



# Fiscal Year Ending March 2021 1Q Results Presentation

August 5, 2020

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(All contents here are the translation of Japanese materials)

Speakers: Koichi Fukazawa, Senior Executive Vice President and Group CFO, Director of the Board

Thank you for accessing our 1Q result briefing today.

I would like to explain the outline of results for 1Q and the forecast for full year in the fiscal year ending March 2021.

The overall policies going forward will be explained from President Satomi later.

## 1. FY Ending March 2021 1Q Results / Overview of Full-Year Forecast

The following changes have been made from the fiscal year ending March 2021.

- ✓ **“ Operating income “ to ” Ordinary income ”**
  - The Company has changed its method of measuring segment income from "operating income" to "ordinary income," which is the profit recurring from business as a whole, including equity in net profits and losses of affiliates, etc.
- ✓ **Gaming machine business into Pachislot and Pachinko Machines Business segment**
  - The gaming machine business, which develops and sells gaming machines for casinos, was shifted from Amusement Machine Sales area of Entertainment Contents Business segment to Pachislot and Pachinko Machines Business segment.
- ✓ **“Digital + Packaged Games” area to "Consumer" area**
  - Digital Games area and Packaged Games area have been integrated into 1 sub-segment and changed the name to Consumer area.

-3-

Segment classification has been changed since FY21/3.

The criteria for evaluating segment income have been changed from “operating income” to “ordinary income.” The primary objective is to make ordinary income from business as a whole, including equity in net profits and losses of affiliated companies as the KPI.

In addition, the gaming machine business for casinos, which had been included in "Amusement Machine Sales area" in Entertainment Contents Business, has been reclassified as "Pachislot and Pachinko Machines Business" in order to promote synergistic effects.

Finally, in the Entertainment Contents area, the old "Digital Games area" and "Packaged Games area" have been integrated in 1 sub-segment and changed the name to "Consumer area."

(JPY Billion)	2020/3		2021/3	
	1Q	Through 4Q	1Q	Full Year Forecast
<b>Sales</b>	<b>72.7</b>	<b>366.5</b>	<b>48.3</b>	<b>277.0</b>
Pachislot and Pachinko Machines	17.1	108.5	2.7	56.0
Entertainment Contents	53.0	247.6	45.1	214.0
Resort	2.4	10.4	0.4	6.5
Other / Elimination	0.0	0.0	0.1	0.5
<b>Operating Income</b>	<b>3.4</b>	<b>27.6</b>	<b>-3.8</b>	<b>-15.0</b>
Pachislot and Pachinko Machines	1.0	23.2	-8.4	-9.5
Entertainment Contents	5.2	16.5	8.1	9.0
Resort	-0.8	-3.6	-1.7	-6.5
Other / Elimination	-2.0	-8.5	-1.8	-8.0
Non-operating income	0.8	3.2	0.6	4.0
Non-operating expenses	1.9	5.5	0.8	9.0
<b>Ordinary Income</b>	<b>2.3</b>	<b>25.2</b>	<b>-4.0</b>	<b>-20.0</b>
Pachislot and Pachinko Machines	0.9	22.7	-8.5	-10.0
Entertainment Contents	4.9	16.2	8.2	11.0
Resort	-1.6	-5.3	-2.1	-12.5
Other / Elimination	-1.9	-8.4	-1.6	-8.5
Ordinary Income Margin	3.2%	6.9%	-	-
Extraordinary income	0.0	3.1	0.2	0.2
Extraordinary losses	0.1	1.2	2.5	3.2
<b>Income before income taxes</b>	<b>2.2</b>	<b>27.1</b>	<b>-6.4</b>	<b>-23.0</b>
<b>Profit attributable to owners of parent</b>	<b>1.7</b>	<b>13.7</b>	<b>-3.3</b>	<b>-17.0</b>

## FY2021/3 1Q Results

- ◆ Significant decline in sales YoY and recording of losses.
  - ✓ Pachislot and Pachinko Machines Business, Amusement Machine Sales & Amusement Center Operations and Resort Business are heavily influenced by COVID-19.

## Forecast

- ◆ Expected to record losses for the full year assuming the impact of COVID-19 will remain.
- ◆ Undertake structural reforms.
- ◆ Dividend plan is not yet determined

\*The results of FY2020/3 reflect the change of segment classification retrospectively.

\*The expenses and the impacts on our business performance from the implementation of structural reforms is not factored at this time. (Please refer to P36 and 37 for the details of structural reforms)

-4-

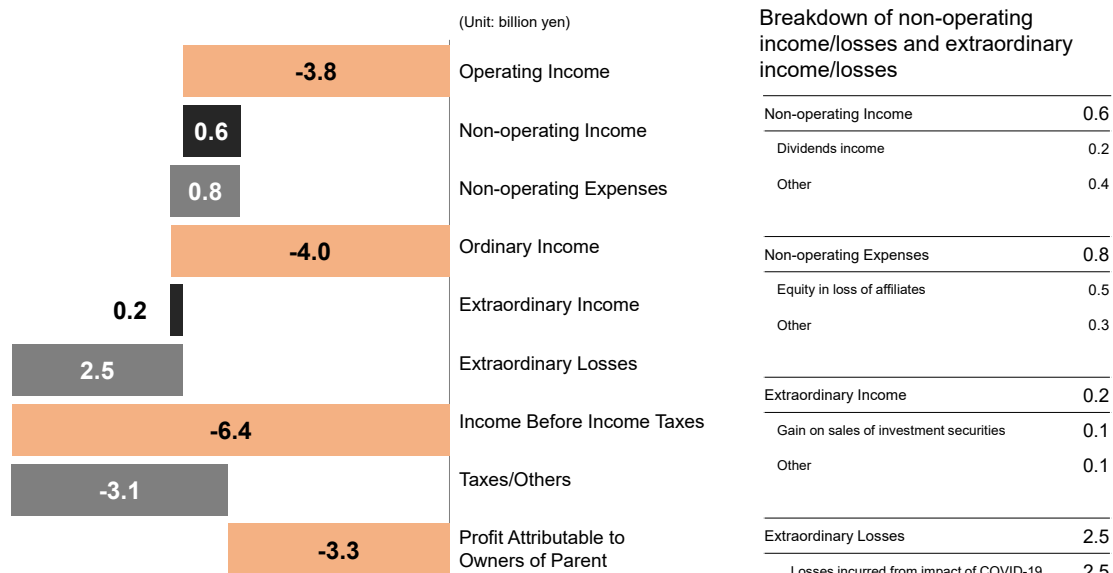
Today, we announced 1Q results and full-year forecast, both of which showed significant declines in revenues compared to the same period of the previous fiscal year and the previous fiscal year and recording of losses.

We expect this year will be an extremely difficult period for our group. The main reason is that the impact of COVID-19 has spread to all business other than Consumer area.

We have already begun discussions and studies on structural reform of business to reduce expenses and streamline business group-wide in order to build a strong business base for future growth, as well as to reduce losses in the current fiscal year. Satomi will provide a detailed explanation of this later.

With regard to dividends, we have not decided on a dividend payment plan at this time, as it is necessary to assess the impact of these structural reforms on our business performance and financial status, and it is anticipated that uncertainty will continue due to the impact of the COVID-19, and there is still a possibility that there will be significant changes from the results forecasts announced this time.

## Breakdown of Income (FY2021/3 1Q Results)



-5-

Approximately 2.5 billion yen of common fixed expenses and other expenses incurred during declaration of state of emergency by COVID-19 were recorded as extraordinary losses. Details of per Segments breakdown are described on page 6.

- ✓ Common fixed expenses and other expenses incurred associated with the impacts of COVID-19 is recorded in extraordinary losses at 1Q.

Extraordinary losses 2.5 billion yen		Breakdown of extraordinary losses
—	Pachislot and Pachinko Business	<b>0.1 billion yen</b>
—	Entertainment Contents Business	<b>2.1 billion yen</b>
—	Resort Business	<b>0.2 billion yen</b>
—	Group-wide	<b>0.1 billion yen</b>

-6-

Entertainment Contents Business recorded 2.1 billion yen.

This was mainly due to personnel expenses, rent, and depreciation during the temporary closure at stores and other facilities.

# Consolidated Costs and Expenses

(Unit: billion yen)

	2020/3		2021/3		Main factors for increase or decrease for FY2021/3
	1Q	Full Year Results	1Q	Full Year Forecast	
R&D Expense / Content Production Expense	17.1	76.5	14.7	64.2	Expenses decrease as the numbers of new titles to be launched decreased from previous fiscal year.
Cap-ex	5.1	22.8	3.6	15.2	Expenses decrease due to the restrain of investment such as purchasing of machines, interiors and exteriors of stores and etc.
Depreciation	3.6	14.8	3.6	13.4	Depreciation of molds and others decrease in Pachislot and Pachinko business.
Advertising	3.6	17.4	2.0	16.9	Expenses decrease due to the cancellation of various events, promotional activities and others by the impact of COVID-19.

-7-

R&D expenses decreased due to a decrease in the number of launch of large new titles in the Consumer area.

Cap-ex decreased due to restrained investments in Amusement Center Operations for purchasing of machines, interior and exterior of stores and others.

With regard to depreciation, depreciation expenses for molds and other items decreased at Pachislot and Pachinko Machines Business.

Expenses for advertising expenses decreased due to the cancellation or decline of various events and promotional activities caused by the impact of COVID-19.

## Consolidated Balance Sheet Summary

	As of end of March 2020	As of end of June 2020	Change
Total Current Assets	268.9	265.2	-3.7
Cash and Deposits	159.0	157.0	-2.0
Notes and accounts receivable - trade	40.4	24.5	-15.9
Short-term investment securities	5.3	0.2	-5.1
Inventories	47.0	56.0	+9.0
Total Noncurrent Assets	189.2	188.9	-0.3
Total assets	458.2	454.1	-4.1
Total Current Liabilities	86.1	88.7	+2.6
Corporate Bonds	10.0	-	-10.0
Short - term loans payable	13.3	43.3	+30.0
Total Noncurrent Liabilities	75.2	75.8	+0.6
Corporate Bonds	10.0	10.0	-
Total Liabilities	161.4	164.6	+3.2
Total Net Assets	296.8	289.5	-7.3
Total Liabilities and Net Assets	458.2	454.1	-4.1
	As of end of March 2020	As of end of June 2020	Change
Cash and cash equivalents	158.6	156.6	-2.0
Interest bearing debt	75.3	95.3	+20.0
Net cash	83.2	61.7	-21.5
Equity Ratio	64.2%	63.1%	-1.1pt

(Unit: billion yen)

Main factors	Changes
Current Assets	-3.7
Trade notes and accounts receivable decreased while inventory assets increased.	
Liabilities	+3.2
Increased due to the borrowing of short- term loans payable while redeemed corporate bonds.	
Net Assets	-7.3
Decreased due to the recording of losses attributable to owners of parent for quarter and payment of dividends.	

⇒For more details, please see

\*Fiscal Year Ending March 2021 1Q Results Appendix

-8-

Current Assets decreased by 3.7 billion yen due to collection of trade notes and accounts receivable proceeds, despite an increase in inventory assets.

Liabilities increased by 3.2 billion yen as a result of short-term borrowings of 30 billion yen from the credit for overdraft facilities in order to enhance liquidity on hand, considering the risk of COVID-19 impact on business, despite the redemption of 10 billion yen corporate bonds at maturity.

Net assets decreased by 7.3 billion yen due to the recording of a net loss attributable to owners of the parent for quarter and payment of dividends.

Net cash at the end of June, FY21/3 was 61.7 billion yen, a decrease of 21.5 billion yen from the end of the previous fiscal year.

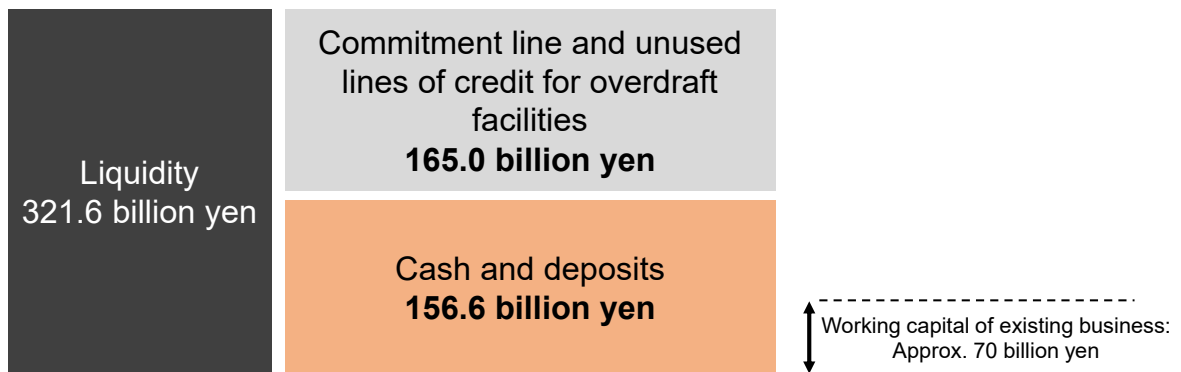
As for the cash flow as of the end of June, FY21/3, we are currently auditing, but we will inform you of the current forecast.

Cash Flows from Operating Activities is expected to be negative 14.9 billion yen, Cash Flows from Investing Activities to be negative 2 billion yen and Cash Flows from Financing Activities to be positive 15.1 billion yen.



- ✓ The Company is securing 321.6 billion yen as liquidity which enables us to respond flexibly to funding demand, including working capital for existing business and strategic investments in the future.

\*As of the end of June 2020



-9-

As of the end of June 2020, we have 156.6 billion yen in cash and deposits, as well as 165.0 billion yen in commitment lines from financial institutions and unused lines of credit for overdraft facilities so we are securing sufficient liquidity totaling 321.6 billion yen.

# Impacts of COVID-19

		2021/3 1Q	Full-year
Pachinko	Negative	<ul style="list-style-type: none"> <li>Pachinko Halls suspended their operation under the state of emergency.</li> <li>Utilization of Pachinko halls declined due to temporary suspension but is in recovering trend since state of emergency was lifted.</li> <li>Extension of deadline for removal resolved.</li> </ul>	<ul style="list-style-type: none"> <li>Expecting that the recovery of purchasing motivation of pachinko halls take a while as the deadline for removal extended and forecasting that the unit sales decrease YoY.</li> </ul>
Entertainment Contents	Positive	<b>Consumer</b> <ul style="list-style-type: none"> <li>Sales grew due to spending from staying at home.</li> </ul>	<b>Consumer</b> <ul style="list-style-type: none"> <li>Assuming the spending from staying at home will continue but will settle down.</li> </ul>
	Negative	<b>Amusement Machine Sales</b> <ul style="list-style-type: none"> <li>Revenue from revenue sharing model and sales of machines decreased due to closure and declined utilization of stores.</li> </ul>	<b>Amusement Machine Sales</b> <ul style="list-style-type: none"> <li>Expecting the decrease of revenue from revenue sharing model and sales of machines due to decline of utilization of stores.</li> </ul>
		<b>Amusement Center Operations</b> <ul style="list-style-type: none"> <li>Started temporary closure of stores sequentially from April 8.</li> <li>Resumed the operation at all stores from June 17.</li> <li>Sales of existing stores YoY 27.4% due to temporary closure.</li> </ul>	<b>Amusement Center Operations</b> <ul style="list-style-type: none"> <li>Although expecting the gradual recovery towards the end of fiscal year, sales of existing stores is expected to be 62.7% YoY for the full year.</li> </ul>
		<b>Animation / Toys</b> (No significant impact)	<b>Animation / Toys</b> <ul style="list-style-type: none"> <li>Animation: Expecting the decline of allocated revenue this fiscal year due to the postponement of the release of theatrical version of "Detective Conan," and etc.</li> </ul>
Resort	Negative	<b>PHOENIX RESORT</b> <ul style="list-style-type: none"> <li>5/7-30 Temporary closure of all facilities</li> </ul>	<b>PHOENIX RESORT</b> <ul style="list-style-type: none"> <li>Although expecting the gradual recovery towards the end of fiscal year, assuming the recovery of visitors may take a while due to the decline in travel demand.</li> </ul>
		<b>PARADISE SEGASAMMY</b> <ul style="list-style-type: none"> <li>3/2-5/1 Suspension of operations at some facilities other than casino section</li> <li>3/24-4/20 Suspension of operations at the casino section</li> </ul>	<b>PARADISE SEGASAMMY</b> <ul style="list-style-type: none"> <li>Temporary closure of some facilities from 7/1.</li> <li>Expecting that the restriction of foreign visitors entering South Korea will not be lifted within this year.</li> </ul>

-10-

The major impact of COVID-19 on 1Q and full-year results is summarized here.

We anticipate that negative impacts will remain in business area other than Consumer area. The current situation remains unpredictable, as the timing of settlement is still difficult to see. There are too many uncertain variables, and it was very difficult to formulate a forecast at the beginning of the fiscal year. However, at this point, there are two key recent conditions which are the basis of the forecast.

First, in Pachislot and Pachinko Machines Business, unit sales forecast for the current fiscal year declined due to the impact of the extension of deadline for removal of previous regulation machines.

Second, in Consumer area, the spending from staying at home is continuously seen and tends to be stronger than the estimate before the COVID-19 impact.

(JPY Billion)	2020/3		2021/3	
	1Q	Through 4Q	1Q	Full Year Forecast
<b>Sales</b>	<b>17.1</b>	<b>108.5</b>	<b>2.7</b>	<b>56.0</b>
Pachislot	7.0	54.1	0.2	19.7
Pachinko	5.4	37.4	0.0	26.7
Other / Elimination	4.7	17.0	2.5	9.6
<b>Operating Income</b>	<b>1.0</b>	<b>23.2</b>	<b>-8.4</b>	<b>-9.5</b>
Non-operating income	0.1	0.7	0.1	0.3
Non-operating expenses	0.1	1.1	0.2	0.8
<b>Ordinary Income</b>	<b>0.9</b>	<b>22.7</b>	<b>-8.5</b>	<b>-10.0</b>
Ordinary Income Margin	5.3%	20.9%	-	-
<b>Pachislot</b>				
Number of Titles	0 title	5 titles	0 title	8 titles
Unit Sales (units)	17,930	123,336	485	52,000
<b>Pachinko</b>				
Number of Titles	2 titles	7 titles	0 title	5 titles
Unit Sales (units)	16,212	104,581	177	71,000
Board + Frame	8,020	33,056	54	44,000
Board	8,192	71,525	123	27,000

## FY2021/3 1Q Results

- ◆ Sales were mainly attributable to Sammy Networks, continuous sales from previous fiscal year and etc.
- ◆ Recorded losses as no new title launched.

## Forecast

- ◆ Unit sales decrease YoY for both pachislot and pachinko.
- ◆ Launch major titles to coincide with the demand for replacement at the end of 2020.

(New titles to be released)

Pachislot : Pachislot Shin Hokuto Muso

Pachislot Kaidoumokuhiroku kaiji numa

Pachinko : P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO

P Shin Hokuto Muso Chapter 3

P ROAD TO EDEN

\*From FY2021/3, the gaming machine business, which develops and sells gaming machines for casino, was shifted from Amusement Machine Sales area of Entertainment Contents Business segment to Pachislot and Pachinko Machines Business segment.

\*The results of FY2020/3 reflect the change of segment classification retrospectively.

-11-

In Pachislot and Pachinko Machines Business, sales declined significantly in YoY and recording losses in 1Q. We suspended the launch of new titles along with the suspension of operation by pachinko halls due to the impact of COVID-19 and this caused for the aforementioned results.

Currently, we have announced two pachislot titles and three pachinko titles, and they will be released in order from 2Q onwards. However, with regard to full year forecast, we anticipate a significant decline in unit sales due to the impact of the extension of deadline for removal of previous regulation machines, so we expect a significant decline in sales YoY and recording of losses.

In and after 2Q



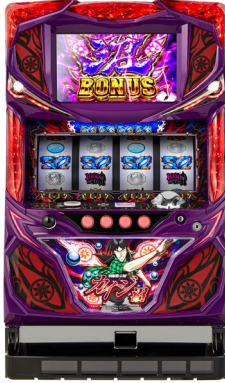
"Pachislot Shin Hokuto Muso"

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© 2010-2013 Koei Tecmo Games Co., Ltd.  
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"P Psalms of Planets Eureka Seven  
HI-EVOLUTION ZERO"

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



"Pachislot Kaidoumokuhiroku  
kaiji numa"

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"P Shin Hokuto Muso Chapter 3"

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©2010-2013 Koei Tecmo Games Co., Ltd.  
©Sammy

(JPY Billion)	2020/3		2021/3	
	1Q	Through 4Q	1Q	Full Year Forecast
<b>Sales</b>	<b>53.0</b>	<b>247.6</b>	<b>45.1</b>	<b>214.0</b>
Consumer	26.7	125.5	32.4	125.0
Amusement Machine Sales	10.1	51.0	5.4	35.0
Amusement Center Operations	10.4	41.9	3.4	28.0
Animation / Toy	5.0	26.2	3.4	24.0
Other / Elimination	0.6	2.9	0.4	2.0
<b>Operating Income</b>	<b>5.2</b>	<b>16.5</b>	<b>8.1</b>	<b>9.0</b>
Consumer	5.3	14.7	12.5	22.5
Amusement Machine Sales	-0.4	-0.6	-1.6	-3.5
Amusement Center Operations	0.7	1.4	-2.0	-7.5
Animation / Toy	0.3	2.7	-0.0	0.5
Other / Elimination	-0.7	-1.7	-0.8	-3.0
Non-operating income	0.3	1.3	0.2	3.0
Non-operating expenses	0.6	1.6	0.1	1.0
<b>Ordinary Income</b>	<b>4.9</b>	<b>16.2</b>	<b>8.2</b>	<b>11.0</b>
Ordinary Income Margin	9.2%	6.5%	18.2%	5.1%

## FY2021/3 1Q Results

- ◆ Although recorded losses in Amusement Machine Sales and Amusement Center Operations area, profit increased due to strong performance in Consumer area.
- ◆ 2.1 billion yen of common fixed expenses and others incurred during temporary closure period were recorded as extraordinary losses (of which 1.5 billion yen is from Amusement Center Operations.)

## Forecast

- ◆ Despite the contribution of Consumer area, profit decreased significantly YoY due to spread losses in Amusement Machine Sales and Amusement Center Operation area.
- ◆ Non-operating income from the movie "Sonic the Hedgehog" is expected in the second half of the year.

\*From FY2021/3, Digital Games area and Packaged Games area have been integrated into 1 sub-segment and changed the name to Consumer area.

\*From FY2021/3, the gaming machine business, which develops and sells gaming machines for casinos, was shifted from Amusement Machine Sales area of Entertainment Contents Business segment to Pachislot and Pachinko Machines Business segment.

\*The results of FY2020/3 reflect the change of segment classification retrospectively.

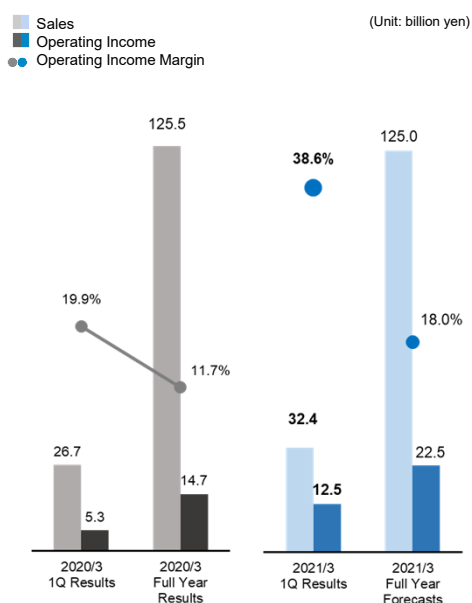
-13-

In Entertainment Contents Business, sales decreased but operating income increased YoY in 1Q. This is because although the negative impact by the COVID-19 were significant in Amusement Machine Sales and Amusement Center Operations area, the Consumer area performed strongly.

2.1 billion yen of common fixed expenses and other expenses, that were incurred due to the temporary closure of facilities or the suspension of events associated with business suspension request as a measure of declaration of state of emergency, were recorded in extraordinary losses, of which 1.5 billion yen was from Amusement Center Operations area.

Looking ahead, we are forecasting sales and profits will be declined YoY due to anticipated growth in losses in the Amusement Machines Sales and Amusement Center Operations area, despite strong performance in Consumer area.

In the second half of this fiscal year, we expect a non-operating income of 3 billion yen, including revenues from the movie "Sonic The Hedgehog".



## FY2021/3 1Q Results

- ◆ Repeat sales performed strong centered in overseas market.

## Forecast

- ◆ Offer titles to multiple platforms.
  - "A Total War Saga: TROY"
    - Scheduled to be released at Epic Games stores in August
  - "YAKUZA : LIKE A DRAGON"
    - Scheduled to be released as a launch title of Xbox Series X

\*Revised KPIs and disclose them by business model (next page)

-14-

As for the Consumer area, repeat sales were strong, and sales and profits increased significantly YoY in 1Q.

Looking ahead, although new titles are small fewer compared to the previous fiscal year, we expect the sales to be on a par with the previous fiscal year and profits to increase significantly as a result of continuing increase of sales of repeat titles which profit is higher and initiatives to offer the titles to multi platform.

The new category classification along with the review of the sub-segments from this fiscal year are shown on page 15.

## Consumer Area (KPI)

■ Sales by Business Model

(JPY Billion)

	2020/3		2021/3	
	1Q	Through 4Q	1Q	Full Year Forecast
<b>Full Game</b>	<b>11.5</b>	<b>57.0</b>	<b>14.4</b>	<b>51.3</b>
<b>Japan</b>	<b>0.7</b>	<b>15.3</b>	<b>1.8</b>	<b>5.6</b>
New titles	0.2	12.5	0.0	1.2
Repeat titles	0.5	2.7	1.7	4.4
<b>Asia</b>	<b>0.8</b>	<b>5.3</b>	<b>1.3</b>	<b>4.7</b>
New titles	0.4	3.5	0.7	2.0
Repeat titles	0.3	1.7	0.5	2.7
<b>North America / Europe</b>	<b>9.9</b>	<b>36.3</b>	<b>11.1</b>	<b>40.9</b>
New titles	6.6	22.9	1.2	17.3
Repeat titles	3.3	13.3	9.9	23.6
<b>F2P</b>	<b>9.1</b>	<b>38.1</b>	<b>10.4</b>	<b>47.1</b>
<b>Other</b>	<b>6.1</b>	<b>33.0</b>	<b>7.2</b>	<b>28.7</b>

\*Full Game = Mainly physical sales and download sales of full game for home video game consoles and PCs. (Additional download content sales are not included.)

\*F2P = Mainly sales of contents with offering free basic play and microtransaction for smartphones and PCs.

\*Others = Sales of additional downloadable contents, consignment sales of 3rd party titles, revenue from consignment development, transfer of titles, offering of titles in batches to 1st parties, sales of non-game software products, etc.

-15-

Consumer sales are divided into three categories by business model: "Full Game," "F2P (free-to-play)," and "Others." For Full Game, the breakdown of "new titles" and "repeat" is also provided.

In 1Q, repeat sales were particularly strong in Europe and the United States. Free-to-play (F2P) also continued to be firm.

Full Game

F2P

1Q

In and after 2Q



“Persona 4 The Golden”  
(PC version)  
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“A Total War Saga: TROY”  
© SEGA. Developed by The Creative  
Assembly Limited.



“HUMANKIND™”  
© Amplitude Studios 2020.  
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“Shin Megami Tensei III  
NOCTURNE HD REMASTER”  
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“Shin Megami Tensei V”  
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“Phantasy Star Online 2”  
(North American version)  
©SEGA



“Re:ZERO -Starting Life in Another  
World- Lost in Memories”  
©Tappei Nagatsuki,KADOKAWA/Re:ZERO2  
PARTNERS  
©SEGA

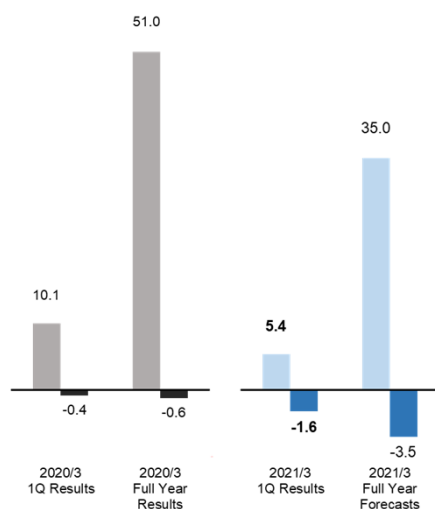


“Project SEKAI COLORFUL STAGE  
feat. Hatsune Miku”  
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Palette / © Crypton Future Media, INC.  
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■ Sales  
■ Operating Income/Losses

(Unit: billion yen)



## FY2021/3 1Q Results

- ◆ Due to the temporary closure of amusement facilities and a decline in utilization, revenue from revenue sharing model and sales of amusement machines remained sluggish.

## Forecast

- ◆ Focus on sales of regular products.
  - Sales of prize machines and prizes for prize machines
- ◆ Introduction of the latest Print Club "fiz".
- ◆ Proceed the shift of R&D resources to growing area.

\*From FY2021/3, the gaming machine business, which develops and sells gaming machines for casinos, was shifted from Amusement Machine Sales area of Entertainment Contents Business segment to Pachislot and Pachinko Machines Business segment.

\*The results of FY2020/3 reflect the change of segment classification retrospectively.

-17-

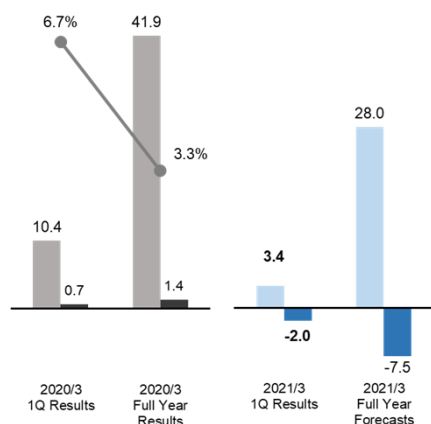
Regarding Amusement Machine Sales area, revenue from revenue share models and order of machine sales declined due to the temporary closure and a decline in utilization at amusement facilities, resulting in a significant drop in revenues YoY and recording of losses in 1Q.

Looking ahead, although we will launch some new products, mainly sell regular products such as prize machines and prizes for prize machine and forecast a decline in sales and an increase in losses YoY.

In Amusement Machine Sales are, we will review business efficiencies and shift R & D resources to growth area.

■ Sales  
■ Operating Income/Losses  
● Operating Income Margin

(Unit: billion yen)



## FY2021/3 1Q Results

- ◆ Sales of existing stores were 27.4% YoY due to temporary closure, etc.
- ◆ Personal expenses, rent, depreciation and other expenses of amusement facilities during temporary closure are recorded as extraordinary losses (1.5 billion yen).

### ■ Number of stores closed in accordance with business suspension request

	Closure of all stores		Sequential resumption		Resumption at Tokyo		Resumption of all stores
	4/8	4/17	5/8	5/16	5/30	6/12	6/17
Open	107	0	26	70	150	192	195
Close	85	192	166	122	43	3	0
Total	192	192	192	192	193	195	195

## Forecast

- ◆ Sales of existing stores is expected to be 62.7% YoY for the full year.
- ◆ Review plans for opening of stores and restrain investment in purchasing machines at stores.

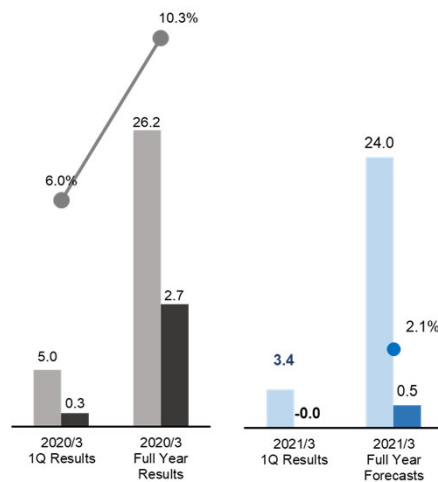
-18-

In Amusement Center Operations area, we temporary closed facilities from April sequentially and resumed operations sequentially following the lift of declaration of state of emergency in May. Due to the impact of temporary closure and a decline in the number of customers, sales of existing stores fell sharply to 27.4% YoY, resulting in a significant decrease in revenues YoY and recording of losses.

Looking ahead, we will review our store opening plans and restrain investing in stores. However, we expect to post a decline in revenues YoY and recording of losses.

■ Sales  
■ Operating Income  
● Operating Income Margin

(Unit: billion yen)



## FY2021/3 1Q Results

- ◆ Animation: Recorded sales from video production and allocated revenue.
- ◆ Toys: Focus on sales of regular products.

## Forecast

- ◆ Animation: Allocated revenue declines due to the postponement of the release of theatrical version of "Detective Conan," and etc.
- ◆ Toys : Fewer launch of new products and mainly sell regular products.

-19-

With regard to Animation and Toys area, recorded revenue from video production and allocated revenue in Animation, and focus on sales regular products in Toys but sales declined YoY and recording losses.

Looking ahead, allocated revenue of theatrical version of "Detective Conan" will not be generated because of the postponement of the release due to the impact of COVID-19 in Animation, and mainly sell the regular products as we restrain the launch of new products in Toys. As a result, we forecast that sales and profits will decline YoY.

(JPY Billion)	2020/3		2021/3	
	1Q	Through 4Q	1Q	Full Year Forecast
Sales	2.4	10.4	0.4	6.5
Operating Income	-0.8	-3.6	-1.7	-6.5
Non-operating income	0.1	0.2	0.0	0.0
Non-operating expenses	0.9	1.9	0.3	6.0
Ordinary Income	-1.6	-5.3	-2.1	-12.5
Ordinary Income Margin	-	-	-	-

## <PHOENIX RESORT>

Sales	2.2	9.9	0.3	6.0
Operating Income	-0.1	-0.2	-1.0	-2.4
No. of facility users (Thousands)	189	839	44	484
3 accommodation facilities	75	359	12	200
2 golf courses	25	92	9	70
Other facilities	89	388	23	214

## FY2021/3 1Q Results

- ◆ Significant decline in the number of users.
    - PHOENIX RESORT
- Number of facility users: 23.2% YoY

## Forecast

- ◆ PHOENIX RESORT
  - Losses expand due to decline of the number of users.
  - Strengthen the measures for customers in Kyushu area.
  - Work to reduce costs.
- ◆ Expenses incur due to measures for domestic IR business
- ◆ Expect recording of significant losses (non-operating losses) at PARADISE SEGASAMMY (equity-method affiliate).

-20-

In Resort Business, revenues declined, and the extent of losses increased YoY due to the temporary closure of facilities and a decline in the number of customers at 1Q.

Looking ahead, we are expecting to continuously record expenses for entry into the domestic IR business as well as anticipating the impact of COVID-19 continues and forecasting a decline in sales and increase in the extent of losses YoY.

In PHOENIX RESORT, we will strengthen measures targeting customers in Kyushu area and work to reduce costs.

As non-operating expenses, we expect to record equity in losses of affiliates of 6 billion yen at PARADISE SEGASAMMY.

(KRW Billion)		FY2020 1Q Results	FY2021 1Q Results
<b>Sales</b>		90.6	89.7
	Casino	74.7	75.8
	Hotel	13.2	10.8
	Other	2.6	3.0
<b>Cost of sales</b>		88.7	78.4
	Casino	44.5	40.8
	Hotel	27.3	25.9
	Other	16.7	11.6
<b>Gross profit</b>		1.9	11.2
	SG&A	9.0	8.8
<b>Operating profit</b>		-7.1	2.4
<b>EBITDA</b>		8.2	17.5
<b>Net profit</b>		-14.3	-5.3
<b>Number of casino visitors (Thousands)</b>		82	66

Source: Paradise IR

<b>SEGASAMMY</b>		
<b>Equity method acquisition amount (Billion yen)</b>	<b>-0.8</b>	<b>-0.3</b>

## FY2021/3 1Q Results

- ◆ Decline in the number of users
  - Number of casino users: 80% YoY

## Forecast

- ◆ Expecting that the restriction of foreign visitors entering South Korea will not lift within this year.
- ◆ Optimization of facility operation has been started.

\*PARADISE SEGASAMMY Co., Ltd. is an equity method affiliate of SEGASAMMY HOLDINGS INC.  
 \*Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay as its settlement of accounts is December.  
 \*Local accounting standard

-21-

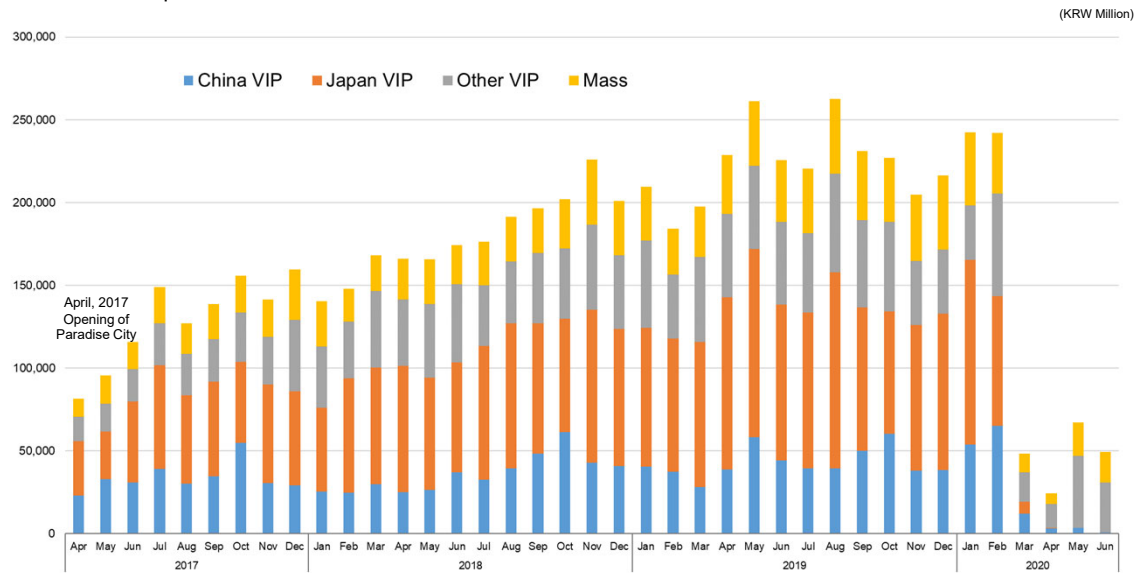
Regarding PARADISE SEGASAMMY details, as we record the figure for it in three months delay, the results for PARADISE SEGASAMMY in 1Q is their results from January to March. As can be seen from the trends in drop amount shown on page 22, operating income has been in the black and the amount of losses taken in to our company have been reduced YoY due to the steady performance in the period up to February, prior to the expansion of impact from COVID-19.

However, from March onward, drop amount decreased significantly due to the difficulties of VIPs from Japan and China to visit facility due to restrictions on travel accompanying COVID-19 and the suspension of operations at facilities.

Looking ahead, we expect that the restrictions on travel will not be lifted by the end of the year, and our equity in losses of affiliates is expecting to grow significantly. In PARADISE SEGASAMMY, we have already started the optimization of operation of facilities.

## Resort Business (PARADISE SEGASAMMY)

Transition of Drop\* amounts at PARADISE SEGASAMMY



\*Drop amounts: Purchased amount of chips by customers at the table  
 \*Calculation method was changed after Jan 2018

## 2. FY2021/3 Future Direction

**Speakers: Haruki Satomi, President and Group COO, Representative Director**

Thank you for participating in our 1Q result briefing today.

We have created various forecast, including the best, better, and the worst-case scenarios internally, but at this point I think we can get out from the worst case.

However, if business suspension request happens nationwide in the future for example, there is the possibility that our forecast goes to the worst case again.

At present, the government are paying close attention to the number of severely infected persons and the mortality rate. With this in mind, although the number of infected persons is bigger compared to the first wave, nationwide business suspension request and all industries business suspension request don't seem to be happening a while and our forecast for the current fiscal year is based on this assumption.

- ✓ Utilization of pachinko halls is recovering trend after declaration of state of emergency was lifted.
- ✓ Demand for replacement to new machines declined this fiscal year due to the impact of extension of the deadline for removal of previous regulation machines.

-24-

Regarding Pachislot and Pachinko Machines Business, utilization of pachinko halls has recovered considerably since declaration of state of emergency lifted, and I will explain the figure later.

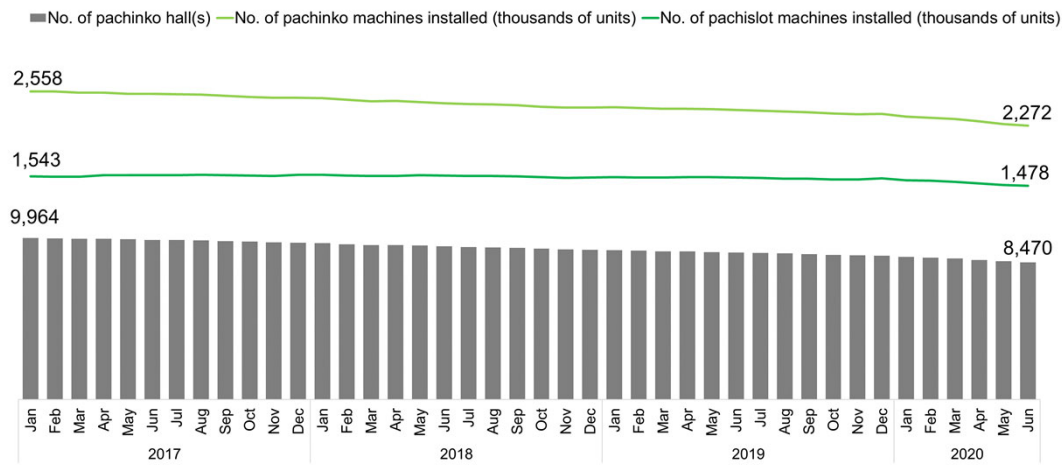
However, extension of the deadline for removal of previous regulation machines will be a major damage to the manufacturers, but for pachinko halls, I think it will be a year for them to store their power and money as the preparation for future replacement.



## Market environment of Pachislot and Pachinko Machines Business (Transition of No. of pachinko halls and No. of installed units)

- The number of pachinko halls is decreasing in the long-term trend but the impact of COVID-19 is not noticeable at the present.

No. of nationwide pachinko halls and their installed units excluding the numbers of non-member stores of union which are approx. 800 stores



-25-

The fact that the number of halls is declining in the long-term trend remains unchanged, so we do not see the trend that there has been a rapid increase in the number of pachinko halls closed due to COVID-19.

We usually use the figures published by the National Police Agency, but in order to show the figures up to the end of June, we use the figures from the Zennichiyuren (a union for pachinko and pachislot halls) this time.

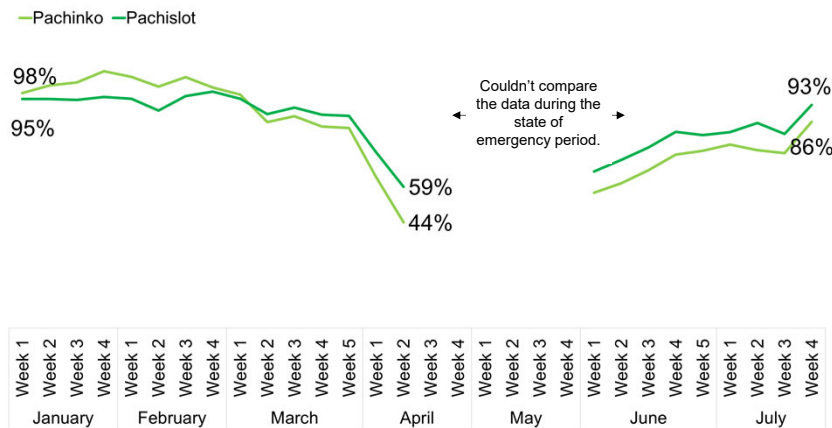
So, more than 800 stores that are not affiliated with this union are not included in this number, and you may think that it is a little different from the number you usually see, but I hope you can take that into account.

As a long-term trend, we do not see any major changes in the tendency that the number of stores is decreasing but for per store size to become large and number of installed units to remain almost flat.

## Market Environment of Pachislot and Pachinko Machines Business (Transition of utilization of pachinko halls)

### ➤ Impact of COVID-19 is gradually stabilizing

YoY comparison of average utilization rate of pachislot and pachinko



Utilization rate is gradually recovering after the declaration of state of emergency lifted.

CY2020

\*In-house estimation based on DK-SIS data of Daikoku Electric Co., Ltd.

-26-

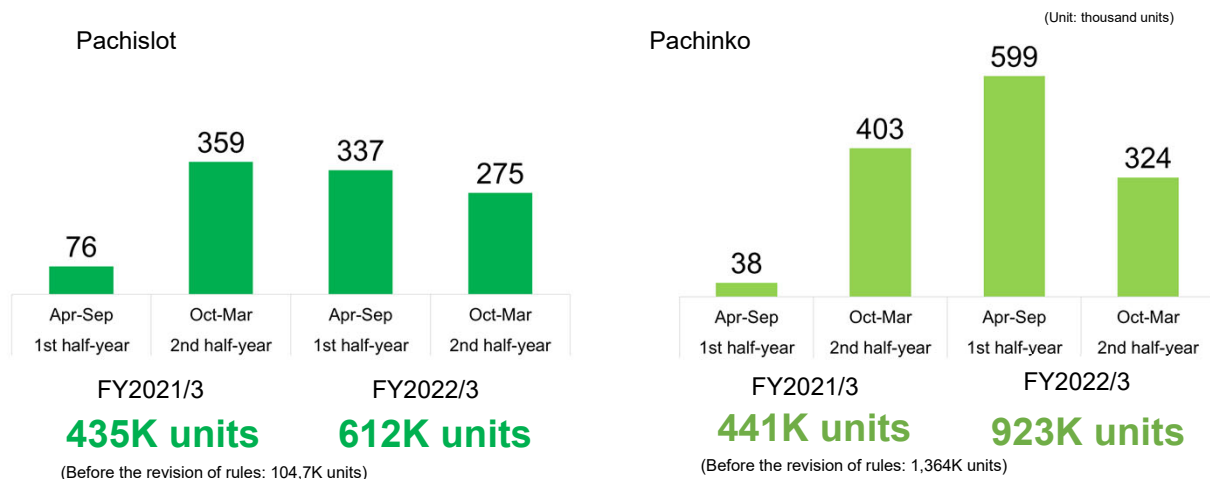
As for utilization, in the last week of July, the average utilization rate for pachislot was 93% and pachinko was 86%.

Pachinko is recovering more slowly than Pachislot initially. This is because movements of elderly person are still slow, and pachinko, which has a higher percentage of elderly players, is recovering more slowly nationwide. However, the pace of recovery is particularly rapid in rural areas, and urban areas tend to be slow.

Pachislot and Pachinko Machines Business seems to be extremely resilient compared to amusement center facilities, but in addition, the ban on smoking in the indoor area, in principle, has had a slight effect since April 1. I think that even if they receive them, the utilization of pachinko halls is recovering sufficiently.

There was some pachinko bashing and etc. in April and May but conversely, there are some voices suggesting that even though they have been criticized that far, there has not been a single cluster, or that it is a relatively safe amusement. This data suggests that the current spread of infection has not been significantly affected to them, as each pachinko hall is taking countermeasure to the infection.

- Full-fledged removal timing moves to fiscal year ending Mar 2022 following the extension of the deadline for removal of previous regulation machines.



\*Numbers above are in-house estimation as of end of July, 2020  
 \*Plan to complete transition to new regulation machines on Dec, 2021

-27-

This is the schedule in response to the extension of deadline for removal. We expect the full-fledged removal will take place in fiscal year ending Mar 2022. However, the current situation is that 435,000 units of pachislot and 441,000 units of pachinko will need to be removed in response to this guideline, in the current fiscal year.

Although a little more detail of pachislot and pachinko are included on the following page, the 100,000 machines with high gambling aspects will reach the removal deadline by the end of January 2021 depending on the removal deadline set for each machine.

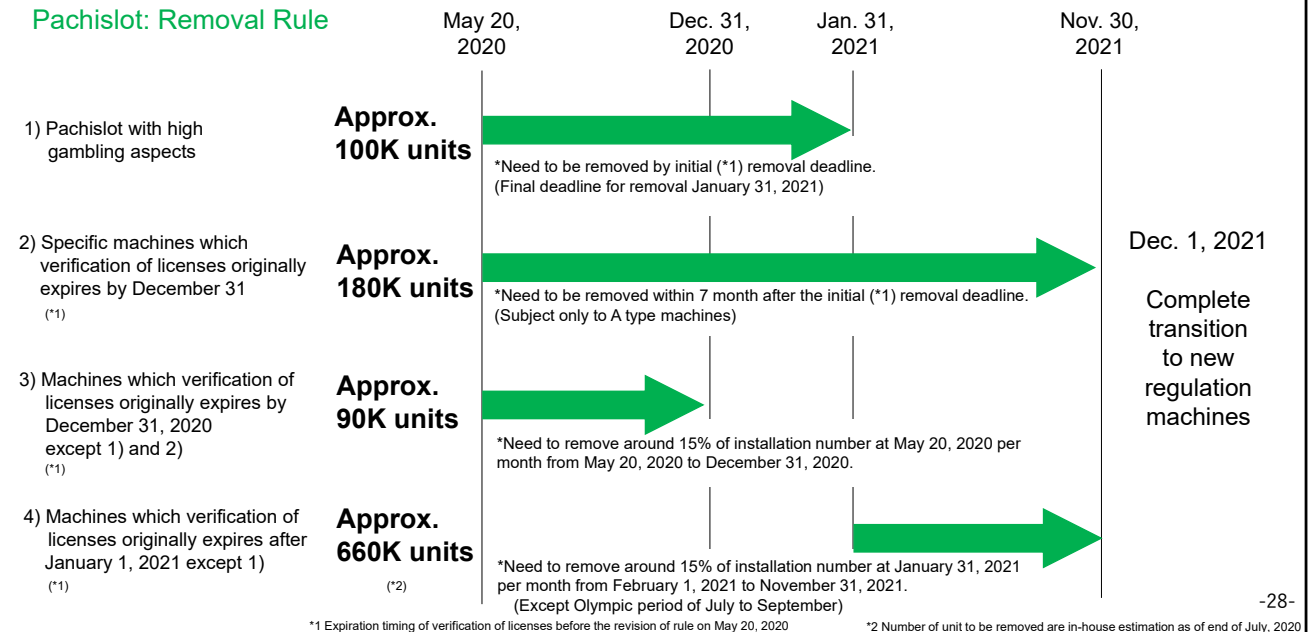
The separate deadline is set for each type of machines and specifications, and removal will be conducted on such schedules. However, there is no legal penalty even if they are not removed.

Now, however, 21st Century Pachinko and Pachislot Industry Association is working together as an industry association to ask pachinko hall to submit a pledge to remove machines according to this rule and 98% of pachinko halls are already issuing this pledge to the association. However, our current prospects are that replacement will proceed even slower than this.

# Pachislot and Pachinko Machines Business

(Appendix 1: Overview of the extension of the deadline of previous regulation machines)

## Pachislot: Removal Rule

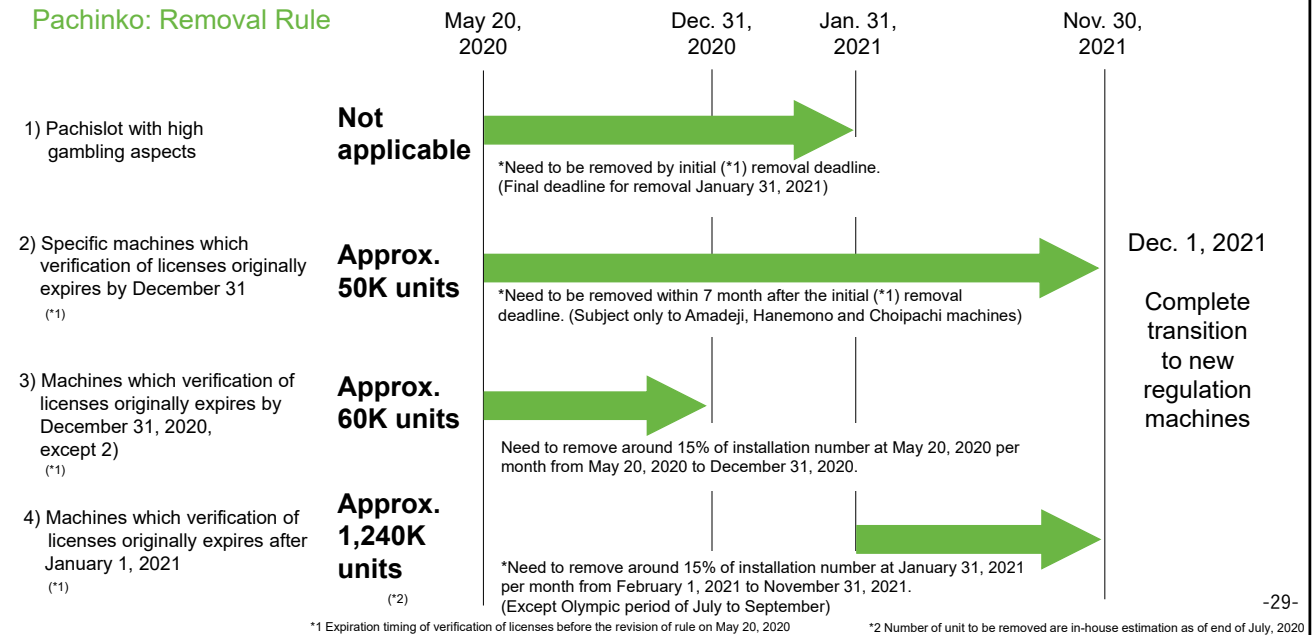


(Reference: Removal Condition Pachislot)

# Pachislot and Pachinko Machines Business

(Appendix 2: Overview of the extension of the deadline of previous regulation machines)

## Pachinko: Removal Rule



\*1 Expiration timing of verification of licenses before the revision of rule on May 20, 2020

\*2 Number of unit to be removed are in-house estimation as of end of July, 2020

(Reference: Removal Condition Pachinko)

- ✓ Profit increased significantly in Consumer area due to the spending from staying at home
- ✓ Enhance the multi-platform and global roll-out
- ✓ Aggressively expand as a growing area

\*Since FY2021/3, Digital Games area and Packaged Games area have been integrated into 1 sub-segment and changed the name to Consumer area.

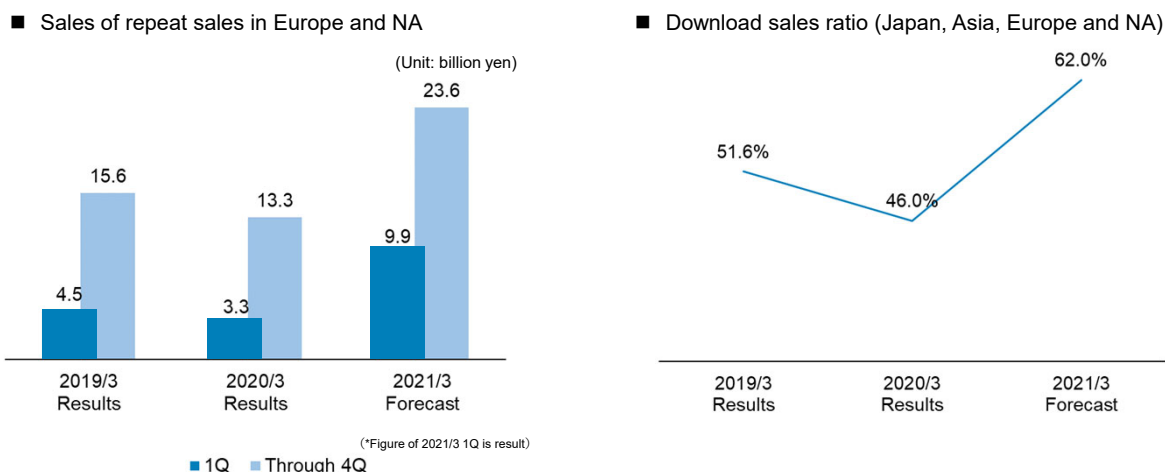
-30-

Regarding Entertainment Contents Business, I think spending from staying at home will continue to occur.

This is noteworthy growth in sales in the countries that called out "Stay Home" movement, starting from Europe in February, such as Spain, Italy, the U.K., and France, in U.S. and Japan from March onwards. However, I think this special demand is somewhat stabilizing now. The digital shift has progressed dramatically during this period, although it is now somewhat more stable than it was when the "Stay Home" has started.

The number of people who bought via digital for the first time dramatically increased during this period. As it is key for these segments how to overcome their initial user experience, once they overcome, it tends to buy via digital again in the second time or later, so I guess the industry trend of digitization will continue to evolve. I believe that this trend will proceed globally.

- Strong repeat sales in Europe and the North America and an increase in the ratio of download sales.



-31-

This is a breakdown, and as I mentioned earlier, repeat sales in Europe and the United States were extremely strong. In 1Q of the previous fiscal year we recorded the repeat sales of 3.3 billion yen, but in 1Q of this fiscal year alone we achieved sales of approximately 10 billion yen.

Our digital download sales ratio in full-year forecast is 62%, and we expect the digital sales ratio to grow dramatically.

- Both new titles and repeat sales of existing titles went strong
- Unit sales of 2021/3 1Q results: 12,980K units (200% YoY)

■ Results of 1Q per series

Series	Unit sales	Name of main titles (released month)	
<b>Total War</b>	Approx. 1,900K units	"Total War: SHOGUN 2" (March, 2011) "Total War: ROME II" (September, 2013)	"Total War: WARHAMMER 2" (September, 2017) "Total War: WARHAMMER" (May, 2016), etc.
<b>Persona</b>	Approx. 1,200K units	"Persona 4 The Golden" (June, 2020) "PERSONA 5 ROYAL" (October, 2019)	"Persona5" (September, 2016) "Persona 5 Scramble: The Phantom Strikers" (February 2020)
<b>Football Manager</b>	Approx. 900K units	"Football Manager 2020" (November, 2019)	"Football Manager 2020 Mobile" (November, 2020), etc.
<b>Sonic</b>	Approx. 800K units	"Mario & Sonic at the Olympic Games Tokyo 2020™" (November, 2019) "Team Sonic Racing" (May, 2019)	"Sonic Mania" (August, 2017) "SONIC FORCES" (November, 2017), etc.
<b>Other</b>	—	"Alien: Isolation" (October, 2014)	"Two Point Hospital" (August, 2018), etc.

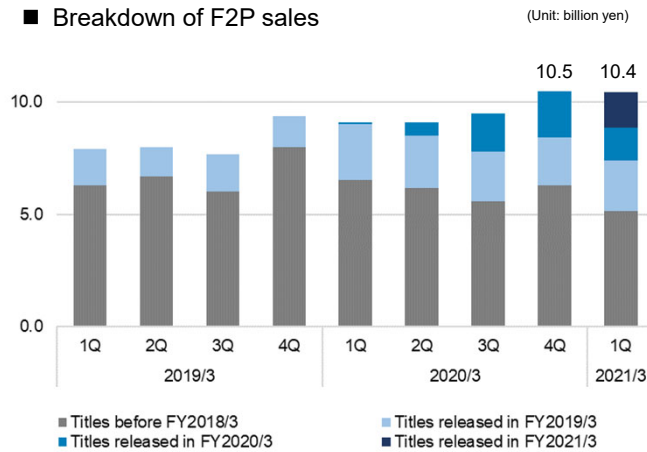
-32-

Regarding the breakdown of the repeat sales, we have now achieved sales of approximately 13 million units in 1Q which is twice sales of YoY.

Each of "Total War", "Persona", and "Football Manager" and "Sonic" series sells this much number of units. In particular, as you can see from "Total War", very old titles are also selling well. Behind this, we are not doing nothing, but we introduce the old titles, through various campaigns, price discounts and other measures. Also, the contents with very low price are included, so in terms of unit sales, they are very high.



➤ New title, North American version of "PSO2" made a strong start



- ✓ Major titles released on FY2020/3.
  - "Fist of the North Star LEGENDS ReVIVE"
  - "Kemono Friends 3"
- ✓ Major titles will be released on FY2021/3.
  - "PHANTASY STAR ONLINE 2" (North American version)
- (Scheduled for future release)
  - "Project Sekai Colorful Stage feat. Hatsune Miku"
  - "Re: ZERO -Starting Life in Another World- Lost in Memories Lost in Memories"

-33-

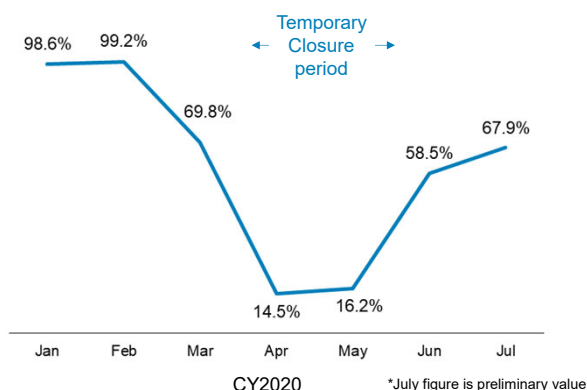
Regarding Free-to-Play, the North American version of "PHANTASY STAR ONLINE 2" has started strongly. It has been distributed mainly on the platform of Microsoft until now but as the distribution of Steam will begin almost worldwide from today, I look forward for good performance for this.

We are also seeing steady performance in our existing titles, such as "Fist of the North Star LEGENDS ReVIVE" and "Kemono Friends 3". Also, it is not written here, but we have developed "TWISTED-WONDERLAND" of ANIPLEX and this is also doing very well.

In the future, we will launch 2 titles, "Project SEKAI COLORFUL STAGE feat. Hatsune Miku" and "Re: ZERO -Starting Life in Another World- Lost in Memories", which we have already announced and one unannounced title in the second half of this year. Also, the current situation is that the existing titles are performing very well.

- Although the market is currently in recovering trend, the impact of the COVID-19 is expected to be prolonged.

■ Sales of existing stores of Amusement Center Operations area compared with the same month of the previous year



✓ Recovered nearly 70% recently.

✓ Commence the optimization of business with anticipation that the impact of the COVID-19 is prolonged

- Amusement Center Operations: Restrain new investments
- Amusement Machine Sales: Accelerate the shift of R&D resources to growing area

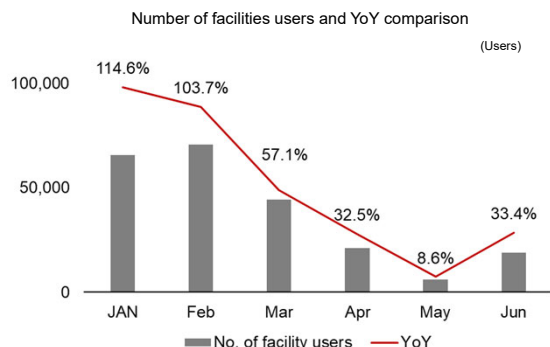
-34-

Regarding Amusement Machine Sales and Amusement Center Operation, this is the number of our YoY comparison, and as it is 68%, we are struggling now. At present, we heard that the industry average has exceeded 80%, and the number of suburban stores in particular has exceeded 100%. However, given that our store network is characterized by a large number of urban areas and also a large number of stores within Tokyo. As the recovery of those area is extremely slow leads the slower recovery of our company than that of other companies in the same industry.

In order to survive, we believe that each company will curb expenditures for new machines, and that while standard machines and prize machines are selling well, I expect it is difficult to sell new machines in the current fiscal year. However, the core games we operate with the revenue share model, such as "Fate/Grand Order Arcade", "KanColle Arcade" and "StarHorse4," the week which utilization goes more than 100% YoY by holding event can be seen, and we expect the core games to return steadily.

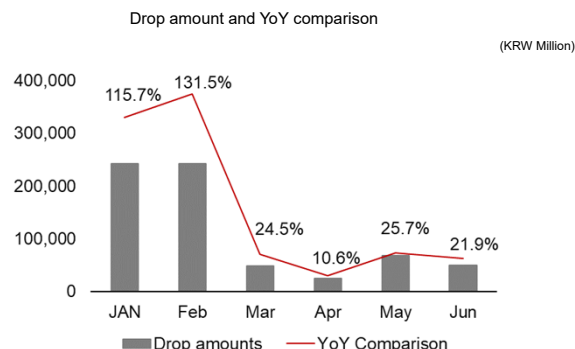
- Will struggle for this fiscal year as the timing when COVID-19 will be settled is difficult to predict.

## ■ PHOENIX RESORT



- ✓ Significant decrease in the number of users

## ■ PARADISE SEGASAMMY



- ✓ Commenced the optimization of facilities operation
  - Suspension of some facilities
  - Partial resignation of directors
  - Implement a voluntary retirement program of employees

-35-

As for resorts, we are in a very tough situation. We were expecting the effects from Go To campaigns at PHOENIX RESORT but since we do not see everyone likely to go on a trip with using this actively, we have already launched a late summer campaign in September to appeal customers.

Currently, utilization rate is very low in 1Q because we closed all facilities for about three weeks in May.

As I mentioned earlier, PARADISE CITY is performing very well in January to February, and as an equity-method affiliate, the result of January-March period, which is three months behind schedule, is incorporated in the result this time, and the equity in losses of affiliates is very small at 0.3 billion yen.

However, if the current pace will continue in the future, it is highly likely that the deficit will widen. However, utilization of hotels has been recovering to a very high level and use by Koreans has been strong particularly on the weekend. In August of this year, the figure of hotels on a non-consolidated basis has recovered to a level where can be achieved a profit.

In terms of domestic IR, there are major impacts from COVID-19, but with regard to IR, I believe that not only the disadvantages but also the benefits are emerging. One is that it has negatively affected everywhere to the worldwide IR operators. Typically, as Las Vegas Sands has withdrawn from Japan's IR, the competition status is changing.

Also, there is the questions such as whether MICE facilities really need this size in response to COVID-19, the global demand for conventions would be cool down for the time being are arises. The original request was to prepare a large-scale convention hall, a conference room can accommodate thousands of guests, and a hotel with thousands of rooms. However, there has been a debate that those are not necessary, including from foreign-affiliated companies, because the event can be done online at present. Therefore, I think that a full-scale review of the total investment scale will be progressing in the future.

## **Establishment of the Structural Reform Committee**

### **Chairman: Haruki Satomi**

- Pachislot and Pachinko machines, resorts and group-wide

**Haruki Satomi** President & Group COO (Representative Director) of SEGA SAMMY HOLDINGS  
President and CEO (Representative Director) of Sammy Corporation  
President and CEO (Representative Director) of SEGA GROUP CORPORATION

- Entertainment Contents

**Yukio Sugino** Vice President and COO (Representative Director) of SEGA GROUP CORPORATION

-36-

Based on these results, I would like to once again launch the Structural Reform Committee which we launched five years ago. As I mentioned earlier, we will not go out of business even if COVID-19 status continues for two years, but not only that, but we also must make solid profits. To this end, we will first put our company system in place that can sustainably generate incomes.

## Reformation to a business structure that can sustainably generate profit

### ✓ **Cost reductions for this fiscal year**

- To reduce the expenses approximately 3 billion yen YoY for group-wide (incorporated into the latest forecast) (\*1)

### ✓ **Review of Balance Sheet**

- To review the non business properties

### ✓ **Review of Business Structure**

- To build an organizational structure that can adapt to changes in the market environment
- Cost reduction centered on group-wide common fixed expenses (reduction target: 15 billion yen)

\*Specific action plans will be announced in accordance with the progress of structural reforms.

The expenses associated with the implementation of structural reforms and their impact on business results are not included in the business results forecast announced on August 5. (Except \*1)

\*The new medium-term management plan is scheduled to be announced after the implementation of structural reforms.

-37-

We have already been implementing companywide cost reduction measures since around February, but we have incorporated a groupwide cost reduction plan of 3 billion yen YoY into the forecast for this fiscal year. I would also like to realize further reductions, to review non-asset business by reviewing our balance sheet.

We also want to build an organizational structure and business portfolio that adapts to changes in the marketing environment, including business structure.

As we are reducing the costs, mainly through group-wide common fixed expenses, and in an environment where work from home is becoming more common, we need to review how much we need offices. We'd like to reduce the cost with 15 billion yen as a target.

In the current fiscal year, we are forecasting a loss to this extent, but if the cost reduction proceeds and each business, particularly Pachislot and Pachinko Machines Business of Sammy recovers more than expected in the second half of the fiscal year, or if there is further growth in digital distribution centered on Consumer area, I would like to aim to achieve a profit.

- End-

### 3. Q&A



<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 more information of products and service of SEGASAMMY.

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

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