(Translation)

Major Questions Regarding the Financial Results for the End of Fiscal Year Ended March 2019

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SEGA SAMMY HOLDINGS INC.

▪Pachislot and Pachinko Machines Business

Q: It is my belief that the forecasts for the fiscal year ending March 2020 were made based on the environment surrounding the Pachislot and Pachinko industry, but I would like to know in detail how you ultimately arrived at this figure in both the best and worst scenarios. (with the background such as timing of improvement with approval status and timing of sales based on the status of replacement of old-standard machines, etc.)

A: In the best scenario, we assume operating income of 30 to 40 billion yen can be achieved in the Pachislot and Pachinko Machines business alone if we can obtain the approval at the approval ratio we are expecting. However, there are risks if approval is delayed as the lead time for manufacturing, etc. has become longer due to issues regarding components, etc. In the worst case, there is a risk that operating income will remain at around 10 billion yen, which is the same as that in the fiscal year ended March 2019, but we are expecting that operating income will not fall into the red.

Q: How do you assume the approval ratio will change in the company plan for the fiscal year ending March 2020?

A: As for the approval ratio, we are going through trial and error similar to that at the time of revision from No.4-type to No. 5-type machines, and there are some points where we haven't quite identified the cause of failure in gaining approval. However, we assume that the approval ratio will gradually improve as we have been accumulating knowledge in the year since the revisions to the regulations were made. Pachinko machines have been approved including those of other companies in the industry, as well as some titles from our company. Therefore, we plan to steadily sell those in the current fiscal year.

Entertainment Contents Business

Q: R&D expenses in the Entertainment Contents Business have increased in the forecasts for the fiscal year ending March 2020. Is it to be understood that such increase is focused mainly on R&D expenses for online games targeting Europe and the U.S. to be developed by studios in those regions?

A: The main reason behind the increase in R&D expenses for the fiscal year ending March 2020 is the launch of multiple new packaged games. We also plan to increase investment in online games for Europe and the U.S. When we acquired The Creative Assembly, a studio in the U.K., it was a small studio with less than 50 employees, but it has since grown to become one of the largest game studios in the U.K. Investment in existing IPs and new endeavours of such overseas studios are increasing as these are fields in which we are seeing results. In addition, we are also increasing investment in MMORPGs for PC as we aim to implement projects at the scale of several billions of yen, although not reaching 10 billion yen, in Japan.

Q: According to the explanation on the reallocation of resources in the Digital Games area, is the plan to allocate resources to the mobile business over the medium term, mainly focusing on continuing existing titles? In such a case, are there any planned changes in strategy, such as gaining revenue through licensing or scaling down the business?

A: For mobile games, in the fiscal year ending March 2020 we aim to release the 6 titles we've been developing and will be making efforts together with studios of other companies to license them out. Through this, we seek to partner with companies not only in Japan, but in China, Korea and others as well, and this will help deliver our products to local markets while curbing to a certain degree of the risks we face as a company. In the mobile area, while the Japanese market is becoming a red ocean, the growth rate of the global market still remains high, so we will continue with our efforts in the field, including business overseas.

Q: With regard to the forecasts in the Packaged Games area for the fiscal year ending March 2020, I believe that the projection of operating income is low in comparison with sales. I understand the decrease in profits due to the incurrence of expenses associated with the launch of new titles, but why is the income margin low in the first place? Is it to be understood that some sort of buffer is in place?

A: For Packaged Games, while the ratio of repeat titles after the amortization of R&D expenses was high in the fiscal year ended March 2019, the ratio of new titles has become overwhelmingly high in the forecasts for the fiscal year ending March 2020. In addition, "Mega Drive mini," etc. are also included in this segment. However, we believe the contribution to profits will not be significant as a large amount of expenses for R&D and marketing of new titles will be incurred in the current fiscal year.

In particular, some of The Official Video Games of the Olympic Games Tokyo 2020 are licensed titles to be launched in the current fiscal year and we intend to have the peak of sales for those with the holding of the Olympic 2020 next year. Accordingly, this will lead to a significant decrease in income margin as the title's contribution to profit during the current fiscal year will be small. We aim to launch the title in Japan and Asia at the same time, while its release in Europe and the U.S. will likely be delayed. As for new titles in the fiscal year ending March 2020, the fact that most of the new titles that will be launched in the second half of the fiscal year are scheduled to be released in Europe and the U.S. in the fiscal year ending March 2021. This is also a reason behind the income margin being low.

We believe that the largest buffer in this area is repeat sales. Repeat sales is a business that can achieve many times more sales by conducting sales activities and sale by holding campaigns for digital distribution. We believe there is potential for growth in repeat sales as continuous efforts were made by the staffs on-site to accumulate results in the fiscal year ended March 2019.

Q: With regard to the forecasts for the Amusement Machine Sales area for the fiscal year ending March 2020, the income margin is extremely low, yet are there any special circumstances to address this in the current fiscal year?

A: As for the Amusement Machine Sales area, the figures include not only machines for game arcades but also casino machines, and the amount of deficit from casino machines is still large. Field trials for casino machines have already started in Las Vegas, but we view sales in a conservative manner. In addition, the incurrence of approximately 400 million yen of rent burden due to the relocation of the headquarters from the building we previously owned in Haneda to Osaki has resulted in a decline in income margin.

Resort Business

Q: How much do you think expenses related to domestic IR will be in the fiscal year ending March 2020? Furthermore, do you see expenses continuing to increase for the next fiscal year onward?

A: We plan to post a deficit of 4 billion yen for the entire Resort Business in the fiscal year ending March 2020, and it is assumed that preparation costs for realizing the domestic IR business including labor costs for a little less than 60 employees dispatched to PARADISE CITY will be 2 billion to 3 billion yen per year or more. In the current fiscal year, we assume that costs will increase as we progress in preparation to submit a Request for Proposal (RFP). Being certified as business operators requires the largest amount of expenditure during the preparation period, and we believe that the fiscal year ending March 2020 will be the peak of the preparation period. While it is believed a certain amount of expenses will arise in the fiscal year ending March 2021, we assume that they will not be such a big amount.

Q: While the degree of certainty pertaining to entry into domestic IR and the attraction of IR business at 3 domestic locations are mentioned, in which aspect(s) do you believe you have a chance of success regarding entry into the IR business?

A: As for the degree of certainty surrounding our entry into the domestic IR business, we adopt a unique position among Japanese companies. We are proud to be the only Japanese company currently aiming to draw up a grand design for a full-fledged resort and entering the IR business in a way that also involves casino operation. We believe this to be our biggest advantage. We are currently working on efforts to form a consortium by increasing the number of companies who endorse our policy described above for submitting an RFP in the region. Depending on the situation, we may also partner with operators based overseas.

Other

Q: Is my understanding correct in that one-off expenses incurred in the fiscal year ended March 2019 due to the relocation will not be recorded in the fiscal year ending March 2020? Moreover, how much will running costs increase in the fiscal year ending March 2020?

A: The entire amount of one-off expenses incurred due to the relocation of headquarters totalling approximately 4.9 billion yen was posted in the fiscal year ended March 2019. As for running costs, the rent of some companies increased with the relocation from company-owned properties to the Osaki office. Running costs are assumed to increase by approximately 1.1 billion yen in the fiscal year ending March 2020 from the fiscal year ended March 2019 when taking into consideration various factors like above. Although rent will increase, we are hoping the costs to decrease in the future as we can hold private shows and events in new office, which were held at external venues and had each company paying the cost until now, as well as with the reduction of labor costs and transportation costs of employees required when travelling between companies.

Q: How much will your cash position increase/decrease towards the entry into the domestic IR business? Furthermore, what is your projection on the level of cash and deposits?

A: As for the financial strategy for the past 4 years, a situation centering on both interest-bearing liabilities and cash and deposits has been continued before although we've aimed to enhance our fund-raising capability for participation in the domestic IR business. Therefore, we've continued to reduce our interest-bearing debt over the past 4 years and repaid an average amount of 20 billion to 25 billion yen per year until now.

On the other hand, we have built our line of credit to between 120 billion yen and 130 billion yen, including the case of either a committed line or uncommitted line, as it is necessary to secure a condition in which borrowings can be made for future entry into the IR business. We aim to keep 300 billion yen in cash and deposits and the credit line as an account on hand, and we have the prospect to nearly achieve that goal now. We believe that steady increase of operating cash flow is crucial at this moment as total free cash flow has remained negative over the past few years.

Q: Please explain the factor(s) of the year on year increase in notes and accounts receivable-trade in the financial statements for the fiscal year ended March 2019 and the factor(s) of increase in merchandise and finished goods, work in process and raw materials and supplies.

A: The increase merchandise and finished goods, work in process and raw materials and supplies was caused by the preparation of a certain number of units for "Mega Drive mini," which is scheduled to be launched in the fiscal year ending March 2020 in the Entertainment Contents Business. As for increase in work in process, the increase in R&D expenses in the Packaged Games area in the Entertainment Contents Business was the main cause.

The factor of increase in notes and accounts receivable-trade was the increase in notes receivable of "Pachislot Beast King Oujya no Houkou," which was released in March in the

Pachislot and Pachinko Machines Business. In addition, it is assumed that the unsettled amount at the end of the month has piled up as the end of the fiscal year ended March 2019 fell on a weekend.

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