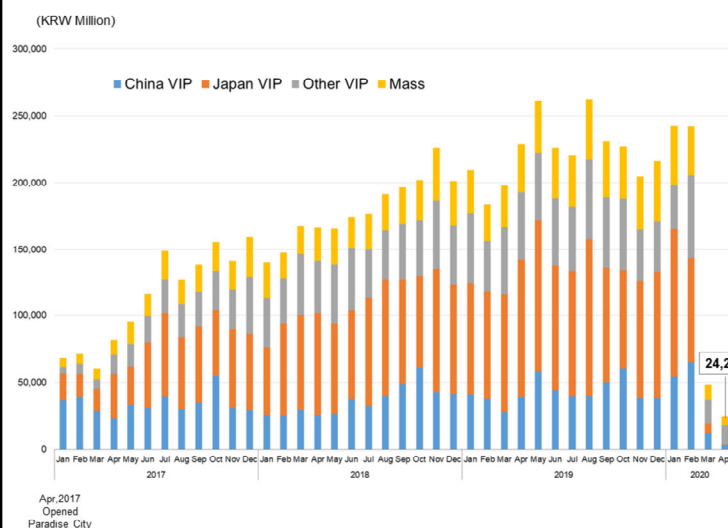
In the Phoenix Resort, we implemented numbers of measures to attract customers, and the number of customers has been increased steadily. However, sales and profits decreased YoY as we suffered the impact of the expansion of COVID-19 from March onwards. It was extremely disappointed results as we had been very close to make this business profitable.

In addition, as released the other day, for the time being, all the facilities have been closed temporarily from May 7. However, from May 11, some of the facilities have been resumed operations with operation of limited contents.

In the future, we will continue to consider the resumption of each facility, taking into account the situation.

PARADISE SEGASAMMY (Equity method affiliate)

Transition of Drop amounts* at Paradise City



SEGASAMMY

*Drop amounts: Purchased amount of chips by customers at the table
*Calculation method after Jan 2018 has changed from this document

		(KRW Billion)	
		FY2019 4Q Results	FY2020 4Q Results
Sales		301.6	463.3
	Casino	248.6	375.6
	Hotel	50.3	69.2
	Other	2.8	18.5
Cost of sales		284.4	391.2
	Casino	161.4	210.5
	Hotel	99.2	118.3
	Other	23.9	62.5
Gross profit		17.2	72.1
SG&A		38.0	52.2
Operating profit		-20.8	19.9
EBITDA		20.0	84.3
Net profit		-53.0	-22.5

Source: Paradise IR

SEGASAMMY		
Equity method acquisition	-3.1	-1.6
amount (Billion yen)		

*Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay

- 18 -

For PARADISE SEGASAMMY, which is an affiliate to which the Equity Method is applied, figures for this are recorded with three months delay. For the incorporation of its results in FY2020/3 are the results from January - December 2019.

Looking at the trends in drop amount shown on the left-hand side of this document, we were able to improve profit for both sales and operating income during the period from January - December 2019, with many Japanese VIPs using our service. This was the first time it was able to achieve profitability for operating income since PARADISE CITY was established.

Although sales were strong in January and February after the beginning of the year, the number of drops decreased significantly since March due to the expansion of COVID-19 and the suspension of operations at casinos.

Although we have already resumed operations, since this casino is designed exclusively for foreigners, we will need to assess the impact on our result from 1Q of FY2021/3 onward.

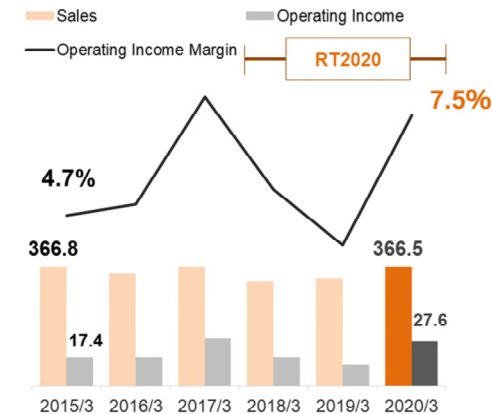
As for the impacts on our company in FY2020/3, the Company recorded an equity in losses of affiliates of approximately 1.6 billion yen, but this was a significant improvement from FY2019/3.

3 . Review of Road to 2020 (FY2018/3 to FY2020/3 Mid-Term Management Plan)

Review of Road to 2020: Overall Summary

Progress toward Mid-Term Plan (Road to 2020)
announced on FY2017/5

(Unit: billion yen)



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Mid-Term Plan : Target for FY2020/3

Operating Income Margin	Result
15%	7.5%
ROA	Result
5%	3.0%

Main factors behind the shortfall in achievement of the med-term plan

- 1) Revision of rules of Pachislot and Pachinko machines
- 2) Insufficient hit titles in Digital Games area

- 20 -

Speakers: Haruki Satomi, President and CEO

Looking back on the whole, operating income margin was 7.5% in contrast to the target of 15% and ROA was 3.0% in contrast to the target of 5% at the end of mid-term plan.

The biggest factor was the two points. When we created this plan, although we expected that there would be the revision of rules for Pachislot and Pachinko machines at some point, we did not anticipate that the revision was executed such in sudden and such strict. Also execution of the revision of rule for pachinko and pachislot together was the first time in the history of industry which was not possible to anticipate.

In addition, the fact that we couldn't produce the hits in Digital Games as expected. Those two factors that I have been explained earlier were the major factors.

Review of Road to 2020: Pachislot and Pachinko Machines Business

KPI target

Operating
income
margin

30% ▶ 23%

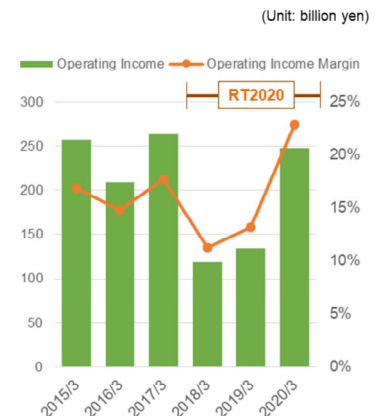
Achieved

✓ Improvement in profitability by reducing procurement costs mainly through reuse

Not Achieved

✓ Increase of unit sales

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- 21 -

I explain what we could do and couldn't in each business specifically.

For Pachislot and Pachinko Machines Business, operating income margin was 23% compared to the target of 30%. However, we were able to increase our income margin significantly in the third year. The reason for this is that we have thoroughly improved our procurement costs, mainly through reuse.

In fact, in terms of sales for FY2019/3 and FY2020/3, it increased only about 6.0 billion yen. However, profits went more than doubled, and we believe that our target to improve profitability have been achieved.

We had said that it would be difficult to achieve an income margin of 30% without sales of about 150.0 billion yen at the beginning, but I think that we have achieved a structure in which we can reach 30% with the sales from 135.0 billion to 140.0 billion yen.

If we did not implement measures to improve the profit margin, including ZEEG activities, we would only be able to generate about 10.0 billion yen of operating income if we had sales of about 108.0 billion yen in FY2020/3. However, our structure now can generate profits exceeding 20.0 billion yen with the same sales. I believe this is the outcome we could have made.

Review of Road to 2020: Entertainment Contents Business

KPI target

Operating
income
margin

10%

6%

Operating
income

30.0 billion
yen

14.8 billion
yen

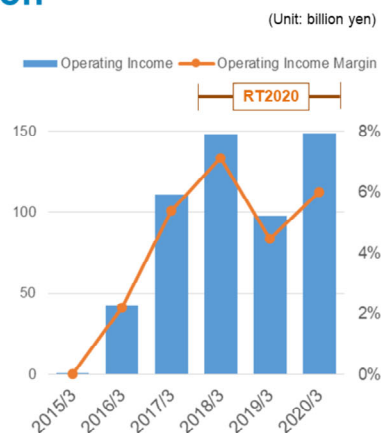
Achieved

- ✓ Making mainstay IP as a series
- ✓ Expanding sales in Asia, Europe and the North America

Not Achieved

- ✓ Creation of hit titles in Digital Games area

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- 22 -

Regarding Entertainment Contents Business, we achieved a results of 6% operating income margin against the target of 10% and 14.8 billion yen of operating income against the target of 30.0 billion yen.

We exceeded our plan significantly in the first year, but in the second year, we could not create hits in Digital Games area we expected. Conversely, we made it clean once through the recording of impairment losses in Digital Games area, and in the 2020/3 (3rd year), we have brought this business to be able to make profit even if there are no big hits.

The biggest challenge is that the operating income margin of SEGA is lower compare with other game publishers. If we only talk about the groups in ex SEGA Games, which was in charge of Digital Games area and Packaged Games area, 10% operating income has been achieved. However, since the profitability of the arcade division and others are low, it stays about 6% if consolidated and we find this is a biggest challenge for us.

With regard to mainstay IP, we have implemented a variety of measures while focusing on IP roll-out, and have steadily increased profits. In addition, we have built a solid distribution and sales network in digital sales and package sales centering on Asia, Europe, and the North America, and I think that this has been a significant achievement.

Review of Road to 2020: Resort Business

Target

Acquisition of know-how
toward the entry in IR
business



**Accumulated the know-how of
development and operation of IR**

Achieved

- ✓ **Acquired Gaming Machine Manufacturer and Distribution Licenses in Nevada, U.S.A.**
- ✓ **PARADISE CITY achieved the operating profit for the full year (2019)**
- ✓ **Announced a business partners towards the entry of IR in Yokohama**

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- 23 -

Regarding Resort Business, while the investment phase continues, we have acquired solid know-how over the past three years in preparation for the largest goal of opening an integrated resort business in Japan.

In 2017, we acquired Gaming Machine Manufacturer and Distribution Licenses in Nevada. PARADISE CITY was able to turn an operating profit in the calendar year of 2019. Without the impact of this COVID-19, we would have been able to generate solid profits in 2020, and we were able to turn to profitable even in consolidated results, including recording of equity-method profits/losses.

Our business partners for IR in Yokohama City were as announced in January, and SEGA SAMMY has also participated in RFC (Request for Concept) of the other day as a Tier1 operator.

Review of Road to 2020: Others (ESG/ SDGs related)

✓ Identified five elements as materiality (important issues) and working on inculcation to the whole group and practice

1. Enhancement of job satisfaction and diversity and elimination of inequality

- Reduction of long overtime hours
- Promotion of work-life balance
- Creating an environment where diverse individuals can play important roles
- Integration of head office functions associated with relocation of headquarter
- Opening of "SEGA SAMMY Soramori Nursery School"

2. Countermeasures to addiction problems

- Response to Pachinko and Pachislot addiction
- Industry-academia joint research with Kyoto University on gambling addiction
- Joint examination and research towards gaming disorder

3. Response to environmental preservation and reduction of environmental burden

- Reduction of environmental impact while improving profitability in business
- Enhancement of disclosure of Co2 info
- Strengthen the governance structure with a view to implement companywide initiatives
- TCFD response

4. Response to Japan's super low birth rate and aging society

- Development of senior citizen-friendly drive simulator
- Conduct darts and programming classes for elementary school children
- Providing a hobby discovery site "Shumikatsu" for adults
- Implementation of "SAMMY SOCCER PROJECT" with the aim of playing a role in the growth of the children

5. Corporate Governance

- Increased the numbers of external directors
- Revision of the amount of compensation of directors, introduction of a stock compensation plan with restriction of transfer



- 24 -

We are addressing these five key issues related to SDGs and ESG. In terms of job satisfaction and Work-Style Reforms, I think we have moved our headquarters to integrate management functions, and have been able to respond in a sound manner that is not inferior to other companies.

However, we are currently working from home due to the impact of the COVID-19. Various companies have already spoken about how the office environment should be in the future but our company has taken the lead in proceeding integrating functions. In addition taking the lead among industry in creating an environment in which LGBT and gender minorities to work comfortably, and has received Gold Certification from industry organizations. We also opened an in-house day-care center and nursery school in Osaka.

We have been working closely with Kyoto University to respond to addiction issues. We are also preparing to respond gaming disorder, which has recently been in close-up, as a result of WHO's certification as the disease.

With regard to the environment, we intend to thoroughly review our products from the design stage, with giving priority to use environmental friendly or reusable components etc.

In response to the super low birthrate and aging society, we hold various classes for children and we are offering websites that support hobby activities for seniors, as well as driving simulators for product for the elderly person.

With regard to corporate governance, we increased the number of external directors, reviewed compensation system for the directors, and introduced stock-based compensation last year.

4 . Impacts of the spread of COVID-19

✓ **Forecast for fiscal year ending March 2021 and next mid-term management plan is under reconsideration**

The impacts for each business associated with the spread of COVID-19 we can assume at this point and the response of our company groups to them are described from the following pages.

Our company groups will conduct business operation with setting top priority to ensuring the safety of all customers, business partners, and employees.

As informed earlier, we wanted to announce the forecasts for the 2021/3 and the new medium-term plan at the beginning. However, as it is difficult to tell when and how this COVID-19 will be abated, we temporarily suspend the announcement of those plans.

We would like to disclose as soon as it becomes clear the timing when COVID-19 will be abated and the level of impact likely to be on our operating results in the future.

Impacts of the spread of COVID-19 (Pachislot and Pachinko business) (1)

Need to reconsider the launch timing of machines due to a decrease in the number of reception of prototype testing by Security Communications Association and the suspension of operation in pachinko halls.

Elements	Details
Development	<ul style="list-style-type: none">Part of the development schedule has been delayed, and there is a possibility that it will impact the future business if suspension of operation and work from home continue in the future
Production	<ul style="list-style-type: none">Components have been secured for titles that have already been announced.As for the future, we need to carefully observe the operation status of in-house and partner plants.
Sales	<ul style="list-style-type: none">Even for titles that have already been announced, launch and delivery timings have not been determined, and if suspension of operation in pachinko halls continue, there is a possibility that the schedule will be delayed and etc.

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- 26 -

I would like to explain how individual business will be affected.

Since declaration of state of emergency came out, about 97% of employees in the Osaki office have been worked from home. Some employees come to company when it is necessary, or about 3% of the staffs in charge of general affairs come to the company but most of them are working from home. Therefore, some delays in development, etc. is occurring.

Regarding the development of Pachislot and Pachinko Machines Business, we have already developed an environment to work from home in which Pachislot and Pachinko machines and development equipment are sent to their homes. However, there are some areas where it is difficult to handle without coming to the offices, and some delays have occurred.

As far as production, the impacts described here in the document are gradually disappearing now. At first, there was a problem that plant and logistics operations had stopped due to the spread of the infections in China, but the procurement of parts and materials in production has recovered considerably.

On the other hand, as we refrain from selling our products and we think we are still in a situation where we cannot predict the future impacts. I would like to procure components and produce the products from a long-term perspective.

In particular, even once the plant begins full-scale utilization, I think issues will continue to emerge, such as how to operate production activities while preventing 3 closeness. As I mentioned earlier, we have been restrained from selling products at this stage. After declaration of state of emergency will be lifted, I would like to resume sales while watching the situation.

Impacts of the spread of COVID-19 (Pachislot and Pachinko business) (2)

The vast majority of the pachinko halls in nationwide are suspending the operation of the halls

Elements	Details
Other	<ul style="list-style-type: none">Lottery application for reservation of prototype testing at Security Communications Association is in suspension until May 20.Due to a temporary decline in the number of reception slots for reservation of prototype testing at Security Communications Association and may cause for the delay in obtaining the approval.
	<ul style="list-style-type: none">Suspension of operation in pachinko halls expanded nationwide. If the requests for suspension continue to be issued, it may lead to a decline in the purchasing power of the machines for pachinko hall operators.

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- 27 -

During this declaration of state of emergency, Security Communications Association has also reduced the number of application windows. Since Security Communications Association is also decreasing the number of people going to the office, I think that the pace for the test will be returning to the normal after the declaration of state of emergency will be lifted. However, I think that the impact for the application for the test in this April was bigger.

The most worrying thing is about the operation of pachinko halls. They started to resume the business at prefectures that have already withdrawn their request for self-restraint of operation of business, and it is expected to expand even further from tomorrow (May 14) and the day after tomorrow. I think that that will gradual increase the halls to resume the operations but I'm worry about the long-term impacts in the decline in purchasing power and purchasing motivation of machines from pachinko halls.

In addition, although we have already submitted a request form as an industry association, there are moves to extend the replacement deadline of previous regulation machines, which is scheduled to take place by the end of January 2021 as transitional measures.

Impacts of the spread of COVID-19 (Digital and Packaged Games)

Overseas download sales tend to grow, but if the current situation is prolonged, there may be the delay in development schedule.

	Elements	Details
Digital Games	Development	<ul style="list-style-type: none"> The development environment for employees working from home is being developed, but the development schedule is becoming delayed.
	Operation	<ul style="list-style-type: none"> Some events and updates have been delayed due to development delays.
Packaged Games	Development	<ul style="list-style-type: none"> The development environment for employees working from home is being developed, but the development efficiency has begun to decline and there is concern about the impact on external development partners. If the current situation is prolonged, there may be the delay in development schedule.
	Sales	<ul style="list-style-type: none"> Growth can be seen centered on download sales overseas If the current situation is prolonged, there may be the delay in launch schedule of new titles.

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- 28 -

Regarding Entertainment Contents Business, particularly for the video game area, I think there will be a slight impact on development, just as with Pachislot and Pachinko Machines Business. We prepare a variety of events every month to encourage customers to enjoy them for Digital Games, but there are also times when development is delayed and events cannot actually be held. DAU of games are growing, but as the fact that sales are not increasing alongside this kind of impact will continue to be happened.

The impact for developments of console game and digital distribution titles for PCs will be seen as the employees have already shifted to work from home, including in employees in Europe and North America and I think outsourcing companies also have shifted to work from home so we need to expect some delays from this as well.

On the other hand, sales is transitioning extremely strong. In Europe and North America, in particular, the digital distribution market is growing very rapidly. In Japan, the uplift is not as remarkable as expected, but there is not much downside as well. At present, we are strengthening our efforts to expand sales by conducting sales and other activities to expect some uplift from those.

I think for those who prefer physical Packaged Games to switch from packaging to digital is the biggest hurdle. Some people say that they want a physical package by any means, and some people sell it to the used market and make the money to buy the next new titles as they have resale value. Conversely with impact of COVID-19 this time, I think some of them aware of the convenience of digital downloading. With Switch, in particular, the conversion rate (downloading rate) was extremely low compared to PS4 and Xbox, but this time, hardware is out of stock, and rather, the shift to digital purchase is occurring. Once the users who have purchased via digital once, I think the hurdle from the second time becomes very low, so I think that the increase in the digital ratio will accelerate in the future.

Impacts of the spread of COVID-19 (Amusement Machine sales)

Delays in development schedules and decline in orders due to the drop of facility utilization is concerned.

	Element	Details
Amusement Machine Sales	Development	<ul style="list-style-type: none">Delays in the development schedule have begun to occur due to factors such as a decline in development efficiency due to work from home and the inability to conduct location testing.
	Production	<ul style="list-style-type: none">There are some concerns about the supply of components.
	Sales	<ul style="list-style-type: none">Suspension of shipments of machines have begun due to closure of facilities.There are concerns about a decline in orders and a decline in revenue from revenue sharing model due to the drop of facility utilization.

Regarding Amusement Machine Sales, although situation for development is the same, the development schedule is delayed because location testing is not currently possible.

Although there are some concerns about the supply of components, the most important thing is that the arcade centers, which is our customer, are in temporary closure.

We also closed all of our 200 arcade facilities.

We have resumed operations in some areas, and I think that most of them will resume operations after the day after tomorrow. However, as with pachinko halls, there are still concerns about a decline in purchasing motivation.

Impacts of the spread of COVID-19 (Amusement Center Operation)

Temporary closure or shortened operation time of facilities has been incurred and the impact from deterioration in operation of facilities is concerned

	Elements	Details
Amusement Center Operations	Facility Operation	<ul style="list-style-type: none">• From March 3 to 24, suspended operations of 9 facilities for kids and VR section• From April 8, temporary closure of stores in areas where self-restraint on going outside is issued (85 stores)• From April 17, temporary closure of stores nationwide (192 stores)• From May 8, stores in some areas resumed operations (28 stores)• Even after the removal of the emergency declaration, there are concerns that the operation of facilities will be worsen and the ability to attract customers will decline.

As explained above, we are currently resuming the operations at 28 stores since after the Golden Week. From the day after tomorrow, I think we will be able to open the facilities in areas other than the Tokyo metropolitan area and other metropolitan area.

Impacts of the spread of COVID-19 (Animation and Toys)

If the current situation is prolonged, there may be the delay in development and launch schedule.

	Elements	Details
Animation	Planning and development Production	<ul style="list-style-type: none"> There is the possibility of delays in animation production, planning and development schedules if work from home period is prolonged.
	Sales	<ul style="list-style-type: none"> Potential delay in recording of distribution revenues due to the delays of movie release There are concerns about an increase in the number of broadcast viewers and an excess supply of contents in the market.
Toys	Development	<ul style="list-style-type: none"> There is the possibility of delays in development schedule
	Production	<ul style="list-style-type: none"> There are some concerns about procurement of materials.
	Sales	<ul style="list-style-type: none"> The volume of orders is declining due to the shortening of operation time and the closures of the shops. If the current situation is prolonged, there may be the delay in launch schedule.

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- 31 -

As for Animation & Toys, the biggest issue here is in production phase. In particular, we are trying out and riding through the contents production of weekly animations such as "Detective Conan" series and "Anpanman" by talking with TV stations and delaying the deadline.

In fact, the release of new movie of "Detective Conan The Scarlet Bullet" is postponed and I think that there will be some impacts from this and the postponement of "Sonic The Hedgehog" films as well. On the other hand, we believe that the digital distribution and subscription are becoming more customized and widespread in this area as well.

In toys, there may be some issues in development, procurement of components, and sales as well but we are now seeing the transition from over-the-counter sales to sales through digital platforms (amazons, etc.). There is a trend that the shift in the location to purchase will continue.

Impacts of the spread of COVID-19 (Resort Business)

There are concerns about a decline in demand due to self-restraint on going out and restrictions on travel both in Japan and overseas.

	Element	Details
Phoenix Seagaia Resort	Facility Operation	<ul style="list-style-type: none">• Since March, limiting the operation format in some facilities, but there have been cancellations of reservations for accommodations, banquets, golfs, etc., and the number of visitors is declining.• From May 7, start the temporary closure of all resort facilities for the time being (Resumed the operation of limited facilities from May 11)• Demand for accommodations and banquets, etc. and hotel utilization rate may decline due to the restriction on traveling nationwide and overseas even after the removal of the emergency declaration.

Regarding Resort Business, as this is the area most directly affected and Phoenix Seagaia Resort has been in temporary closure since after the Golden Week, while some facilities are resuming slightly. I think that the state of emergency will be lifted the day after tomorrow as well in Miyazaki prefecture.

Currently, the concern about the customers coming from outside of the prefecture or the metropolitan area is heard from local people. We are currently coordinating how to take such measures, for example, whether it is OK to welcome the guests from Kyushu area if the state of emergency will be lifted Kyushu in whole.

We do not expect a V-shaped recovery, and expect that it will take a considerable amount of time to recover even if the state of emergency will be lifted.

Impacts of the spread of COVID-19 (Resort Business)

There are concerns about a decline in demand due to restrictions on travel among the world.

	Elements	Details
PARADISE CITY	Facility Operation	<ul style="list-style-type: none"> • Casino section: From March 24 to April 20, closure of the operation; from AM 6:00 in April 20, operation resumed • Some facilities other than casino section* <ul style="list-style-type: none"> ✓ CIMER: From March 2 to May 1: suspension of the operation; From May 2, operation resumed ✓ WONDERBOX: From March 2 to May 1: suspension of the operation; From May 2, operation resumed ✓ CHROMA: From March 2 suspension of operation, resumption timing not yet determined • As it is a casino exclusively for foreigners, there are concerns that demand will decrease due to the worldwide policy of self-restraint and/or prohibition on going out and restrictions to foreign visitors entering South Korea.

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*CIMER (spa), WONDERBOX (theme park), and CHROMA (club)

- 33 -

As I mentioned earlier, PARADICE CITY has closed the casino section for just under one month, but it has already resumed operations.

There is continuous holidays similar to Golden Week in South Korea during Golden Week period and I heard that the utilization of the hotel is recovering there at certain level.

5. Future Outlook

With regards to future outlook, we're taking each measures as early as possible, giving top priority to ensure the safety and security of our customers, business partners, and employees.

Currently, we are working from home, in principle, avoiding to going to the office. I would like to steadily set up an environment where employees can return to the office. Also, I talk with fellow business owners about the current situation and we think we are given an opportunity to think about how to operate work from home of employees, as well as how to use of satellite offices and co-working spaces, how to further change the way of working through making the head office function to more hybrids, and how to raise productivity. I would like to further advance this initiative.

We have thoroughly reviewed our cost structure in FY2021/3. I think we have been satisfied with our cost structure at certain level so far, but I intend to take this as a trigger to proceed our cost structure further.

I will try to create a more robust corporate structure and, if the declaration of state of emergency will be lifted in May, and if the second wave does not come in winter, I would like to bring FY2020/3 results profitable at least. On the other hand, if the current situation will be prolonged, I think there will be an impact that will also threaten to be profitability, so I am assuming the worst-case scenario of how to assess this impact and how to manage cash flow so that the company will not collapse even in the worst-case scenario if the second wave and the third wave coming next year.

Before that, I hope we can use this impact of the COVID-19 as an opportunity to make the company stronger.

For many years, within the world where digitalization has progressed, real experiences such as what are called "consumption of experiment" and "consumption of unique time" have grown

conversely. However, we believe that the impact of this COVID-19 will be greatly influenced by the values of consumers and people. I would like to work quickly to capture such changes in society to consider how to change business structures so that our products and services match them.

6. Q&A



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

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

Please visit below websites for more information of products and service of SEGASAMMY.

<https://www.segasammy.co.jp/english/pr/corp/group/list.html>
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