

Fiscal Year Ended March 2021

Results Presentation

2021/5/13

Disclaimer

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

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(All contents here are the translation of Japanese materials)

Speaker: Koichi Fukazawa (Senior Executive Vice President and Group CFO, Director of the Board)

Thank you for accessing the financial results briefing today.

I would like to explain the results for the fiscal year ended March 2021, and the forecast for the fiscal year ending March 2022. The document we will use today is the results presentation uploaded on our website.

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FY2021/3 Results / FY2022/3 Forecast

FY2021/3 Results, FY2022/3 Forecast



(JPY Billion)	2020/3 Full Year Results	2021/3 Full Year Results	2022/3 Full Year Forecast
Sales	366.5	277.7	312.0
Entertainment Contents	247.6	217.8	213.0
Pachislot and Pachinko Machines	108.5	53.1	89.0
Resort	10.4	6.3	9.5
Other / Elimination	0.0	0.5	0.5
Operating Income	27.6	6.5	20.0
Entertainment Contents	16.5	27.9	23.0
Pachislot and Pachinko Machines	23.2	-10.6	9.0
Resort	-3.6	-4.1	-3.0
Other / Elimination	-8.5	-6.7	-9.0
Non-operating income	3.2	2.8	3.0
Non-operating expenses	5.5	7.6	3.0
Ordinary Income	25.2	1.7	20.0
Entertainment Contents	16.2	27.9	25.0
Pachislot and Pachinko Machines	22.7	-11.3	9.0
Resort	-5.3	-8.9	-5.0
Other / Elimination	-8.4	-6.0	-9.0
Ordinary Income Margin	6.9%	0.6%	6.4%
Extraordinary income	3.1	28.8	-
Extraordinary losses	1.2	40.3	-
Income before income taxes	27.1	-9.8	20.0
Profit attributable to owners of parent	13.7	1.2	14.0
ROE	4.6%	0.4%	-
Dividends per share (JPY)	40.00	30.00	40.00

FY2021/3 Results

- Strength and weakness in each business became clearer due to the impact of COVID-19.
- Significant growth in Consumer area.
- Recorded significant extraordinary income and losses due to the implementation of "structural reform."
- Net income was recorded due to deferred tax assets being recorded.

FY2022/3 Forecast

- Recovery of earnings in Pachislot and Pachinko Machines Business, Amusement Machine Sales area, etc.
- Expecting an increase in operating expenses and a reactionary fall of repeat sales following the strong performance in Consumer area.

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First, please see page 3. Here are the results for the fiscal year ended March 2021.

Due to the impact of the COVID-19, sales and profits decreased significantly from the previous fiscal year, but we were able to post positive operating income and ordinary income, driven by the strong Consumer area.

In addition, due to the implementation of structural reforms, both extraordinary income and extraordinary loss were recorded in a large amount.

Ordinary income and profit attributable to owners of parent have deviated significantly from the forecasts announced on February 12. The main reason for the deviation in ordinary income is that the gain on valuation of investment securities, which was recorded as non-operating income until 3Q, was changed to extraordinary income due to the sale of such investment securities during 4Q.

As for profit attributable to owners of parent, impairment losses were recorded for the Phoenix Resort in 4Q. This was recorded as an extraordinary loss, but on the other hand, deferred tax assets were recorded, resulting in a significant decrease in tax expenses, and the company returned to profitability.

With regard to dividends, we have decided to pay an interim dividend of 10 yen per share, but today we decided to pay a year-end dividend of 20 yen per share, which is the previous level.

With regard to the forecast for the fiscal year ending March 2022, while we expect a reactionary decline in repeat sales in the Consumer area and an increase in operating expenses due to an increase in new titles, we expect both sales and profits increase due to an increase in sales volume in the Pachislot and Pachinko Machines Business and the effect of fixed cost reductions associated with structural reforms.

Impact of Implementation of “Structural Reform”

1) Review of Business Structure

- Structural reform expenses in Amusement Center Operations area
- Closure of Orbi Yokohama
- Structural reform expenses in Amusement Machine Sales area

2) Reduction of Fixed expenses

- Call for voluntary retirement, etc.

3) Review of B/S

- Gain on sales of investment securities (Sales of shares of Sanrio, etc.)
- Gain on sales of non-business real estate (Sales of real estate in Osaka)

P/L impact in FY2021/3

-19.1 billion yen (extraordinary losses)

-0.5 billion yen (extraordinary losses)

-3.2 billion yen (extraordinary losses)

-9.2 billion yen (extraordinary losses)

+11.2 billion yen (extraordinary income)

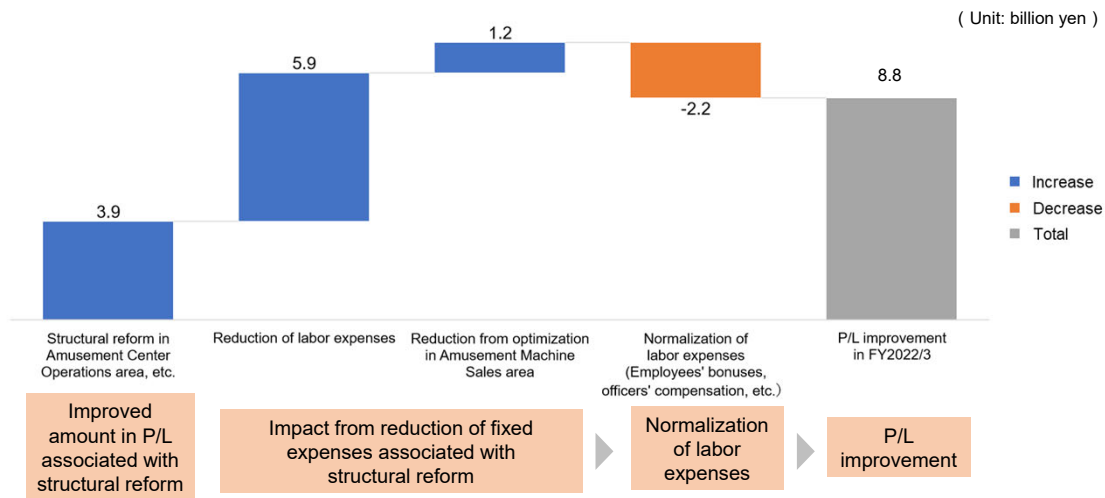
+15.2 billion yen (extraordinary income)

Please see page 4.

Regarding structural reforms, we have been working from the 3 perspectives of reviewing the business structure, reducing fixed expenses, and reviewing the balance sheet. In the fiscal year ended March 2021, we recorded extraordinary income and extraordinary loss due to the implementation of these measures.

Impact from Implementation of “Structural Reform”

■ P/L improvement in FY2022/3 associated with “Structural Reform.”



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As for the P/L improvement effect of the structural reforms, we expect a cost reduction effect of 3.9 billion yen due to the review of the business structure, 5.9 billion yen due to the reduction of personnel expenses, and 1.2 billion yen due to the improvement of efficiency in the Amusement Machine Sales area.

On the other hand, the normalization of compressed personnel expenses, which is mainly the portion of bonus, was considerably reduced in the previous fiscal year, so taking the increase in costs due to the normalization of this portion into account, the total effect of the improvement in P/L calculation is expected to be approximately 8.8 billion yen.

Reference: Initiatives of “Structural Reform” (Per segment)

		Review of Business Structure	Reduction of fixed expenses	Others	Details
Entertainment Contents Business	Consumer area		•		
	Amusement Machine Sales area	•	•	•	Rationalization of departments and functions Shift of R&D resources to Consumer area Transfer of shares of sales subsidiary of amusement machines abroad
	Amusement Center Operations area	•			Transfer of shares of the subsidiary engaged in amusement facilities operation
	Others	•	•		Closure of Orbi Yokohama Transfer of shares of Oasis Park
Pachislot and Pachinko Machines Business			•		
Resort Business			•		Suspension of operations at certain facilities
Other/Elimination, etc.			•		

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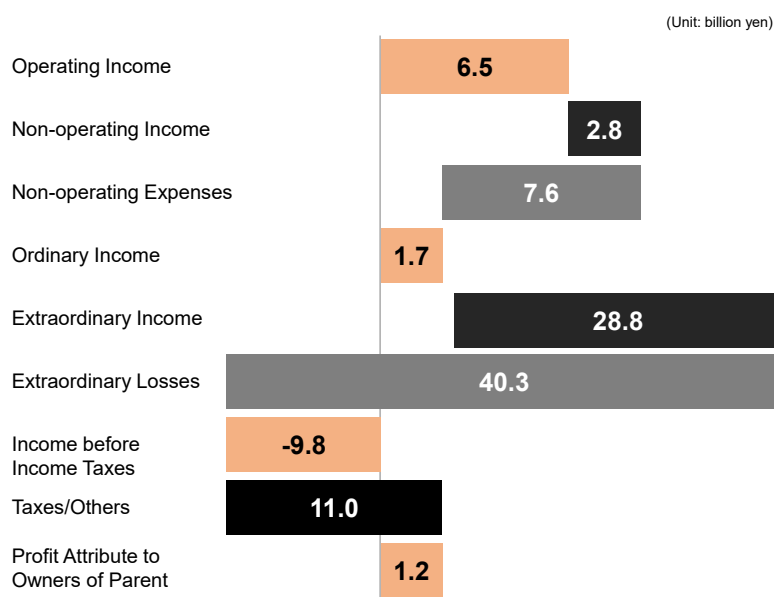
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Please see page 6.

These are the contents implemented by segment, but as you can see, we have been working on structural reforms in almost all areas.

Breakdown of Income (FY2021/3 Results)

(Unit: billion yen)



Non-operating income/losses and extraordinary income/losses

Non-operating income	2.8
Gain on investments in partnership	1.4

Non-operating expenses	7.6
Equity in losses of affiliates	5.6

Extraordinary Income

Extraordinary Income	28.8
Gain on sales of tangible fixed assets	15.2
Gain on sales of investment securities	11.2

Extraordinary losses

Extraordinary losses	40.3
Structural reform expenses (Structural reform expenses in Amusement Center Operations and Amusement Machine Sales area, and extraordinary retirement allowances and others due to call for voluntary retirement etc.)	34.1
Impairment losses	3.3
Loss on COVID-19	2.8

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Next, on page 7, is the status of the income breakdown.

As for non-operating expenses, we recorded equity in losses of affiliates, mainly attributable to PARADISE SEGASAMMY.

In addition, as we explained earlier, as a result of extraordinary income and losses associated with the implementation of structural reforms, the net loss before taxes was 9.8 billion yen, but due to the recording of deferred tax assets, profit attributable to owner of parent was 1.2 billion yen.

Costs and Expenses



(JPY Billion)	2020/3 Full Year Results	2021/3 Full Year Results	2022/3 Full Year Forecast	FY2021/3 Results	FY2022/3 Forecast
R&D Expense / Content Production Expense	76.5	61.9	74.1		
Entertainment Contents	58.6	45.5	57.9	• Launch of new titles decreased in Consumer and Amusement Machine Sales area	• Launch of new titles increase in Consumer and Amusement Machine Sales area
Pachislot and Pachinko Machines	18.1	16.3	16.2		
Resort	0.1	0.2	0.0		
Other / Elimination	-0.3	-0.1	0.0		
Cap-ex	22.8	14.5	16.1		
Entertainment Contents	18.2	10.4	7.5	• Decreased due to the transfer of the group company engaged in amusement facilities operation	• Investment related to new business increase in Pachislot and Pachinko Machines business
Pachislot and Pachinko Machines	3.5	3.3	7.2		
Resort	0.2	0.1	0.5		
Other / Elimination	0.9	0.7	0.9		
Depreciation	14.8	12.1	8.8		
Entertainment Contents	8.9	6.7	3.5	• Decreased due to the transfer of the group company engaged in amusement facilities operation	• Decrease due to the transfer of the group company engaged in amusement facilities operation
Pachislot and Pachinko Machines	3.6	3.4	3.5		
Resort	1.1	0.9	0.8		
Other / Elimination	1.2	1.1	1.0		
Advertising	17.4	13.6	21.9		
Entertainment Contents	14.1	11.5	16.7	• Launch of new titles decreased in Consumer area	• Launch of new titles increase in Consumer area and Pachislot and Pachinko Machines business
Pachislot and Pachinko Machines	1.5	1.2	3.0		• Unban of TV commercial in Pachislot and Pachinko Machines business
Resort	0.4	0.2	0.4		
Other / Elimination	1.4	0.7	1.8		

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

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The next page, page 8, is the costs and expenses.

For the fiscal year ended March 2021, in the Entertainment Contents Business, R&D expenses, contents production expenses, and advertising expenses decreased significantly due to a decrease in the number of new titles. On the other hand, as for the plan for the fiscal year ending March 2022, these expenses are expected to increase due to the increase of new titles.

As for advertising expenses, we expect an increase in the Pachislot and Pachinko Machines Business due to an increase in new titles as well as the unban of TV commercials.

Although the amount of cap-ex decreased in the Entertainments Contents Business due to the sale of the Amusement Center Operations business, it is expected to increase in the plan for the fiscal year ending March 2022, because we expect to invest in production, and also in capital investment related to new businesses in the Pachislot and Pachinko Machines Business.

Depreciation has decreased due to the sale of the Amusement Center Operations business.

Consolidated Balance Sheet Summary



(Billion yen)							
[Assets]				[Liabilities and Net Assets]			
Account	As of end of March 2020	As of end of March 2021	Change	Account	As of end of March 2020	As of end of March 2021	Change
Cash and Deposits	159.0	154.9	-4.1	Accounts Payable	17.8	16.9	-0.9
Accounts Receivable	40.4	38.1	-2.3	Corporate Bonds	10.0	-	-10.0
Short term investment securities	5.3	0.7	-4.6	Short Term Loans Payable	13.3	-	-13.3
Inventories	47.0	52.9	+5.9	Other	45.0	42.8	-2.2
Other	17.2	29.6	+12.4	Total Current Liabilities	86.1	59.7	-26.4
Total Current Assets	268.9	276.2	+7.3	Corporate Bonds	10.0	10.0	-
Tangible Fixed Assets	86.6	61.6	-25.0	Long Term Loans Payable	42.0	42.0	-
Intangible Fixed Assets	17.9	14.9	-3.0	Other	23.2	18.5	-4.7
Investment Securities	55.0	38.3	-16.7	Total Noncurrent Liabilities	75.2	70.5	-4.7
Other	29.7	30.5	+0.8	Total Liabilities	161.4	130.3	-31.1
Total Noncurrent Assets	189.2	145.3	-43.9	Shareholders Equity	301.2	294.9	-6.3
Total Assets	458.2	421.5	-36.7	Total accumulated other comprehensive income	-7.1	-4.2	2.9
				Subscription rights to shares	0.8	-	-0.8
				Non-controlling interests	1.9	0.4	-1.5
				Total Net Assets	296.8	291.2	-5.6
				Total Liabilities and Net Assets	458.2	421.5	-36.7

	As of end of March 2020	As of end of March 2021	Change		Main factors for increase / decrease
Cash, deposits and cash equivalents	158.6	154.5	-4.1	(Current Assets)	Mainly increase in inventories
Interest bearing debt	75.3	52.0	-23.3	(Non-current Assets)	Decreased due to structural reform in Amusement Center Operations area and sales of investment securities
Net cash	83.2	102.5	+19.3	(Liabilities)	Decreased due to payment of loans payable and redemption of corporate bonds
Equity Ratio	64.2%	69.0%	+4.8pt	(Net Assets)	Decreased mainly due to payment of dividends

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Please refer to the consolidated balance sheet on page 9.

Noncurrent assets decreased by approximately 44.0 billion yen compared to the end of the fiscal year ended March 2020, due to the sale of the Amusement Center Operations business and the sale of investment securities. Liabilities also decreased by approximately 31.0 billion yen compared to the end of the fiscal year ended March 2020, due to the repayment of loans payable and redemption of corporate bonds. Net assets have also decreased by approximately 5.6 billion yen compared to the end of the fiscal year ended March 2020.

As a result, the equity ratio as of the end of the fiscal year ended March 2021 was 69%.

Net cash as of the end of the fiscal year ended March 2021 was 102.4 billion yen, an increase of 19.2 billion yen from the end of the fiscal year ended March 2020 and an increase of 39.7 yen billion from the end of 3Q.

Satomi will explain the premise of the future financial strategy package later in the Medium-Term Plan.

Consolidated Cash Flows



Cash and cash equivalents

End of FY2020/3

158.6

C/F from Operating Activities -6.3

C/F from Investing Activities +30.4

C/F from Financing Activities -31.4

End of FY2021/3

154.5

(Unit: billion yen)

(Unit: billion yen)

Cash Flows from Operating Activities

Income before income taxes	-9.8
Depreciation and amortization	+14.5
Structural reform expenses	+34.1
Increase in inventories	-8.0
Payment of retirement allowances	-7.2
Payment of income taxes	-7.5
Others	-22.4

Cash Flows from Investing Activities

Sales of tangible fixed assets	+18.1
Sales of investment securities	+21.2
Others	-8.9

Cash Flows from Financing Activities

Repayment of long-term loans payable	-13.3
Redemption of corporate bonds	-10.0
Payment of dividends	-7.0
Others	-1.1

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Next, on page 10, you will see the consolidated cash flow.

Cash flows from operating activities was minus 6.3 billion yen, mainly due to the impact of lower sales, an increase in inventories, and the payment of extraordinary retirement allowances.

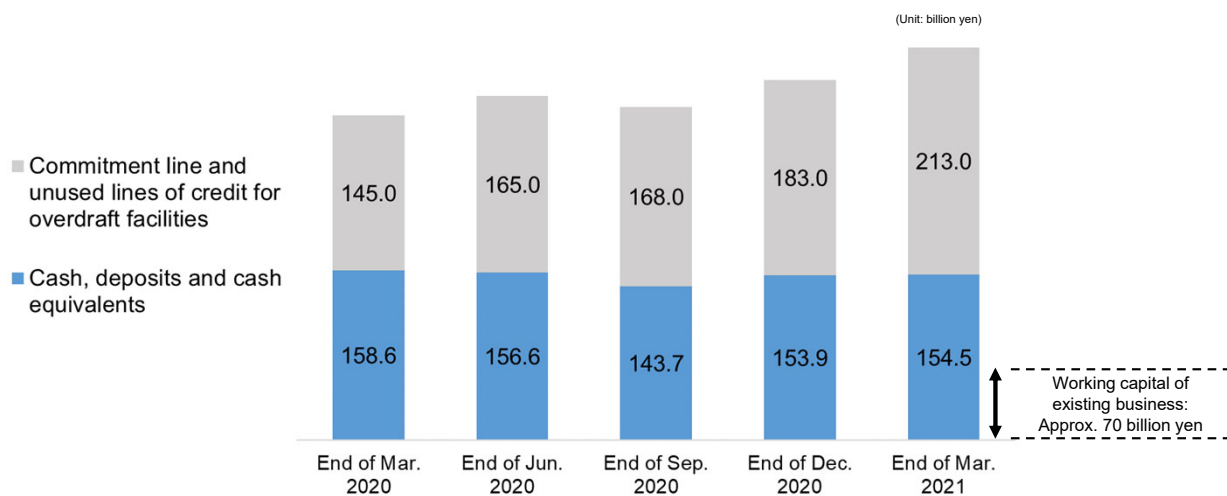
Cash flows from investing activities was plus 30.4 billion yen as a result of the sale of non-business real estate and the sale of investment securities, resulting in a positive free cash flow of 24.0 billion yen.

In addition, cash flows from financing activities was minus 31.4 yen billion due to progress in redemption of corporate bonds and repayment of loans payable.

As a result of the above, the total cash flow as of the end of the fiscal year ended March 2021 was minus 7.4 billion yen.

Liquidity of Funds

- ✓ Secured 367.5 billion yen as liquidity as of the end of March 2021



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Please see page 11.

In addition to 154.5 billion yen in cash and cash equivalents, we have a total of 213.0 billion yen in commitment line and unused lines of credit for overdraft facilities from financial. The total of these are 367.5 billion yen, which we maintain at an adequate level.



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Results / Forecast: Per segment

(Billion yen)	2020/3 Full Year Results	2021/3 Full Year Results	2022/3 Full Year Forecast
Sales	247.6	217.8	213.0
Consumer	125.5	135.7	140.0
Amusement Machine Sales	51.0	35.7	43.0
Amusement Center Operations	41.9	21.0	-
Animation / Toy	26.2	23.2	26.5
Other / Elimination	2.9	2.2	3.5
Operating Income	16.5	27.9	23.0
Consumer	14.7	31.4	21.0
Amusement Machine Sales	-0.6	-1.6	1.7
Amusement Center Operations	1.4	-1.4	-
Animation / Toy	2.7	2.1	1.8
Other / Elimination	-1.7	-2.6	-1.5
Non-operating income	1.3	0.9	2.4
Non-operating expenses	1.6	1.0	0.4
Ordinary Income	16.2	27.9	25.0
Ordinary Income Margin	6.5%	12.8%	11.7%

FY2021/3 Results

- ◆ Significant increase in profit YoY due to the contribution of Consumer area.
- ◆ Amusement Center Operations area was excluded from consolidation from 4Q due to the transfer of shares of the group company engaged in amusement facilities operation.

FY2022/3 Forecast

- ◆ Consumer area expects the decline due to the reactionary fall of repeat sales.
- ◆ Operating expenses such as R&D and advertising expenses associated with the increase in new titles will increase.
- ◆ Amusement Machine Sales area expects the improvement in earnings due to the reduction of fixed expenses associated with the structural reform.
- ◆ Schedule to record allocated revenues of the Sonic movie.

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Next, a summary by segment from page 13 onward.

First of all, in the Entertainment Contents Business, profits for the fiscal year ended March 2021 increased significantly from the previous fiscal year, driven by the Consumer area, where repeat sales of past titles were strong due to the effects of stay-at-home spending.

Ordinary income is 8.2 billion yen lower than the operating forecast announced on February 12. This is because, as explained earlier, the gain on valuation of investment securities, which was expected as non-operating income in the forecast, has been changed to extraordinary income due to its sale. In addition, sales of some titles in the Consumer area were slightly lower than expected, and advertising expenses increased.

For the fiscal year ending March 2022, we are planning a decrease in profit compared to the fiscal year ended March 2021. While we forecast to return the Amusement Machine Sales area to profitability, in the Consumer area, we expect a reactionary decline in repeat sales due to the small number of new products in the fiscal year ended March 2021 and the expectation of settling down of stay-at-home spending.

In addition, R&D expenses, advertising expenses, and other operating expenses are expected to increase due to the increase of new titles to be launched.

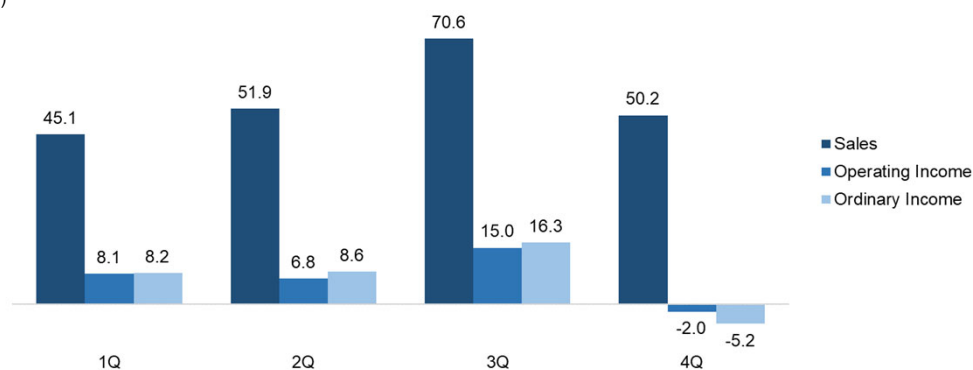
Entertainment Contents Business (Quarterly trend of FY2021/3 results) **SEGA**Sammy

Consumer area continued to perform strongly from 1Q to 3Q.

Repeat sales decreased and recorded one-off expenses such as write-down in 4Q.

Ordinary income decreased due to the sales of investment securities (Changed the account to extraordinary income) in 4Q.

(Unit: billion yen)



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Page 14 shows the results for the fiscal year ended March 2021, with quarterly changes in sales, operating income, and ordinary income.

In 4Q alone, a loss was recorded due to a write-down of approximately 2.6 billion yen, mainly in the Consumer area, but the Consumer area performed well throughout the year.

FY2021/3 Results

◆ Consumer area	(Full Game) Significant increase in repeat sales due to the effect of stay-at-home spending etc. (F2P) Strong performance of new titles and steady performance of existing titles.
◆ Amusement Machine Sales area	<ul style="list-style-type: none"> Revenue from rev. sharing model and machine sales decreased due to the closure of stores and declined store utilization due to the impact of COVID-19. Steady performance of regular products such as prize category and content update of mainstay titles.
◆ Amusement Center Operations area	<ul style="list-style-type: none"> Temporary closed the stores sequentially from April to May. Transferred the shares of a group company engaged in amusement facilities operation associated with the structural reform. (Excluded from consolidation from 4Q)
◆ Animation / Toys area	(Animation) Delayed release of the theatrical version of "Detective Conan The Scarlet Bullet". (Toys) Steady performance centered on educational toys.

FY2022/3 Forecast

◆ Consumer area	(Full Game) Expecting the reactionary fall following the effect of stay-at-home spending in repeat sales and an increase in expenses associated with the increase in new titles. (F2P) Launch of new "PHANTASY STAR ONLINE 2" series is scheduled .
◆ Amusement Machine Sales area	<ul style="list-style-type: none"> Earnings improve due to the reduction of fixed expenses associated with the execution of structural reform. Plan to launch regular products such as UFO Catcher series machines and prizes for UFO CATCHER, as well as new products.
◆ Animation / Toys area	(Animation) Release the theatrical version of "Detective Conan The Scarlet Bullet" and expect to record revenues from animation production and distribution, etc. (Toys) Plan to sell new products and regular products.

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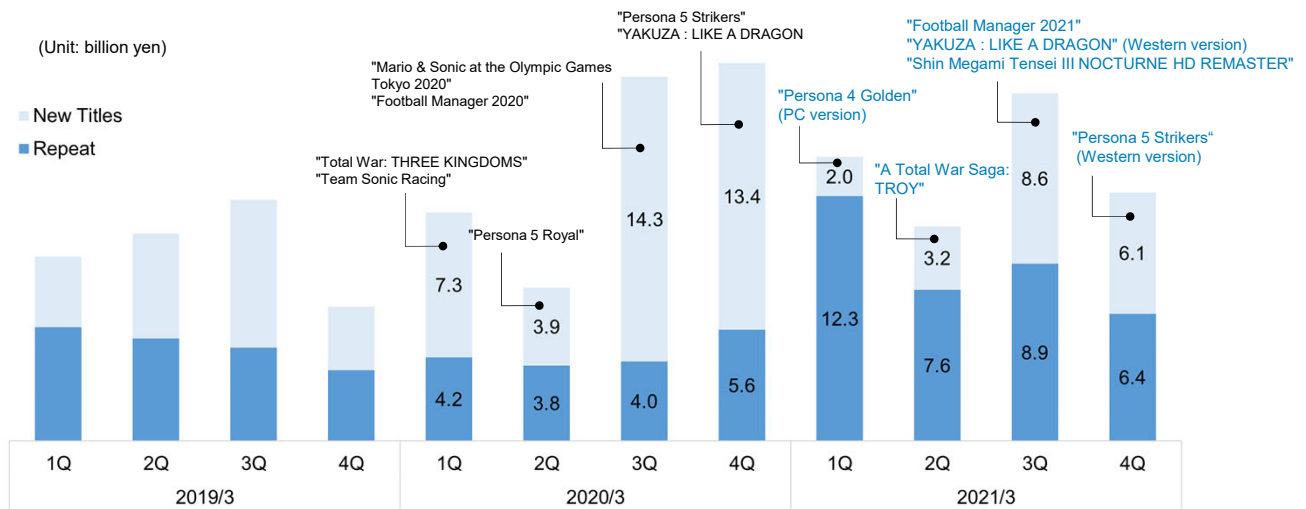
Please see page 15. I would like to explain the details of the Consumer area later.

In the Amusement Machine Sales area, we have been struggling due to the impact of the COVID-19, but in the fiscal year ending March 2022, we expect to return to profitability due to the fixed expense reduction effect of structural reforms and the contribution of the relatively strong performance of the prize category.

The Amusement Center Operations area will no longer exist from this fiscal year due to the structural reforms.

In the Animation/Toys area, the release of theatrical version of *Detective Conan* was postponed for one year in the fiscal year ended March 2021, but this was compensated by the theatrical release of a special compilation of the TV animation series. In the toy business, sales of educational toys, especially Sumikkogurashi PC, were strong throughout the year. In the fiscal year ending March 2022, we expect to receive income from the distribution of the theatrical version of *Detective Conan*.

Consumer Area (Full Game's sales trend)



*Repeat: Titles released in or before previous fiscal year including "Sonic" series, "Persona" series, "Total War" series, "Football Manager" series, and "YAKUZA" series, etc.
 *Figures of the fiscal year ended March 31, 2019 are reference values before segment change

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Page 16 shows the quarterly sales trend of full games in the Consumer area.

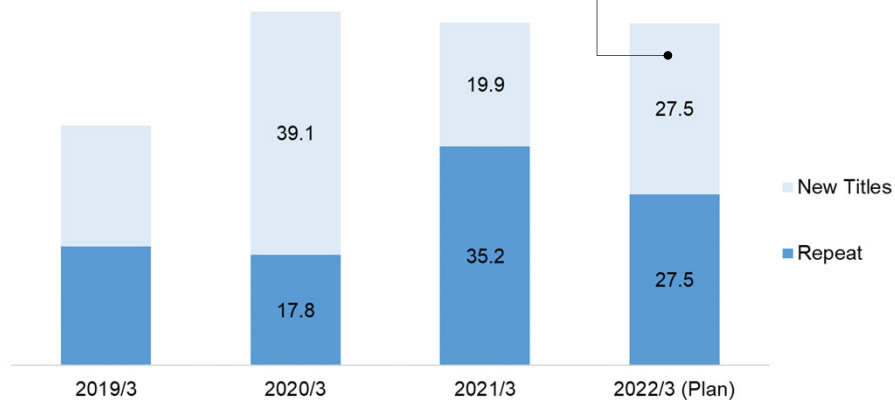
In the fiscal year ended March 2021, the dark blue color of this bar which shows repeat sales results, grew and made a significant contribution to earnings.

Consumer Area (Full Game's sales trend)

New titles are expected to increase in FY2022/3

(Unit: billion yen)

*New titles (plan)
 "HUMANKIND™"
 "Total War: WARHAMMER III"
 "LOST JUDGEMENT", etc.



*Repeat: Titles released in or before previous fiscal year including "Sonic" series, "Persona" series, "Total War" series, "Football Manager" series, and "YAKUZA" series, etc.
 *Figures of the fiscal year ended March 31, 2019 are reference values before segment change

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Page 17 shows the comparison for the full year.

In the forecast for the fiscal year ending March 2022, we are planning to release several major new titles, but we expect the repeat titles to decrease.

Consumer Area (Number of Full Game's unit sales by IP)



【FY2021/3 Results of Major titles】

IP	Unit Sales	Major titles (Released month)
Sonic	Approx. 4,400K units	"Mario & Sonic at the Olympic Games Tokyo 2020" (November 2019) "Team Sonic Racing" (May 2019) "Sonic Mania" (August 2017) "Sonic Generations" (December 2011), etc.
Total War	Approx. 4,000K units	"Total War: SHOGUN 2" (March 2011) "Total War: ROME II" (September 2013) "Total War: WARHAMMER 2" (September 2017) "Total War: Three Kingdoms" (May 2019), etc.
Football Manager	Approx. 3,800K units	"Football Manager 2021" (November 2020) "Football Manager 2020" (November 2019) "Football Manager 2020 Mobile" (November 2019) "Football Manager 2021 Mobile" (November 2020)
Persona	Approx. 3,000K units	"Persona 5 Strikers" (February 2020) "Persona 4 Golden" (June 2020) "Persona 5 Royal" (October 2019) "Persona 5" (September 2016), etc.
Others	—	"Endless Space2" (May 2017) "Alien: Isolation" (October 2014) "YAKUZA : LIKE A DRAGON" (January 2020) "Two Point Hospital" (August 2018), etc.

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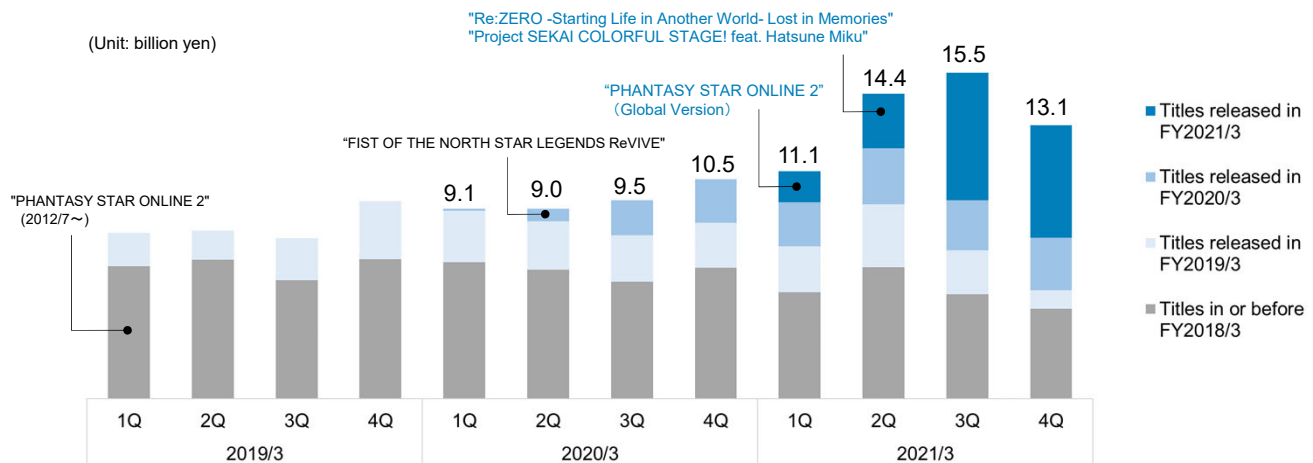
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Page 18 shows the sales volume of the main game titles by IP.

Sales of past titles of regular IP continued to be strong.

Consumer Area (F2P's sales trend)

Strong sales of 2 titles newly launched in FY2021/3



*Figures of the fiscal year ended March 31, 2019 are reference values before segment change

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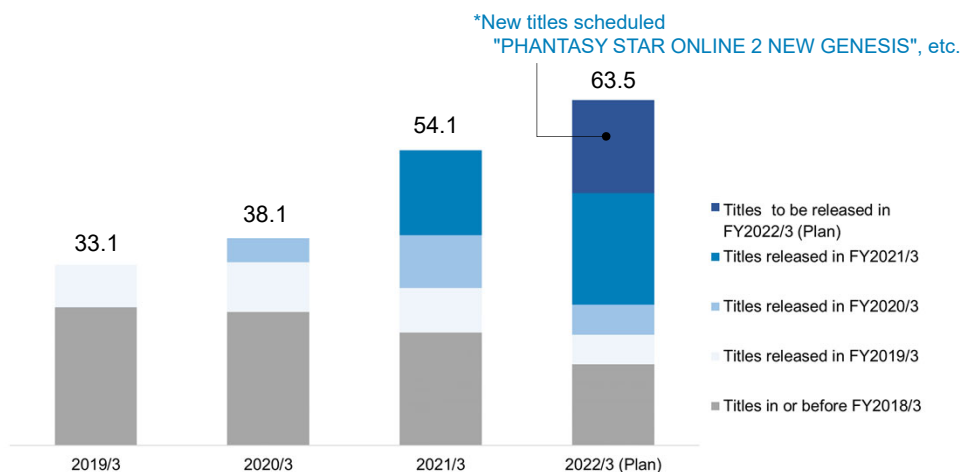
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Page 19 shows the quarterly sales trend of F2P.

In the fiscal year ended March 2021, new titles such as “Project SEKAI COLORFUL STAGE! feat. Hatsune Miku” and “Re:ZERO -Starting Life in Another World- Lost in Memories” performed well.

Launch of new "PHANTASY STAR ONLINE 2" series is scheduled in FY2022/3

(Unit: billion yen)



*Figures of the fiscal year ended March 31, 2019 are reference values before segment change

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Page 20 shows the comparison for the full year.

In the fiscal year ending March 2022, we expect a full-year contribution from the titles released in the fiscal year ended March 2021, and we also expect an increase in earnings from the launch of "PHANTASY STAR ONLINE 2 NEW GENESIS", the latest title in the PSO2 series, in June.

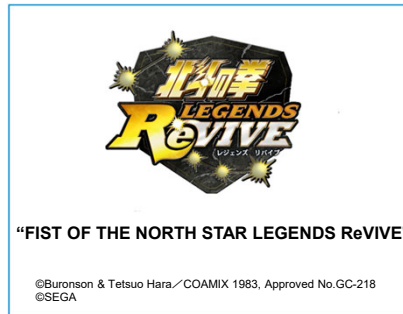
■ Top 3 titles in sales from Jan. - Mar. 2021

(No. 1)



Release: Sep. 2020

(No. 2)



Release: Sep. 2019

(No. 3)



Release: Sep. 2020

Page 21 shows the top 3 F2P titles in terms of sales for the 3 months of 4Q in the previous fiscal year.

New titles, including “Project SEKAI COLORFUL STAGE! feat. Hatsune Miku”, continued to make a significant contribution.

Consumer Area (New major titles)

[FY2021/3 4Q new title]

(Full Game)



"Persona 5 Strikers"
(Western version)

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[FY2022/3- new titles (plan)]

(Full Game)



"HUMANKIND™"

© Amplitude Studios 2020.
© SEGA.

(Full Game)



"Total War: WARHAMMER III"

© Games Workshop Limited 2021.
Published by SEGA.

(F2P)



"PHANTASY STAR ONLINE 2
NEW GENESIS"

© SEGA

(Full Game)



"Shin Megami Tensei V"

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(Full Game)



"LOST JUDGMENT"

© SEGA

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Page 22 shows the major new titles in the Consumer area.

Reference: Consumer Area (Full Game's sales trend)

(Billion yen)	2020/3				2021/3				2022/3
	1Q	Through 2Q	Through 3Q	Through 4Q	1Q	Through 2Q	Through 3Q	Through 4Q	Full Year Forecast
Sales	26.7	55.8	90.2	125.5	32.4	61.4	102.4	135.7	140.0
Domestic	12.9	27.0	45.9	64.2	12.4	27.9	48.7	64.6	65.0
Overseas	13.9	29.0	45.4	63.9	19.6	33.4	54.3	72.4	75.0
Overseas sales ratio	52.1%	52.0%	50.3%	50.9%	60.5%	54.4%	53.0%	53.4%	53.6%
Other / Elimination	-0.1	-0.2	-1.2	-2.6	0.2	0.1	-0.6	-1.3	0.1
Full Game	11.5	19.4	37.8	57.0	14.4	25.2	42.6	55.1	55.0
New titles	7.3	11.3	25.6	39.1	2.0	5.2	13.8	19.9	27.5
Japan	0.2	0.6	7.5	12.5	0.0	0.1	1.8	2.1	-
Asia	0.4	0.5	1.1	3.5	0.7	1.0	1.2	1.7	-
North America / Europe	6.6	10.1	16.9	22.9	1.2	4.1	10.6	16.0	-
Repeat titles	4.2	8.1	12.1	17.8	12.3	19.9	28.8	35.2	27.5
Japan	0.5	1.1	1.5	2.7	1.7	2.7	3.7	4.5	-
Asia	0.3	0.8	1.1	1.7	0.5	1.1	1.5	2.2	-
North America / Europe	3.3	6.1	9.4	13.3	9.9	16.1	23.5	28.5	-
Download sales ratio	65.9%	58.6%	48.4%	46.0%	66.5%	67.7%	62.8%	63.8%	68.6%
F2P	9.1	18.1	27.6	38.1	11.1	25.5	41.0	54.1	63.5
Japan	8.4	16.9	25.8	35.3	9.1	21.5	35.5	47.2	-
Asia	0.0	0.0	0.1	0.3	0.0	0.1	0.2	0.2	-
North America / Europe	0.6	1.1	1.6	2.4	1.9	3.9	5.2	6.6	-
Other	6.1	18.4	25.8	33.0	6.5	10.6	19.4	27.7	21.5

*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 offering free basic play and microtransaction for smartphones and PCs.

*Other = 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 products other than game software, etc.

Page 23 shows the details of sales in the Consumer area for reference.

Reference: Consumer Area (Full Game's unit sales trend)



	2020/3				2021/3				2022/3
	1Q	Through 2Q	Through 3Q	Through 4Q	1Q	Through 2Q	Through 3Q	Through 4Q	Full Year Forecast
Full Game: Number of Titles	9 titles	13 titles	26 titles	36 titles	4 titles	6 titles	15 titles	18 titles	26 titles
Japan	2 titles	3 titles	9 titles	11 titles	0 title	0 title	2 titles	2 titles	5 titles
Asia	3 titles	3 titles	6 titles	12 titles	1 title	1 title	4 titles	6 titles	9 titles
North America / Europe	4 titles	7 titles	11 titles	13 titles	3 titles	5 titles	9 titles	10 titles	12 titles
Full Game: Unit sales (Thousands)	6,490	12,100	20,570	28,570	12,980	19,080	34,200	41,770	37,870
Total New titles	2,300	3,550	7,460	11,480	790	1,180	3,770	6,020	9,640
Japan	60	170	1,180	1,910	10	20	370	430	660
Asia	130	130	300	780	150	200	260	360	410
North America / Europe	2,110	3,240	5,970	8,790	620	960	3,130	5,220	8,570
Total Repeat titles	4,180	8,550	13,110	17,090	12,190	17,900	30,420	35,750	28,230
Japan	210	440	580	880	460	690	990	1,230	930
Asia	110	280	380	580	240	510	700	1,000	650
North America / Europe	3,860	7,820	12,140	15,620	11,480	16,690	28,730	33,510	26,650

*Unit sales don't include the figure for free download

*Numbers of titles and sales units of Full Game in FY2020/3 results were revised due to the change of subsegment classifications

*As for Numbers of Titles above, for the same title released in multiple regions, the title number is counted 1 per each sales region (Japan, Asia and NA/EU).

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Page 24 shows the unit sales trend of full games in the Consumer area also for reference.

In the fiscal year ended March 2021, repeat sales grew significantly due to the impact of stay-at-home spending and Sega's 60th anniversary campaign. On the other hand, repeat sales are expected to decrease in the forecast for the fiscal year ending March 2022.

Entertainment Contents Business (Sales schedule)

~FY2021/3		In or after FY2022/3 (plan)	
Consumer	Full Game	New titles	<div>Persona 4 Golden (PC version)</div> <div>YAKUZA : LIKE A DRAGON (Western version)</div> <div>HUMANKIND™</div> <div>Shin Megami Tensei V</div>
			<div>A Total War Saga: TROY</div> <div>Football Manager 2021</div> <div>Total War: WARHAMMER III</div> <div>LOST JUDGEMENT</div>
			<div>Shin Megami Tensei III NOCTURNE HD Remaster</div> <div>Persona 5 Strikers</div>
	Repeat	Sonic Series / Persona Series / Total War Series / Football Manager Series / YAKUZA Series, etc.	
F2P	In or before FY2018/3~	PHANTASY STAR ONLINE 2 / Puyo puyo!! Quest / CHAIN CHRONICLE	
	FY2019/3~	SHIN MEGAMI TENSEI Liberation D×2 / SEGA Pocket Club Manager	
	FY2020/3~	FIST OF THE NORTH STAR LEGENDS ReVIVE	
	FY2021/3~	PHANTASY STAR ONLINE 2 (Global version)	
		Re:ZERO -Starting Life in Another World- Lost in Memories	
		Project SEKAI COLORFUL STAGE! feat. Hatsune Miku	
		FY2022/3~ New titles	PHANTASY STAR ONLINE 2 NEW GENESIS
*Scheduled to be released on June 2021			

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Page 25 and page 26 shows the schedule for sales of each title in the Entertainment Contents Business.

Entertainment Contents Business (Sales schedule)

	~FY2021/3	In or after FY2022/3 (plan)
Amusement Machine Sales	<Existing titles> KanColle Arcade / StarHorse Series / Fate/Grand Order Arcade / WCCF FOOTISTA / SANGOKUSHI TAISEN maimai DX / O • N • G • E • K • I / CHUNITHM	
	<Regular titles> UFO CATCHER® series / prizes for UFO CATCHER	
	TRANSFORMERS SHADOWS RISING	StarHorse4 (Content Update)
	fiz	Initial D THE ARCADE
Animation / Toys	Sonic The Hedgehog (In Japan)	Detective Conan: The Scarlet Alibi
	Detective Conan: The Scarlet Bullet	Anpanman: Fluffy Flurry and the Land of Clouds
		*Scheduled to be released on June 25, 2021
	Disney&Disney/Pixar Characters Magical Smart Note	Fun to change mouse covers! Sumikkogurashi Personal Computer Plus
		CHAIN RENCER

(JPY Billion)	2020/3 Full Year Results	2021/3 Full Year Results	2022/3 Full Year Forecast
Sales	108.5	53.1	89.0
Pachislot	54.1	13.9	40.5
Pachinko	37.4	28.5	42.7
Other / Elimination	17.0	10.7	5.8
Operating Income	23.2	-10.6	9.0
Non-operating income	0.7	0.6	0.1
Non-operating expenses	1.1	1.2	0.1
Ordinary Income	22.7	-11.3	9.0
Ordinary Income Margin	20.9%	-	10.1%
Pachislot			
Number of Titles	5 titles	5 titles	9 titles
Unit Sales (units)	123,336	35,273	101,000
Pachinko			
Number of Titles	7 titles	4 titles	5 titles
Unit Sales (units)	104,581	69,013	103,000
Board + Frame	33,056	53,641	69,500
Board	71,525	15,372	33,500

FY2021/3 Results

- ◆ Resumed sales activities on a full scale after the second half of the year.
- ◆ Demand for new regulation machines declined due to the extension of deadline for removal of previous regulation machines, resulting in significant decrease of unit sales YoY.

FY2022/3 Forecast

- ◆ Expect a recovery of earnings due to launching new titles, including mainstay titles, in preparation for the replacement demand of previous regulation machines, which deadline for removal is arriving.
- ◆ Fixed expenses are expected to decrease due to implementation of structural reform, while advertising expenses etc. are expected to increase due to the increase in numbers of new titles etc.

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The next page, page 27 onward, is the Pachislot and Pachinko Machines Business.

In the Pachislot and Pachinko Machines Business, sales were sluggish in the fiscal year ended March 2021 because of the impact of the voluntary suspension of business activities by pachinko halls due to the COVID-19 so the resumption of full-scale business activities hasn't started until in the second half of the fiscal year, as well as a drop in demand for new regulation machines due to the extension of the removal deadline for old regulation machines. In addition, we posted the first operating loss in this business due to valuation losses on components, etc.

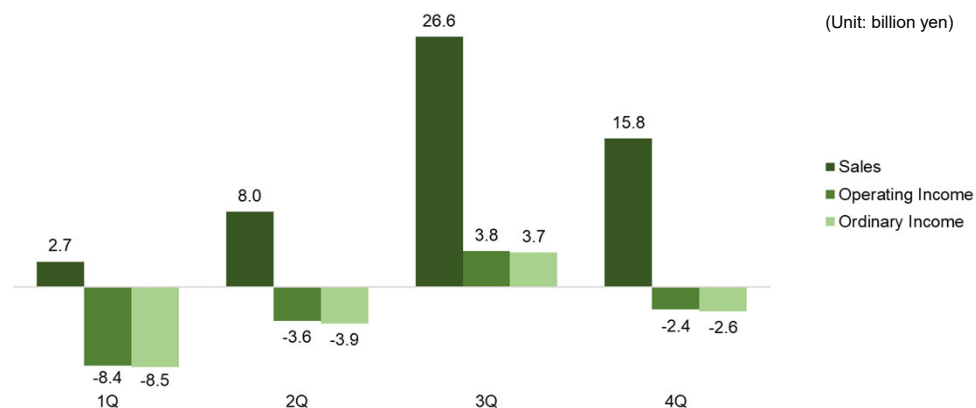
In the fiscal year ending March 2022, as the deadline for the removal of old regulation machines approaches, we will introduce new titles, including mainstay titles, to meet the replacement demand and aim for a recovery in profitability. While fixed expenses are expected to decrease due to structural reforms, operating expenses such as advertising expenses are expected to increase due to the increase in new titles and the unban of TV commercials.

Regarding the deadline for removing the old regulation machines, the industry's self-regulation has set the removal deadline at the end of November 2021, but the industry union has decided to extend the deadline by 2 months to the end of January 2022. The impact of this extension of the removal deadline will need to be carefully assessed, but at this point we do not anticipate any significant impact.

Pachislot and Pachinko Machines Business

(Quarterly trend of FY2021/3 results)

Improvement in earnings in the second half of the year, due to resume of sales activities of machines



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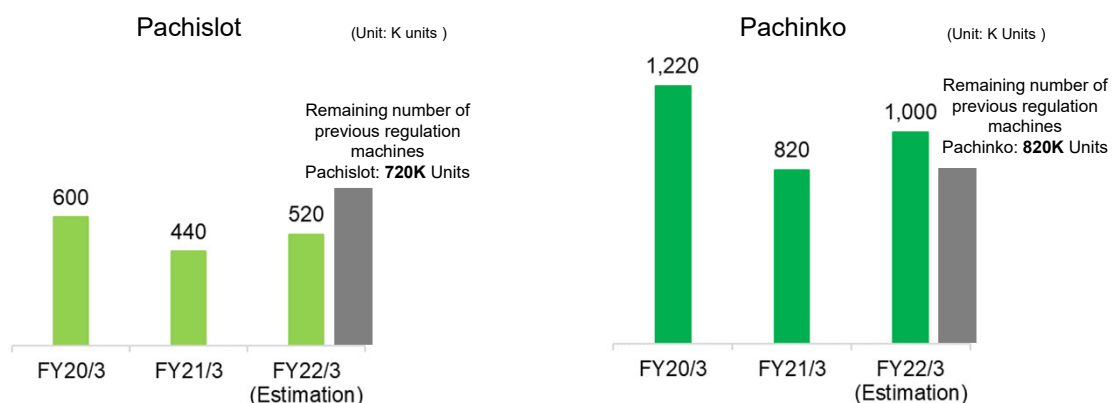
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The next page, page 28, shows the quarterly trend.

Although we posted a large loss in the first half, we were able to post a profit in the second half alone, even after recording a write-down of approximately 5.0 billion yen on components and materials in the second half when business activities resumed in earnest.

Expect recovery in unit sales in FY2022/3 compared to FY2021/3, due to the arrival of previous regulation machines' deadline for removal

- Expectation of annual unit sales in market, remaining number of previous regulation machines



*Annual unit sales: In-house estimation

*Remaining number of previous regulation machines: In-house estimation as of April 20, 2021

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Page 29 is a forecast of the number of old regulation machines to be removed and the annual sales volume in the market.

Although the sales volume of both Pachislot and Pachinko Machines for the fiscal year ended 2021 decreased significantly compared to the previous fiscal year, the sales volume of pachislot machines is expected to increase to 520 thousand units and that of pachinko machines by approximately 1 million units in the fiscal year ending March 2022, as the removal of old regulation machines will be completed.

Since it is assumed that a portion of the number of units to be removed will be compensated for by methods other than the sale of new machines, such as the re-installation of existing No. 6 model machines, the number of new units sold for pachislot is expected to be less than the number of units to be removed.

Pachislot and Pachinko Machines Business (Sales schedule)

~FY2021/3			FY2022/3~ (plan)		
Pachislot			Pachinko		
<div>Pachislot The Seven deadly Sins</div> <div>Pachislot Hokuto No Ken Shukumei</div> <div>Pachislot Initial D</div>			<div>Pachislot Angel Beats!</div> <div>Pachislot GAMERA</div>		
<div>P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO</div> <div>P Shin Hokuto Muso Chapter 3</div> <div>P (Monogatari) Series Secondseason</div>			<div>P Kabaneri of the Iron Fortress</div> <div>P Cho Hane Beast King</div> <div>P Hokuto No Ken 8 Kyuseishu</div> <div>P SOUTEN-NO-KEN Tengoku</div>		
(Major titles launched in FY21/3)		Month of delivery	(Titles to be launched in FY22/3)		Month of delivery
Pachislot	Pachislot Hokuto No Ken Shukumei	Mar.	Pachislot	Pachislot Angel Beats!	Apr.
	Pachislot The Seven deadly Sins	Nov.		Pachislot GAMERA	Jun.
	Pachislot Initial D	Jan.	Pachinko	P Kabaneri of the Iron Fortress	Apr.
Pachinko	P Shin Hokuto Muso Chapter 3	Dec.		P Hokuto no Ken 8 Kyuseishu	May.
	P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO	Aug.		P Cho Hane Beast King	Jun.
	P (Monogatari) Series Secondseason	Feb.		P SOUTEN-NO-KEN Tengoku	Jul.

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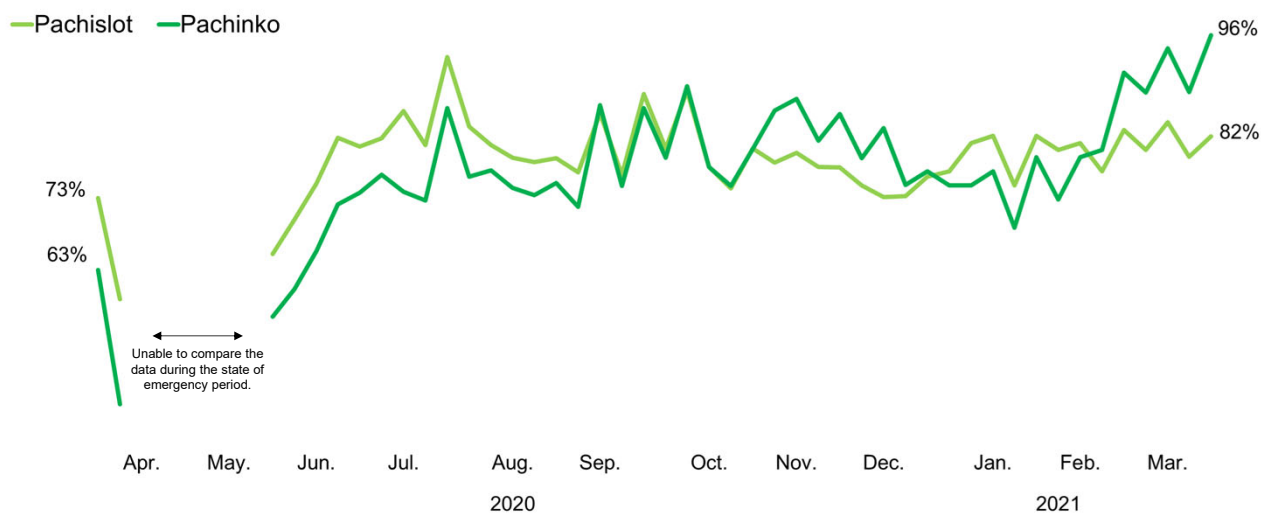
-30-

Page 30 shows the sales schedule.

In the fiscal year ending March 2022, we plan to launch 9 new pachislot titles and 5 new pachinko titles, including unannounced titles not listed here. The number of titles here does not include derivative titles such as specification changed titles.

Reference: Pachislot and Pachinko Machines Business (Utilization status of pachinko halls)

■ YoY comparison of average utilization rate of Pachislot and Pachinko



*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot)

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Page 31 is a graph of the YoY comparison of average utilization rate, for the reference.

Resort Business



(JPY Billion)	2020/3 Full Year Results	2021/3 Full Year Results	2022/3 Full Year Forecast
Sales	10.4	6.3	9.5
Operating Income	-3.6	-4.1	-3.0
Non-operating income	0.2	0.0	0.0
Non-operating expenses	1.9	4.8	2.0
Ordinary Income	-5.3	-8.9	-5.0
Ordinary Income Margin	-	-	-

<PHOENIX RESORT>

No. of facility users (Thousands)	839	552	856
3 accommodation facilities	359	223	373
2 golf courses	92	75	95
Other facilities	388	254	388

FY2021/3 Results

- ◆ PHOENIX RESORT: Significantly affected by COVID-19 and the number of facility users fell to 65.7% YoY.
- ◆ Personal demand increased and utilization of facilities recovered during the “Go To Travel Campaign” period.

■ Numbers of monthly facility users of PHOENIX RESORT (YoY comparison)

Apr.	May.	Jun.	Jul.	Aug.	Sep.
32.5%	8.6%	33.4%	45.5%	58.0%	97.8%
Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
112.8%	119.2%	89.7%	40.5%	47.5%	139.4% (*)

(*) 79.6% compared to March 2019

FY2022/3 Forecast

- ◆ PHOENIX RESORT: Expect the recovery on par with the revenue of FY2020/3 by strengthening the attraction of individual customer.
- ◆ PARADISE SEGASAMMY: Expect the reduction of loss margin (non-operating expenses.)
- ◆ Continue to record expenses for IR (Integrated Resort) business.

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Lastly, from page 32 is the Resort Business. Due to the decline in demand for travel and travel restrictions caused by the COVID-19, business was sluggish in the fiscal year ended March 2021.

In Japan, during the period of the “Go To Travel Campaign”, the number of facility users at the PHOENIX RESORT exceeded that of the previous year, recognizing the potential demand for resort facilities, but this was not enough to compensate for the overall.

In the fiscal year ending March 2022, we expect a certain level of recovery at PHOENIX RESORT by strengthening measures for individuals, and at PARADISE SEGASAMMY, we expect a reduction in losses on the assumption that travel restrictions will be eased. Since the forecast is based on the assumption that travel restrictions will be eased from July onwards and thereafter, there is a possibility that our business performance will be affected by the easing or the timing of the easing.

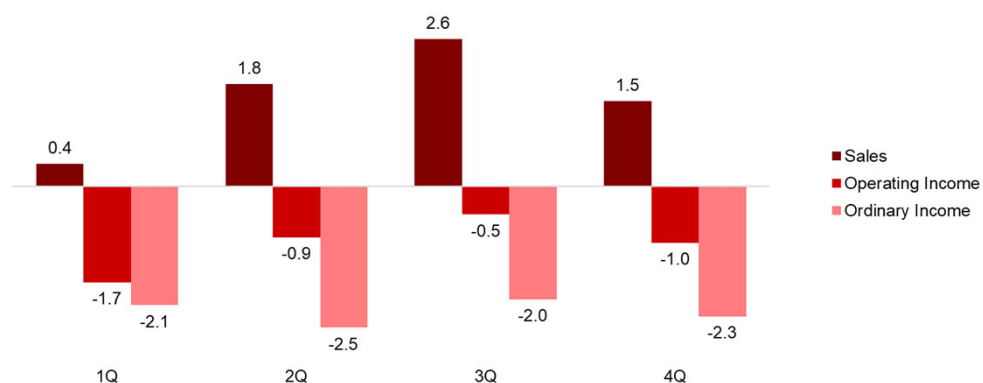
We also expect to continue to incur upfront expenses for the IR business in Japan.

Resort Business (Quarterly trend of FY2021/3 results)

Recorded operating income at PHOENIX RESORT in 3Q

Recorded expenses for preparation towards the participation in IR business in each quarter.

(Unit: billion yen)



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Page 33 shows the quarterly trend.

Sales recovered temporarily in 3Q due to the impact of the “Go To Travel Campaign”, but declined again in 4Q.

Resort Business (PARADISE SEGASAMMY)



(KRW Billion)		
	FY2020 4Q Results	FY2021 4Q Results
Sales	463.3	177.5
Casino	375.5	126.8
Hotel	69.2	44.4
Other	18.4	6.3
Cost of sales	391.2	216.0
Casino	210.4	95.2
Hotel	118.2	85.4
Other	62.4	35.3
Gross profit	72.1	-38.5
SG&A	52.1	28.1
Operating profit	19.9	-66.7
EBITDA	84.4	-7.7
Net profit	-22.5	-106.2
Number of casino visitors (Thousands)	382	174
Source: Paradise IR		
SEGASAMMY Equity method acquisition amount (Billion yen)	-1.6	-4.7

FY2021/3 Results

- ◆ The number of facility users declined
 - Number of casino users YoY: 45.4%
 - Streamlined the facilities operation by suspending the operation of some facilities and reducing fixed expenses.

FY2022/3 Forecast

- ◆ Expecting that the restriction of foreign visitors in each country will continue up to 2Q.
- ◆ Expect the reduction of loss margin due to the recovery in utilization of facilities.

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

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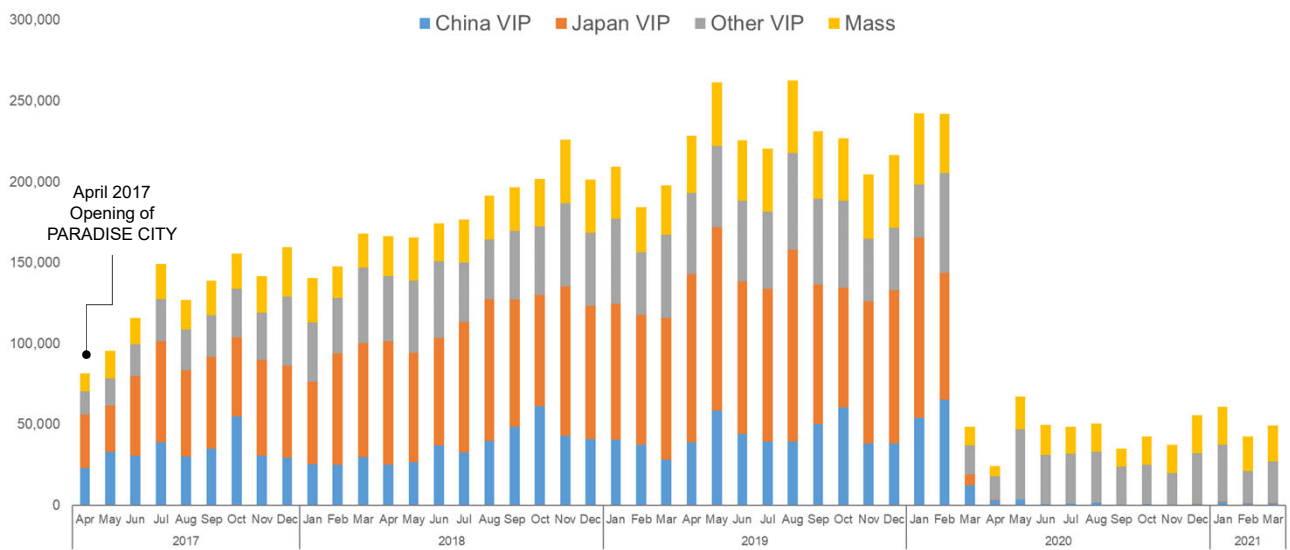
Page 34 shows the results of PARADISE SEGASAMMY.

The financial results of PARADISE SEGASAMMY are taken with a delay of 3 months, so the results are for the period from January to December. The company has fallen into an operating loss due to a significant decrease in casino customers compared to the previous fiscal year.

Resort Business (PARADISE SEGASAMMY)

■ Trend of Drop* amounts at PARADISE CITY

(KRW Million)



*Drop amounts: Purchased amount of chips by customers at the table

*Calculation method was changed after Jan. 2018

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Page 35 shows the amount of casino drops in PARADISE SEGASAMMY.

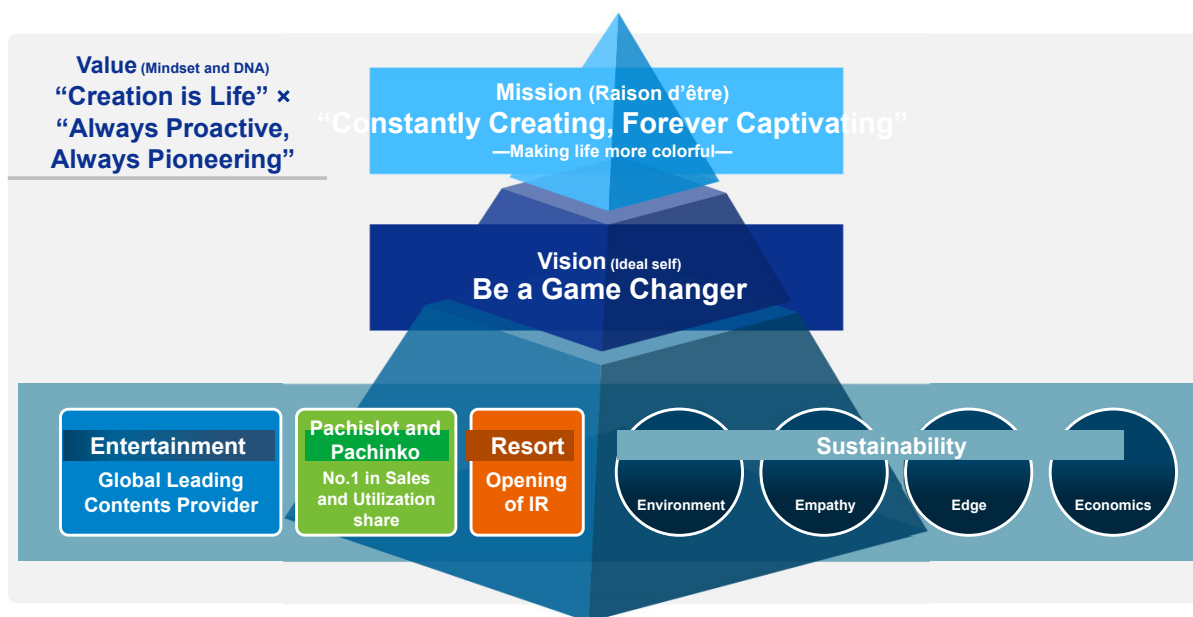
Due to the continued travel restrictions, the drop in the amount of Japanese VIPs and Chinese VIPs, which used to be our main customer base, has decreased significantly.

03

New Medium-Term Plan (FY2022/3-FY2024/3)

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Speaker: Haruki Satomi (President and Group CEO, Representative Director)



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We are still in the period of state-of-emergency, and effects of COVID-19 are continuing. In the first state-of-emergency period, the whole entertainment industry, which we participate in, was said to be a non-urgent and non-essential industry. This one year was a year which we had to think about our meaning to exist, and re-recognized if we are really non-urgent and non-essential, and even if human can live without entertainment, that life would be boring. Under such circumstances, aiming for 2030, we have established our long-term plan. As we mentioned earlier, our mission, which is our significance of our existence, is “Constantly Creating, Forever Captivating: -Making life more colorful-”, and our vision is “Be a Game Changer”. We are reconfirming in within our company that these won’t change.

First, about the Entertainment Contents Business, which is centered on SEGA, raised to aim for “Global Leading Contents Provider”. However, this is not only about games, and also includes entertainment contents such as animation, toys, merchandising and darts, and it is nothing else but an intention to deliver these more and more to the global market from now on. In the Pachislot and Pachinko Machines Business, we aim for “Number 1 in sales share and utilization share”. Finally, in the Resort Business, we have raised “Opening of IR”.

Comprising all of these, in order to aim for a sustainable management, we have established 4 keywords which initials are “E”. These are Environment, Empathy, Edge, and Economics, and we will place emphasis on these, and it is a long-term expression of our intention that

we will aim for a sustainable management.

Goal
Target

Beyond the Status Quo

-Breaking the Current Situation and
Becoming a Sustainable Company-

FY2024/3: Ordinary income 45.0 billion yen, ROE Over 10%

Strategy
Key Strategy

Consumer area
Investment
in growth

Pachislot and Pachinko
Solidification of
earnings base

Certification as a
business operator
of IR

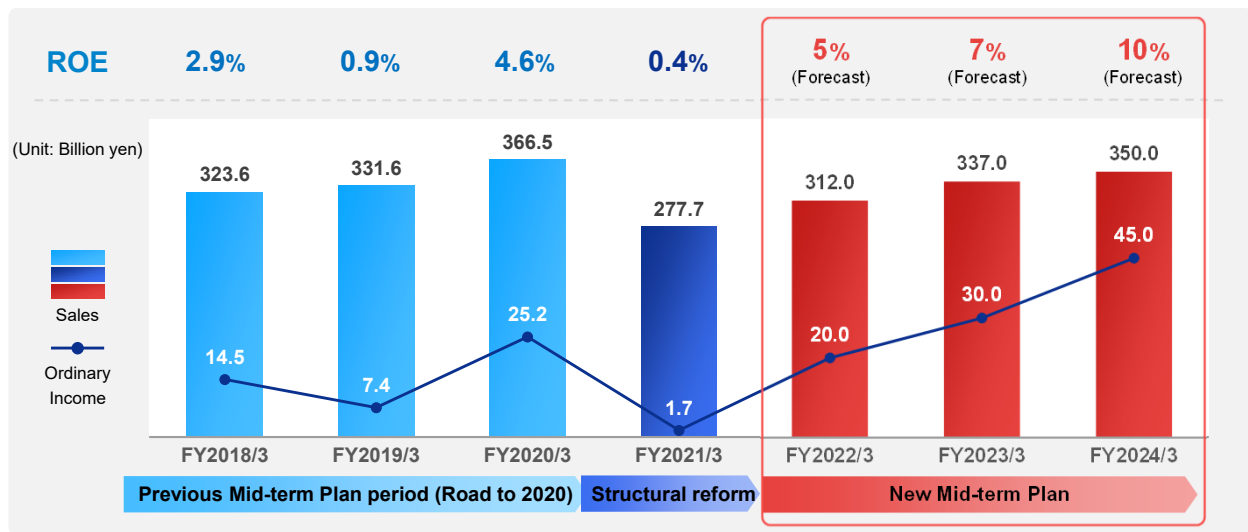
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The theme of the new Medium Term Plan that we are announcing today is “Beyond the Status Quo” in which we aim to break through the current situation and become a sustainable company. Quantitatively, the company aims to achieve ordinary income of 45.0 billion yen and ROE of 10% in the fiscal year ending March 2024.

These are our key strategies. First, we will invest in the growth of SEGA’s Consumer area towards global market. In addition, we will solidify the earnings base of the Pachislot and Pachinko Machines Business, and we would like to aim to have our IR business certified.

Improvement of ROE by shifting to the management focusing on capital efficiency



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As for our management policy, we would like to improve our ROE by shifting our management focus to capital efficiency.

In fact, the ROE has been at very low level, due to 2 main reasons. First, the level of net income has been low, and second, the company was maintaining a high level of equity capital to prepare for entry into domestic IR. In other word, we have not been able to leverage our finance. We change our policy to aggressive investment and aim for a 10% ROE from now on.

Aiming for ROE10% and ordinary income of 45.0 billion yen in FY2024/3

		FY21/3 Results	FY22/3 Forecast	FY23/3 Forecast	FY24/3 Forecast	(Unit: Billion yen)
Entertainment Contents	Sales	217.8	213.0	238.0	242.0	
	Operating Income	27.9	23.0	28.5	39.0	
	Ordinary Income	27.9	25.0	30.0	40.0	
Pachislot and Pachinko	Sales	53.1	89.0	88.0	96.0	
	Operating Income	-10.6	9.0	9.0	13.0	
	Ordinary Income	-11.3	9.0	9.0	13.0	
Resort	Sales	6.3	9.5	10.5	10.5	
	Operating Income	-4.1	-3.0	-1.5	-1.3	
	Ordinary Income	-8.9	-5.0	0.0	1.0	
Other/ Elimination	Sales	0.5	0.5	0.5	1.5	
	Operating Income	-6.7	-9.0	-9.0	-8.7	
	Ordinary Income	-6.0	-9.0	-9.0	-9.0	
Consolidated	Sales	277.7	312.0	337.0	350.0	
	Operating Income	6.5	20.0	27.0	42.0	
	Ordinary Income	1.7	20.0	30.0	45.0	
	ROE	0.4%	5%	7%	10%	

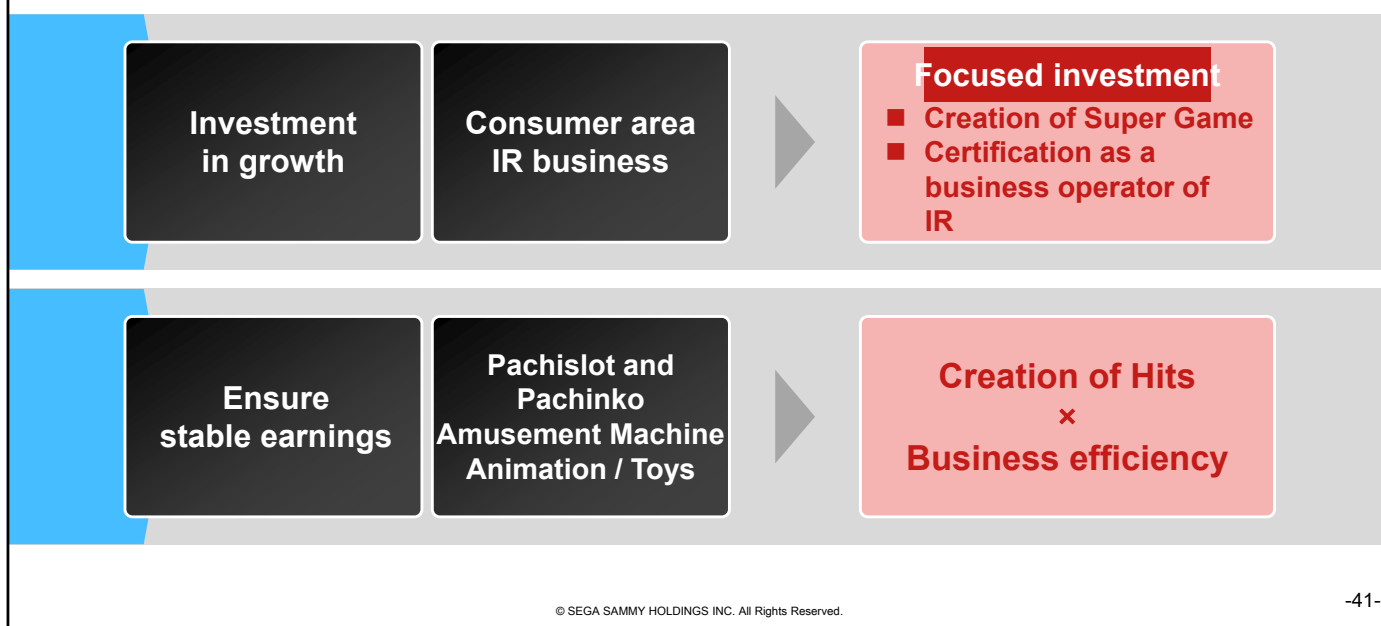
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In the Entertainment Contents Business, we will aim for ordinary income of 40.0 billion yen in the fiscal year ending March 2024.

In Pachislot and Pachinko Machines Business, rather than growth, the first thing we need to do is to build an earnings structure that will enable us to generate profits of around 10.0 billion yen for the next 3 years.

As for the Resort Business, we proceed to make PARADISE CITY profitable at an early stage on the assumption that COVID-19 settles down, and we think the IR preparation costs will also settle down. If we can obtain the license, we will move on to the development preparation phase.



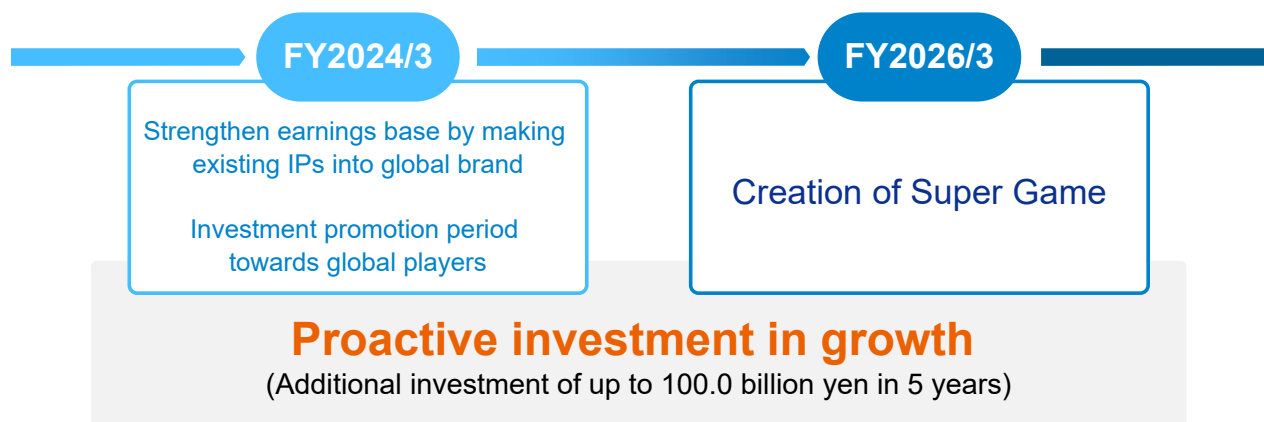
And the biggest area for growth investment is in the Consumer area. We created a new word called “Super Game” within the company, and this is what we are aiming for. The definition is to create games that can aim for cumulative sales of 100.0 billion yen over their lifetime. We will provide not only a mere game, but also services, including various communities that are produced within the game. We would like to challenge to developing new genres of games by providing various playing other than the game itself and communities, where people can spend time in the game world.

In the IR Business, if we can obtain the license, the investment would be large, but I would like to explain later in detail how we will make decisions on this investment.

As for other businesses, we will ensure stable earnings. We would like to pursue a policy of creating hits and increasing business efficiency at the same time.

Entertainment Contents Business Consumer Area

To be a Global Leading Contents Provider



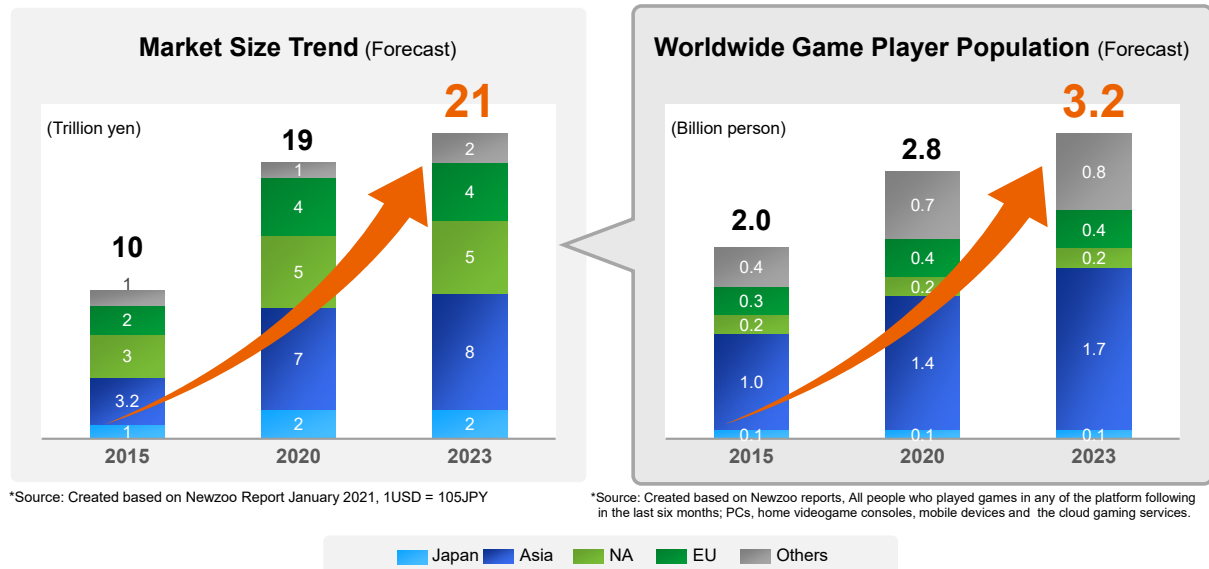
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In the Entertainment Contents Business, for the next 3 years, we will be digging deeper into our existing IPs. By expanding existing IPs globally, we will enlarge our earnings scale. Also, we are going to put our investment towards global players, and within 5 years, we are aiming to create a Super Game.

In fact, PSO2 will reach a cumulative total of 100.0 billion yen in sales by the end of this fiscal year, and we have also set a strategy to reboot to New Genesis, which is substantially a new game, and deliver it to the entire world at once. In the next fiscal year, we are planning to release a new FPS title which is in development at our European Studio. 2 games that we are currently working on are planned to be released around 4 to 5 years later, and we aim for these games to become a Super Game.

In addition to this, we will continue to increase our development resources not only in Japan, but also in other countries, and if there are opportunities, we would consider the M&A, etc. We will also continue to actively promote investment in startups, etc., so we would like to make additional investment in the Consumer area of around 100.0 billion yen in total, in the next 5 years.



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The global game market size is rapidly growing, and it is estimated that this business will become a 21 trillion yen industry by 2023, and the game player population will reach to 3.2 billion sooner or later. Our motto is that we will deliver games to these 3 billion game players around the world, and we are sinking this will within our company.

Also, from now on, users such as game viewers, who actually does not play the game but watches gameplay of live streamers, etc., will become target of our services we provide.

Barriers between devices and regions disappeared and point of contact with users are increasing



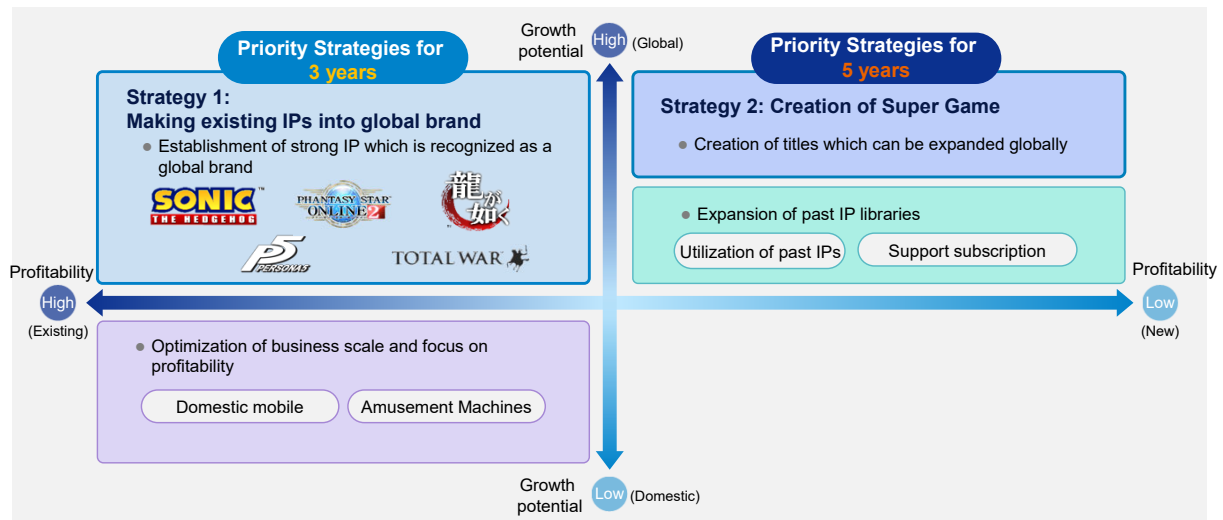
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The barriers between devices and regions are disappearing rapidly due to progress of Digital Transformation (DX). In this situation, the chance of delivering our game contents to over 3 billion users are expanding. We are thinking to release various game contents in a timely manner to all directions, including PlayStation, Switch, Xbox, PC platforms, and cloud platforms, etc.

In terms of the earnings model, various models of receiving money from customers have emerged, such as F2P, subscription, season pass, etc., instead of the traditional package sell-out model. We would like to provide our services in an appropriate manner and firmly increase our earnings base.

【Key strategies】



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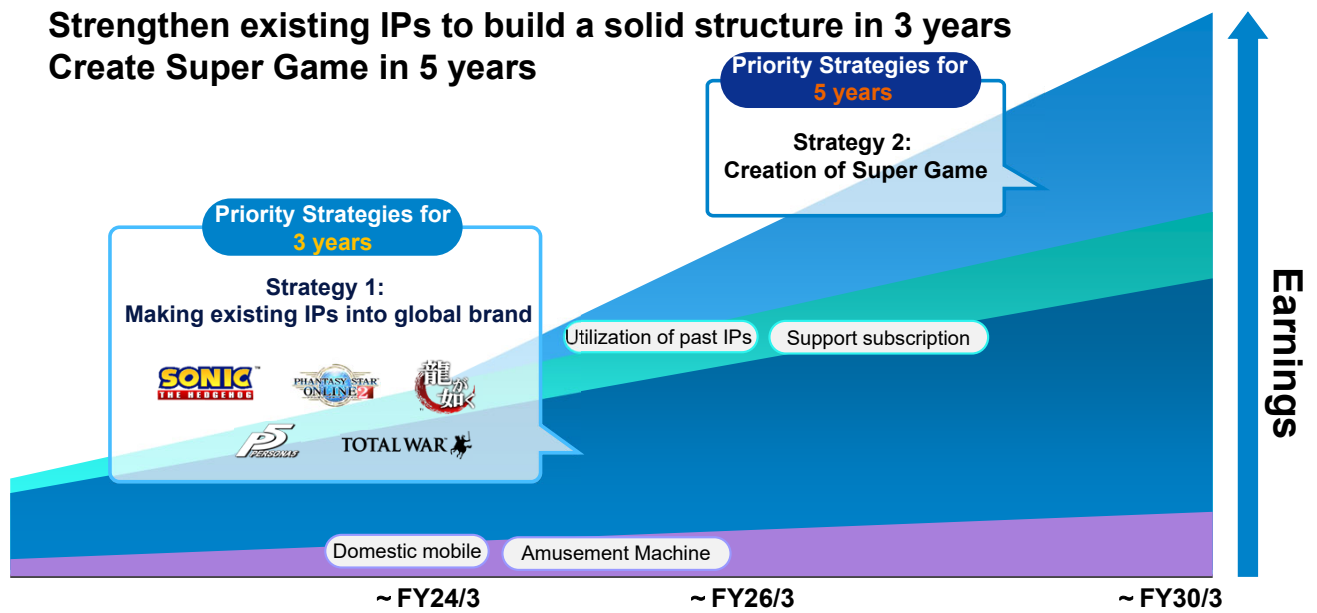
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One of our key strategy for the next 3 years will be to dig deeper into our existing IPs such as *Sonic*, *Ryu ga Gotoku (Yakuza)*, *TOTAL WAR*, and *Persona*, etc. and deliver them to the global market.

In addition, we would like to take on the challenge of Super Game in the next 5 years, and subscription and other services, including cloud services, are expected to increase even more from now on, so we would like to dig deeper into the IPs in order to use our abundant IPs more effectively, first by remastering. If the reaction is good, we would like to remake and reboot (creating a new game by utilizing our past IPs) them, and connect it to a huge hit.

On the other hand, in the domestic mobile (smartphone games) and the Amusement Machine Sales area, we will make the business to generate solid earnings in the stable period. In domestic mobile area, we would also like to aim for the overseas market for the title that achieved succession in the domestic market, so we think there are parts we can expect growth.

Strengthen existing IPs to build a solid structure in 3 years
Create Super Game in 5 years

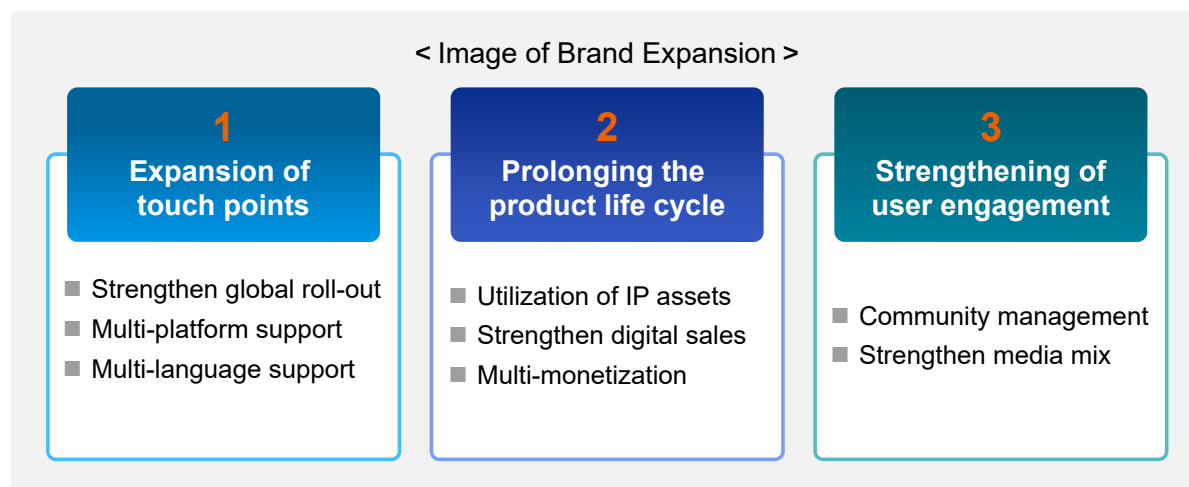


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This is a conceptual diagram, and it indicates that each earnings strategy will stack up like a millefeuille.

Grow mainstay IPs which holds core fans as a global brand



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As for strategy to make existing IPs into global branding, there are 3 main points.

1. It is to expand the number of touch points. This strategy is based on expanding globally and as simultaneously on various platforms by supporting the various languages.

2. It is to extend the product cycle. There have been many numbers of online games that the service ended after 2 to 3 years from release, but PSO2 has been in service for about 9 years already. I believe that we have to release these 10-year titles from now on. We would like to solidify the developing of these titles that can continue service for a long period of time.

3. It is to strengthen user engagements. Especially in online games, it is very important to activate the community, increase engagement, and to maintain the energy. For example, initiatives such as NFT announced recently, etc. are one of them. I would like to take on these challenges in accordance with the strategy.

Expansion of touch points

- Expand sales areas with the first worldwide simultaneous launch from Ryu ga Gotoku studio



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- Simultaneous global launch (scheduled for September 24, 2021)
- Support platforms: PlayStation4, PlayStation5, Xbox One, Xbox Series X/S
- Support 9 languages (Japanese, Traditional Chinese, Simplified Chinese, Hangul, English, French, Italian, German and Spanish)

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As a concrete example of globally branding our existing IPs, we will raise “LOST JUDGEMENT”, which we have announced recently. So far, games from Ryu ga Gotoku Studio have been released in Japan first, and then expanded globally after a while. In recent years, as the first step, the games have been released simultaneously in Japan and Asia, but with “LOST JUDGEMENT”, it will be released simultaneously around the world, supporting 9 languages, and expanded to multi-platforms. This title will be the first step, but from now on, we will strategically continue these expansions with other titles too.

Strengthening of User Engagement

- Expansion of recognition of Sonic brand by strengthening Media Mix

FY2020/3~

Made into a movie



Released in March 2020
Box office \$320 million

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FY2023/3~

Sequel of the movie, and anime will be distributed in Netflix



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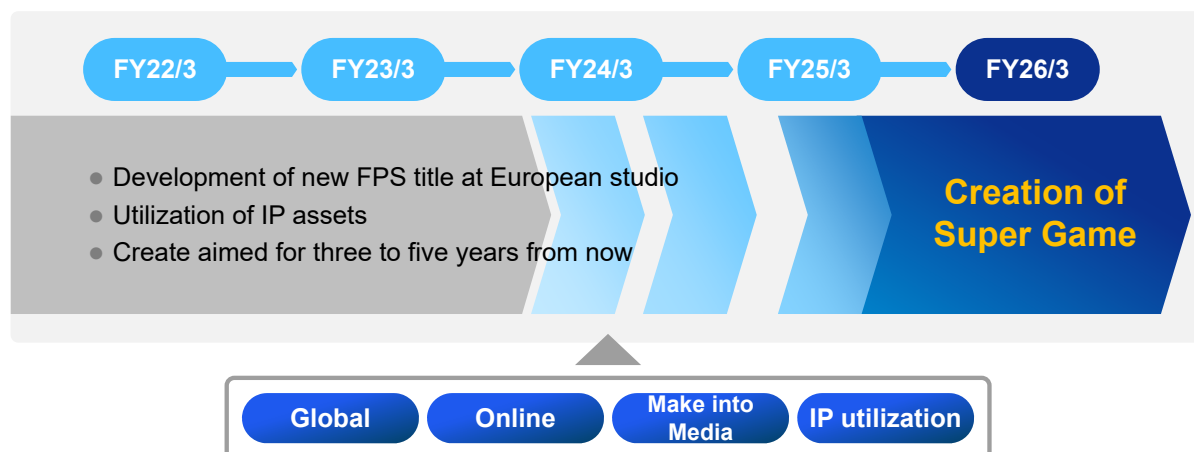
In the point of strengthening media mix, we can raise *Sonic* IP as an example.

Last year, *Sonic* movie was a big hit around the world despite the COVID-19 situation and ranked sixth at the global box office. Lockdown occurred just when the box office was growing, so if there wasn't the COVID-19, I believe the box office would have been higher.

On the other hand, the sales of video on demand, DVD, Blu-ray, pay-per-view, subscriptions, etc., are growing on a large scale due to the stay-at-home spending from COVID-19. For Paramount, our production partner, in response to the huge hit, conversation about *Sonic 2* has progressed at an early stage and has announced that the production of the movie has already started.

In addition to the movie, we have announced that Netflix will distribute a completely new animation in addition to the movie.

Challenge toward creating large-scale global titles



Aim for life-time sales of 100.0 billion yen

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Next is about the development of large-scale global title, which we defined as Super Game. A new FPS, which is equivalent to Super Game, is under development at the European studio, and we schedule to start the service in the next fiscal year.

The definition of Super Game, as it is written here, the keywords are to be able to expand “Global”, “Online”, and “made into Media”, and “IP utilization” of not only existing but also past IPs can be raised. In particular, game will certainly become one of the largest media in entertainment from now on, so not only providing the opportunity to play the game, but we will also aim to provide contents and services that can create a large community.

In a quantitative view, as we have mentioned, we would like to create a game that can aim for 100.0 billion yen sales over their lifetime as one point of view.

Holds a large number of globally recognized IP Utilizing these IPs after careful examination



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We have a large number of IPs that are highly recognized globally.

The IPs on the left side are defined as active IP and have been releasing new titles almost every year. The IPs on the right are IPs that have not been releasing new titles now, but is popular in the overseas market. However, “Space Channel 5” released a VR version last year, “Panzer Dragoon” has been remastered by a startup company overseas, and as for “Streets of Rage”, a French startup company has developed a new game called “Streets of Rage 4”, and became a hit. As for “Virtua Fighter”, we have already announced that we are currently working on a new project.

As a basic idea, we will remaster popular IPs sequentially, and will place it to the subscription markets, etc. For strong titles, we will remake it, and will release it after firmly raising the quality to the standards of the current platforms. And for IPs that have a large potential, we will reboot it by making them into completely new games which match to the present time while maintaining the look and feel of the world of the IPs and will release it as a completely new title. Our strategy is that to activate each IP like this.



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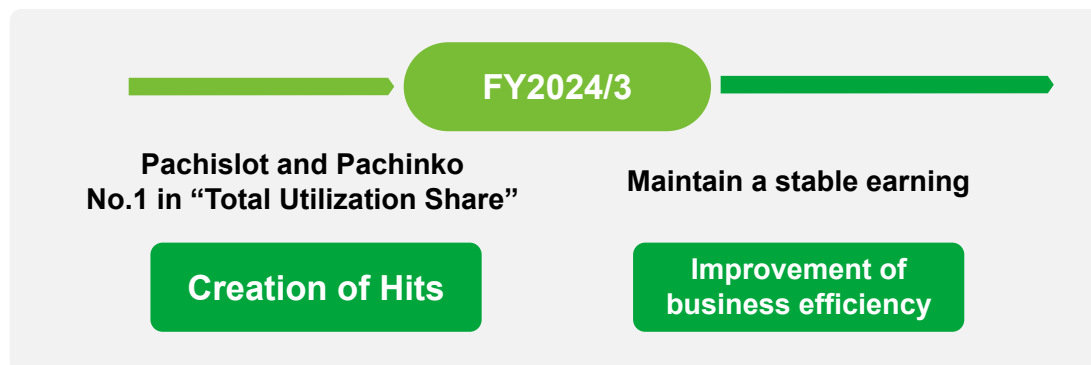
These are just some of them, but as you can see, we still have many IPs.

There will be new IPs added here from now on, and we want to deliver these IPs which are our assets, to people all around the world in a new way.

Pachislot and Pachinko Machines Business

No.1 in Sales & Utilization Share

Build a stable Earnings structure



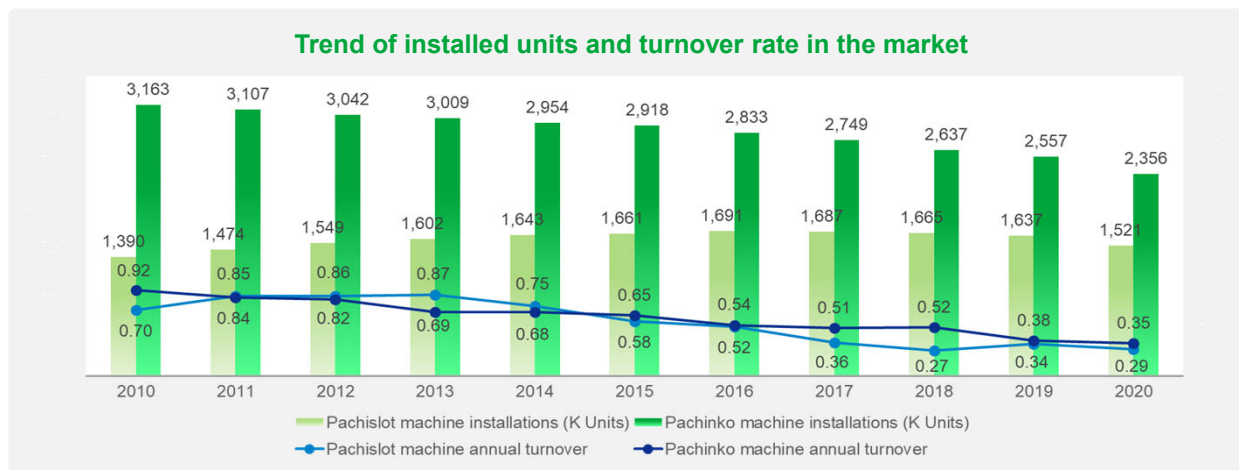
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In the Pachislot and Pachinko Machines business, in the long term, we would like to be number 1 in market share of sales, utilization and installation, but for the next 3 years, we are aiming to be number 1 in the total utilization share of Pachislot and Pachinko.

The number of pachinko halls and the number of machines installed are decreasing in this market, but the fact is that we still do not have the largest market share. If we were to say that we are already number 1 and the market is getting smaller and smaller, there would be no room for growth, but on the contrary, there is still room for us to increase our share in the industry, and we are determined to work on this as a potential for growth.

**The number of installed machines are gradually decreasing.
Turnover* rate trends at a low level.**



Sources: National Police Agency and Yano research Institute Ltd. (*The data for 2020 are in-house estimations)

*Annual Turnover rate = Annual Pachislot and Pachinko machine unit sales / Number of installed Pachislot and Pachinko machine units in the market

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The number of units installed is also decreasing, but this decrease is more moderate than the decrease in the number of stores. In other words, M&A, etc. are very active now, so the opening of large stores are continuing while there are small stores closing, so the speed at which the number of units is decreasing is slower than the speed at which the number of stores is decreasing.

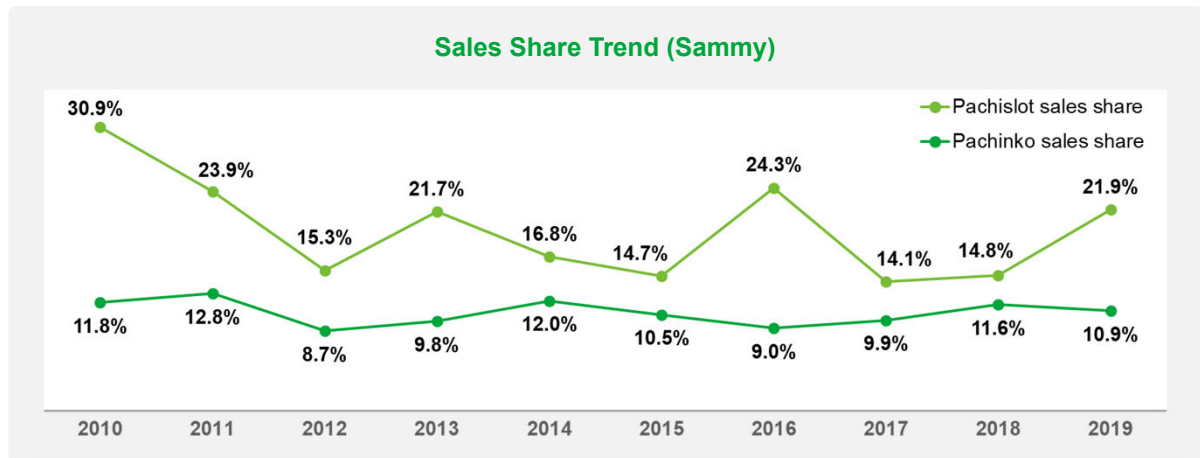
The turnover rate, which indicates the amount pachinko halls purchase new machines, is trending very low. The rules and regulations have been changing almost every year for the past 4 years, as if the goal posts are moving rapidly during the game, so we manufacturers had a hard time developing machines.

Recently, there are some positive news, such as the rules and regulations being eased since last year. For example, the introduction of “Yu-Time” in Pachinko machines, and the upper limit of advantageous section in Pachislot machines being expanded to 3,000 games.

There will still be the introduction of medal-less machines, sealed Pachinko machines, and controlled machines. We hope to create major hits in these areas by riding the wave of rules and regulations being eased.

Pachislot: Trends at around 15-20% in recent years

Pachinko: Trends at around 10%



Source: Yano research Institute Ltd.

*Estimated by Yano Research Institute Ltd. With fiscal years from July of each year through June the following year as criteria.

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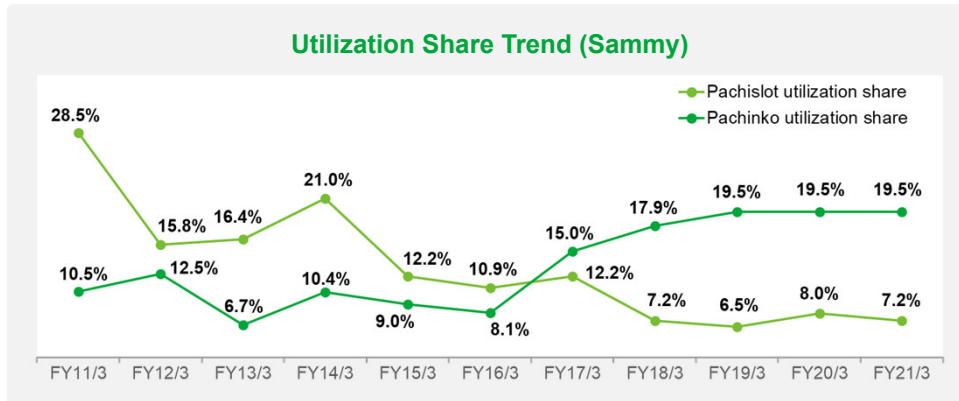
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This is Sammy's sales share.

The rate has been stable at around 15% to 20% in Pachislot, and around 10% in pachinko, but we would like to increase this rate.

Pachislot: Under 10% in recent years
Pachinko: Trends at around 20%

Reference: Ranking of Utilization share



*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Electronic Co., Ltd

*Calculated by average of the fiscal year (Exclude the week striding over fiscal years)

*Utilization Share = Ratio of Sammy machine's utilization out of the total utilization (total utilization = total of numbers of installed machine of each Title × utilization of each Title [Pachislot: Numbers of inserted medals, Pachinko: Numbers of shot balls])

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Total Utilization Share		
1st	S Company	19%
2nd	K Company	17%
3rd	Sammy	13%
4th	U Company	13%

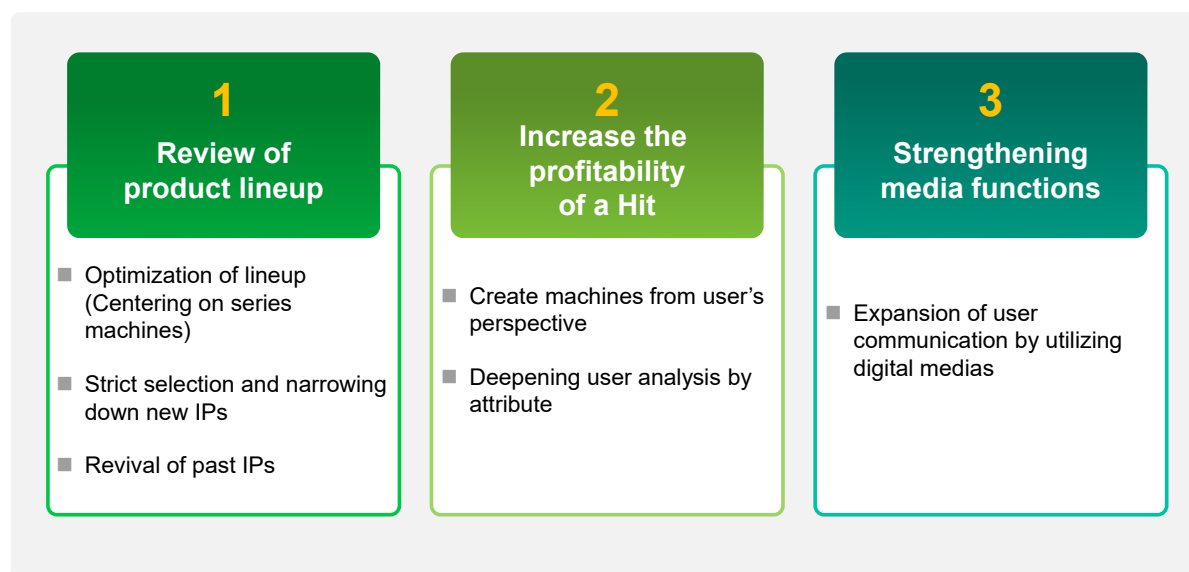
Pachislot: Utilization Share		
1st	K Company	35%
2nd	U Company	25%
3rd	D Company	11%
4th	Sammy	7%

Pachinko: Utilization Share		
1st	S Company	34%
2nd	Sammy	20%
3rd	S Company	11%
4th	N Company	10%

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This is Sammy's utilization share. Sammy is currently in third place with around 13% of the total. we are currently in fourth place in the Pachislot and second in the Pachinko, but first of all, we would like to achieve the first position in the total utilization share. In the long term, we would like to achieve the first position in both Pachislot and Pachinko.

Utilization share is the most important thing, and the reason why is that our customers, which are the pachinko halls, are not losing money. The fact that the machines are utilizing means that there was no oversupply. If the machines are utilized, it means that our fans are also happy, and so we would like to firmly increase our utilization share.



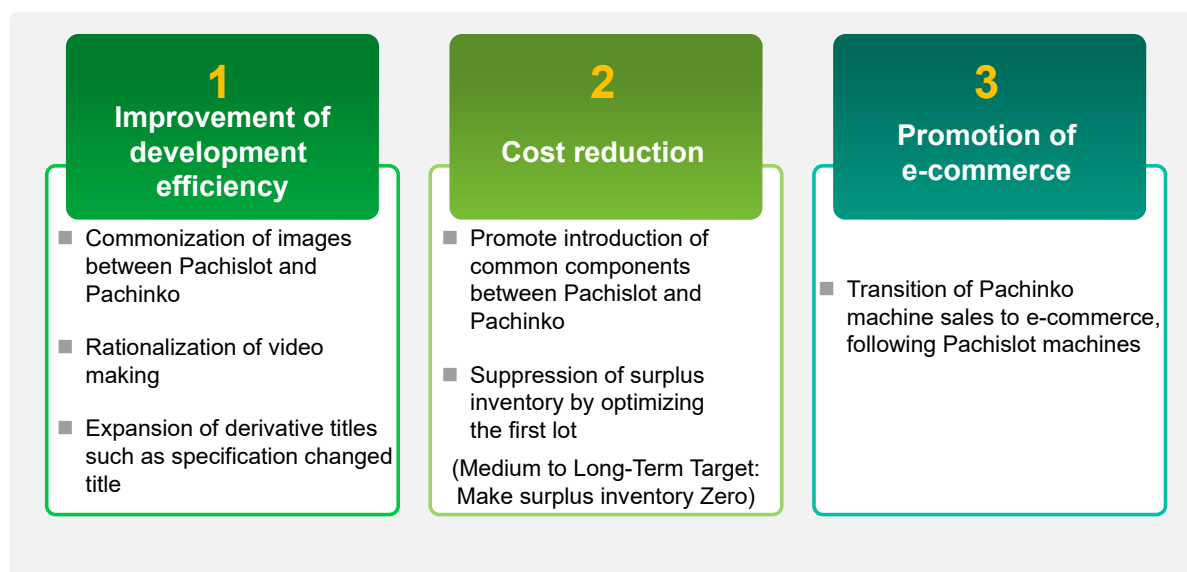
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With that in mind, we decided to thoroughly review our lineup. We will optimize our lineup centering on series machines that has a high batting average, and challenge to create a new series from IPs carefully selected. Also, about revival of past IPs, like SEGA, Sammy has many hit titles in the past, so if we can create something interesting within the current rules, we would like to take on the challenge of reviving them.

In order to increase the probability of a hit, although it is a balance between innovation, we need to thoroughly take the user's point of view into consideration. It is good to take the user's point of view when making improvements to a new genre, but we also have to take a product-out approach when creating a truly new genre, so we will implement it by keeping a good balance between these two.

We would also like to conduct various announcements to users by using digital medias, etc. The industry's self-imposed restriction about the ban of TV commercials has been unbanned, and in addition to TV commercial, we would like to conduct various marketing activities in a digital way that is suitable for today's world, targeting the younger generation as well.



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About the improvement of business efficiency, in the point of improving development efficiency, we will work on the commonization of images between Pachislot and Pachinko. For example, we are currently making *Hokuto No Ken* for both Pachislot and Pachinko machines, but until now, the character models have been separated. We have prioritized freedom of development, but from now on, we would like to thoroughly use the same images. Also, we will promote developing derivative titles such as specification changed titles.

We will continue the commonization of components, and challenge to optimizing the first lot, and suppression of surplus inventory. As explained in the operating results briefings of each company, the global shortage of semiconductors is also affecting our arcade games, and Pachislot and Pachinko. In the short term, we will take the initiative in securing semiconductors, but for other inventories that are likely to become a surplus, we would manage it appropriately.

As for the Pachinko machines, we are moving to EC sales like Pachislot to promote digital transformation.

➤ **Promote adoption of ZEEG cabinets**

- Schedule a complete transition to ZEEG cabinet in Pachislot machines in FY 2024/3

➤ **Expansion of ZEEG cabinet utilization by external manufacturers**

- Number of companies hired:
Currently 3 → 5 companies (planned) *Including Sammy

With regard to ZEEG, by the fiscal year ending March 2024, Pachislot machines will be completely shifted to ZEEG cabinets. At the moment, ZEEG cabinets and others are mixed due to applications for current machines, but we are moving this forward.

Currently, there are 3 companies including us that have adopted the ZEEG cabinets, and there are 2 additional manufacturers considering the adoption, so we would like to promote this platformization.

Also, although we won't touch on it today, Sammy is also taking on the challenge of new business, and we would like to announce this separately this month or next month. The key words are digital, online, and gaming, which is a good match for Sammy and the SEGA SAMMY Group, and we would like to challenge in this area.



Resort Business

➤ Aim for the participation in Yokohama IR

➤ Achieve highly transparent and sustainable IR

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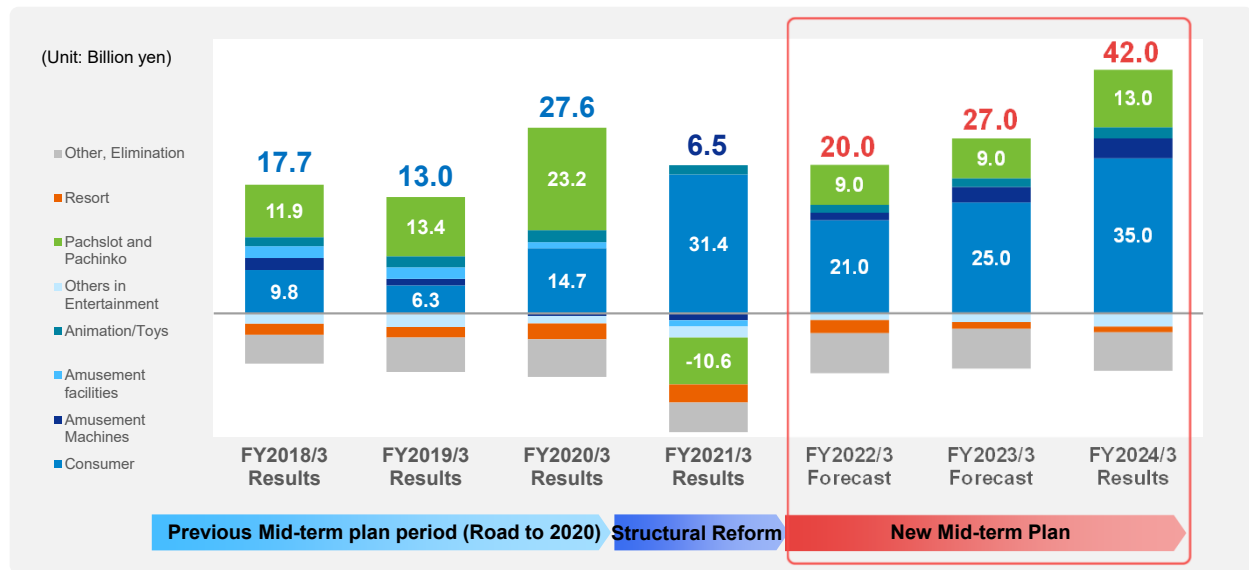
In the Resort Business, the biggest thing is, of course, to participate in the IR business, but as we mentioned earlier, we think that PARADISE CITY still has a possibility of being able to aim for profitability by this fiscal year.

In terms of PHOENIX RESORT, if the spread of vaccines and the accompanying “Go To Travel Campaign” are carried out firmly in the second half of the fiscal year, we would like to aim for profitability depending on the “Go To Travel Campaign” situation since the number of visitors during the “Go To Travel Campaign” period last year greatly exceeded the previous year’s level as we mentioned earlier.

And about “highly transparent and sustainable IR”, we originally took a move according to the national guideline that Japan aims for the world’s highest level of IR, but unfortunately, although the original concept was to aim for the highest level of integrity in the world, now it’s rather the world’s strictest regulation. The rules for IR operators are becoming very strict, so of course it is difficult to change the rules that are set by law, but we are negotiating on other aspects of operation that can be changed or negotiated.

Until now, we said that we were aiming for majority, but the deadline for the Yokohama RFP for IR is set this month, and we are thinking of participating as a minority. After the deadline is over, we hope to announce what kind of consortium and organization we will be teaming up with soon.

Reference: New Medium-Term Plan (3 years)
(Trend of Operating Income)



*Figures of the fiscal year ended March 31, 2019 are reference values before segment change

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I think that the biggest problem for everyone listening today is the figures for this fiscal year.

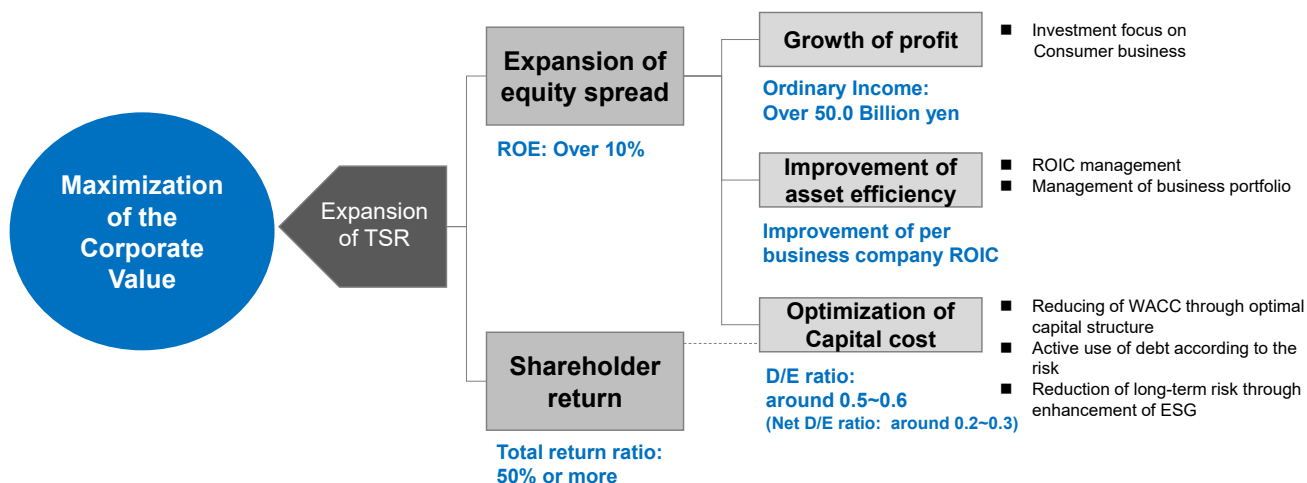
Many people may think that the operating income target of 20.0 billion yen for this current fiscal year is quite low, given that we have implemented structural reforms and reduced expenses to such an extent that a V-shaped recovery is expected. However, the deadline for the replacement of pachislot and pachinko machines has been extended from November 30 to end of January 2022, and halls have not yet regained their appetite for purchasing them, so we are taking a conservative view.

In addition, repeat sales in the Consumer area was very large in the previous fiscal year, but we believe that the global stay-at-home demand will temporarily ease here, and since we are planning to release several new titles, we have increased our marketing expenses, etc. so we are aiming for these figures first. This is the bottom line, and we would like to aim for a higher level as a group.



Financial Strategy, Others

Shift to the management focusing on capital efficiency



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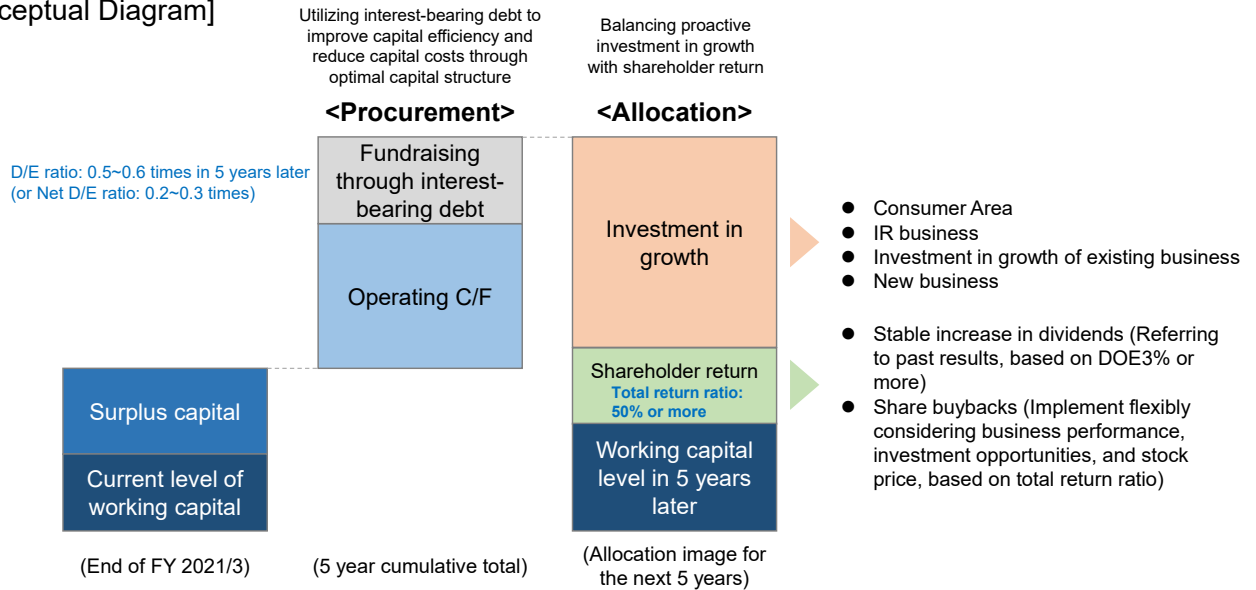
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This is about financial strategy.

We would like to maximize corporate value and, as we mentioned earlier, focus on capital efficiency in our management. We would like to expand our equity spread and aim to increase our ROE to over 10% and ordinary income to 50.0 billion yen, centered on the Consumer area.

We have established ROIC as a KPI for each of our operating companies, and each business aims to achieve its own KPI for ROE and ROIC, and we would like to optimize capital efficiency to achieve a D/E ratio of around 0.5 to 0.6. We would also like to achieve a total shareholder return ratio of 50% or more.

[Conceptual Diagram]



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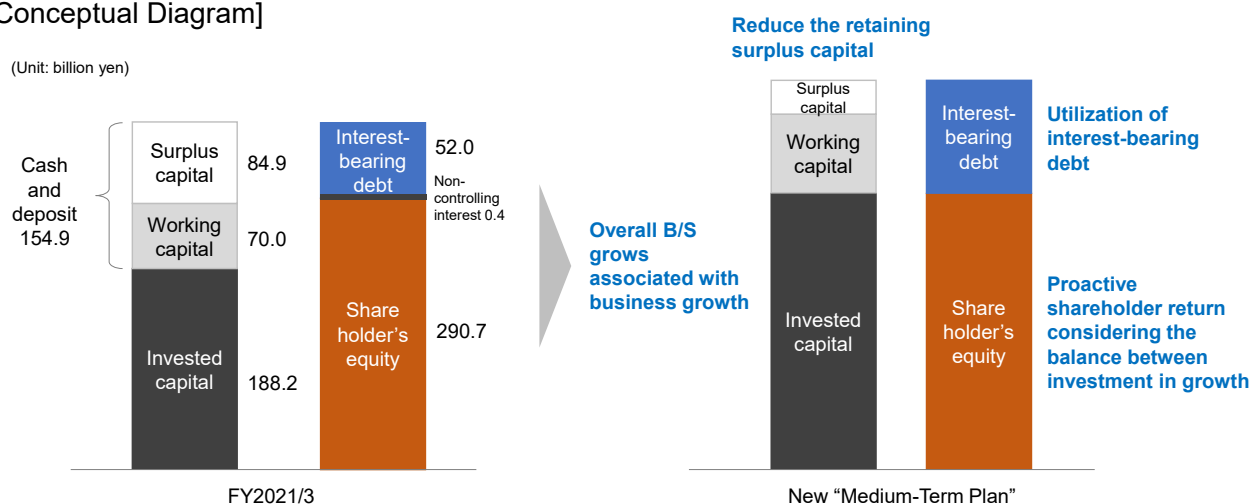
In the area of investment for growth and shareholder return, we are aiming for a DOE of 3% or more with stable dividend increases. In addition to this, we would like to secure our normal working capital and use the rest to invest in growth.

Concept of Optimal Capital Structure

Improvement of ROE and reduction of capital cost by utilizing interest-bearing debt

[Conceptual Diagram]

(Unit: billion yen)



*Invested capital = Total assets excluding cash and deposit — liabilities excluding interest-bearing debt

*Shareholder's equity includes accumulated other comprehensive income

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Also, about the use of interest-bearing debt, we still have a large amount of overdraft facilities including unused line of credit, commitment lines, etc., which we would like to utilize effectively and allocate to active investment.

Introduce the following return policies being conscious of past dividend amount results

- Total return ratio: 50% or more
- Dividend Policy: DOE (Dividend on Equity Ratio) 3% or more
- Regarding share buybacks, make flexible decision taking business performance trend and stock market trend into account

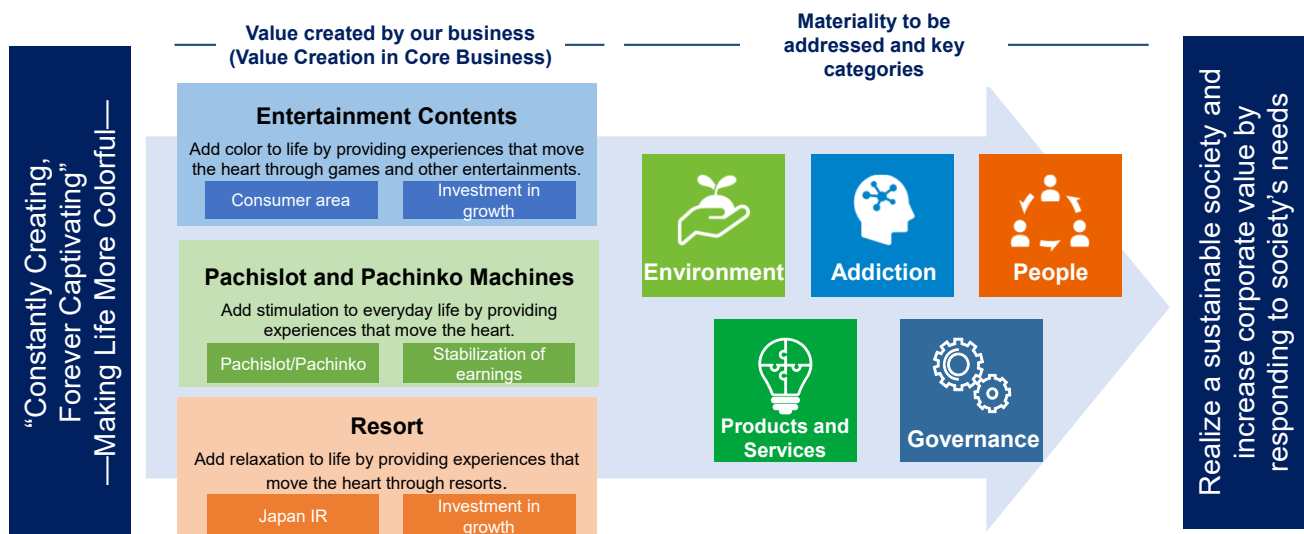


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In terms of shareholder return, the DOE of 3% has been the average in the past, but we regret to say that we had to lower the interim dividends by 10 yen of previous fiscal year due to structural reforms. However, while referring to the past dividend amount in the future, if we gain high profit and the DOE is less than 2.9% or 3%, we will be flexible and bring it up to 3% without sticking to the 40 yen. For example, we would like to aim for a dividend of 41 or 42 yen. And if we still have enough room in our capital or gain a larger profit, we will consider to allocate the budget for buybacks, etc.

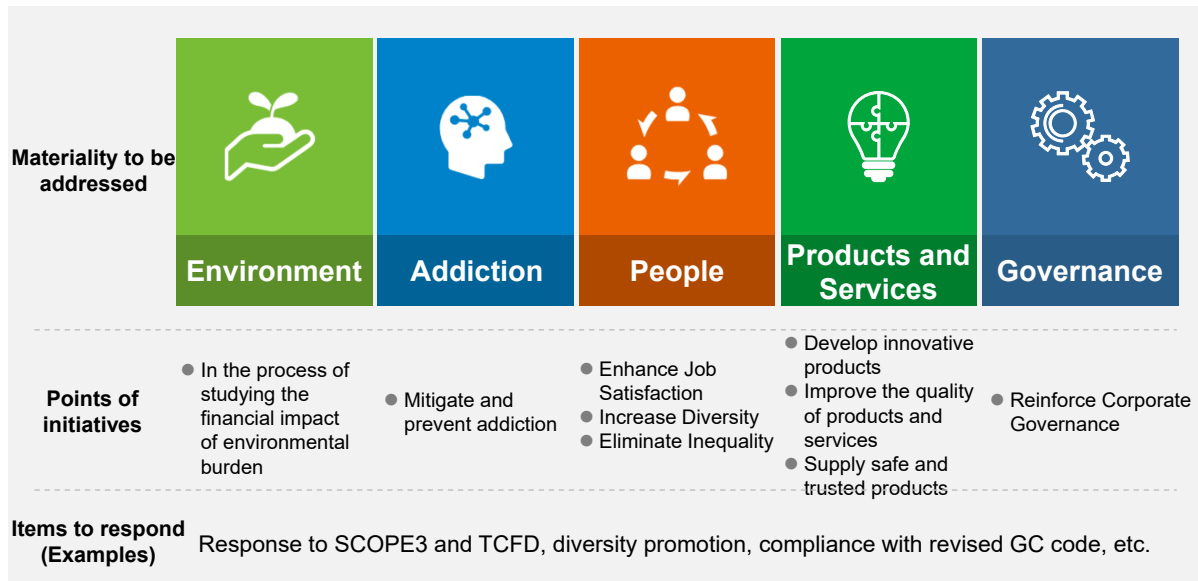
To work on setting quantitative goals and strengthening the action plans



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In terms of ESG and SDGs, within 5 materiality items that we have defined, in particular, human rights have recently become a major issue all over the world. And as we mentioned earlier about semiconductors, we would like to ensure sustainable procurement.



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In terms of the environment, we would like to firmly calculate how the products and services we provide, which are compliant with SCOPE 3, will affect the environment and also would like to take on the challenge of reducing them, as well as proactively addressing TCFD, promoting diversity, etc.

We are also actively promoting the advancement of women, employment of people with disabilities, as we have signed the “The Valuable 500” established by the Davos Forum.

- ✓ Structuring Board of Directors and Audit & Supervisory Board with high independency and diversification

【Management structure】

	Current		As of June 24, 2021 (*)	
	Board of Directors	Audit & Supervisory Board	Board of Directors	Audit & Supervisory Board
Number of members	8 members	4 members	8 members	3 members
Independent and external (ratio)	2 members (25%)	2 members (50%)	4 members (50%)	2 members (66%)
Woman (ratio)	1 member (12%)	-	3 members (37%)	1 member (33%)

- ✓ Introduction of ROE linked medium-term stock compensation system*

*Matters to be approved in 17th Ordinary General Meeting of Shareholders scheduled on June 24, 2021

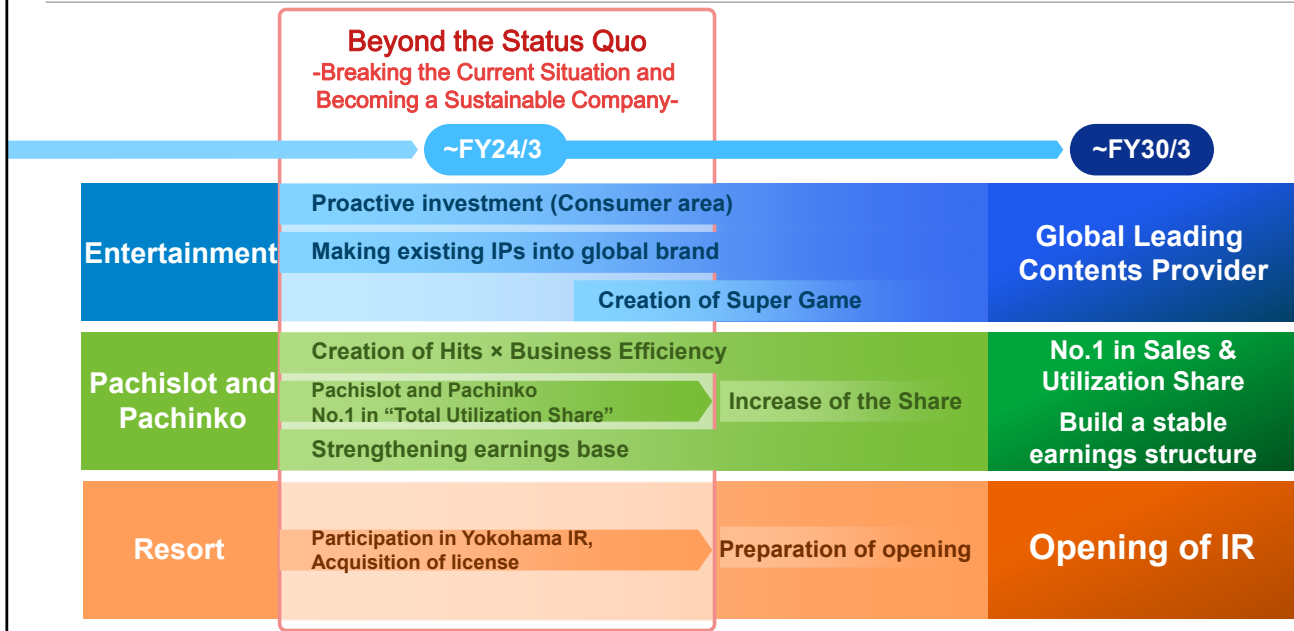
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In terms of governance, the number of directors will remain unchanged at 8, but the details have changed, subject to approval at the general meeting on June 24, with the aim of achieving independent and an external ratio of 50%. We are also proposing a structure in which the ratio of female directors to be 37% with 3 members, and the ratio of independent and external auditors will be 66% with female ratio 33%.

Then, we would like to introduce a medium-term stock compensation program linked to ROE, and this would be introduced not only to the executives of SEGA SAMMY, but also to the executives of the major companies in our group. We would like to create a system in which the entire company is united, and in conjunction with the inclusion of ROIC in their KPIs, we would like to create a structure in which the management team works from the same perspective as the shareholders.

Medium to Long-Term Map



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This is the summary of our medium to long term plan. In order to achieve these major goals by the fiscal year ending March 2030, we will be taking these measures for the next 3 years under the slogan of "Beyond the Status Quo -Breaking the Current Situation and Becoming a Sustainable Company".



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

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 website for more information of products and services of SEGASAMMY.

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

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