

# SEGA SAMMY Management Meeting

2018/11/30

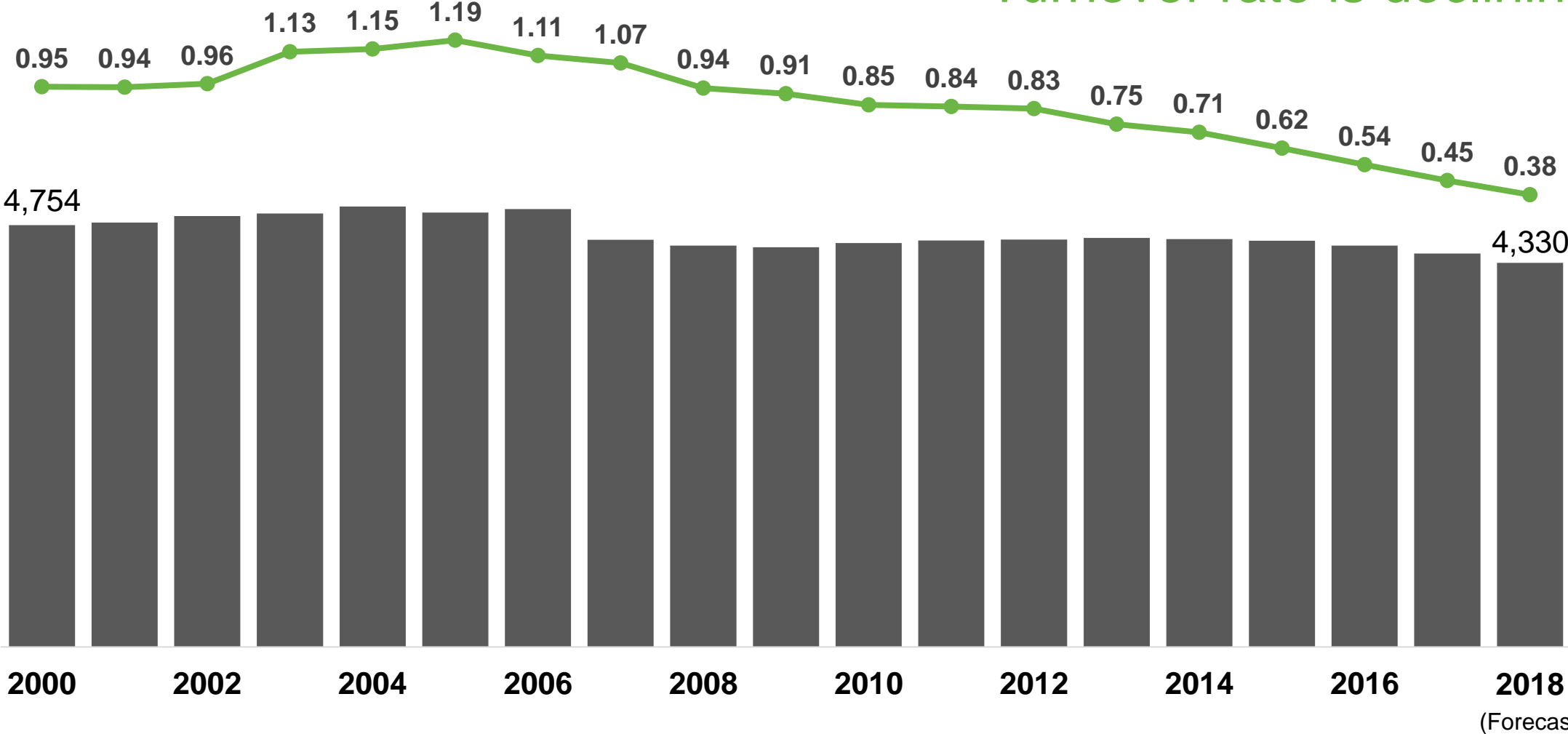
SEGA SAMMY HOLDINGS INC.

# Pachislot and Pachinko Machine Business

# Market Environment (Pachislot and Pachinko)

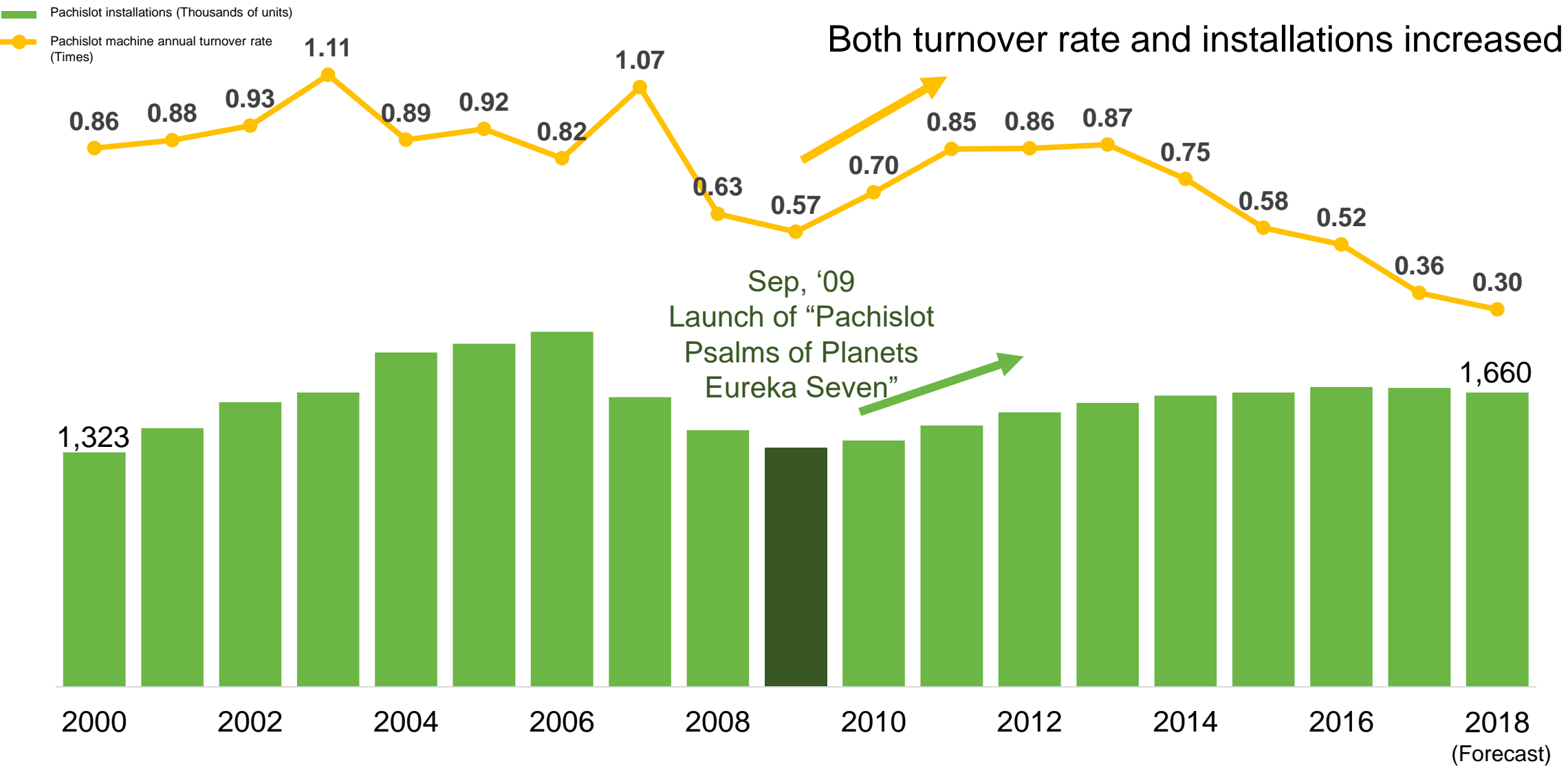
■ Pachislot / Pachinko installations (Thousands of units)  
● Pachislot / Pachinko machine annual turnover rate (Times)

Installations keep stable  
Turnover rate is declining



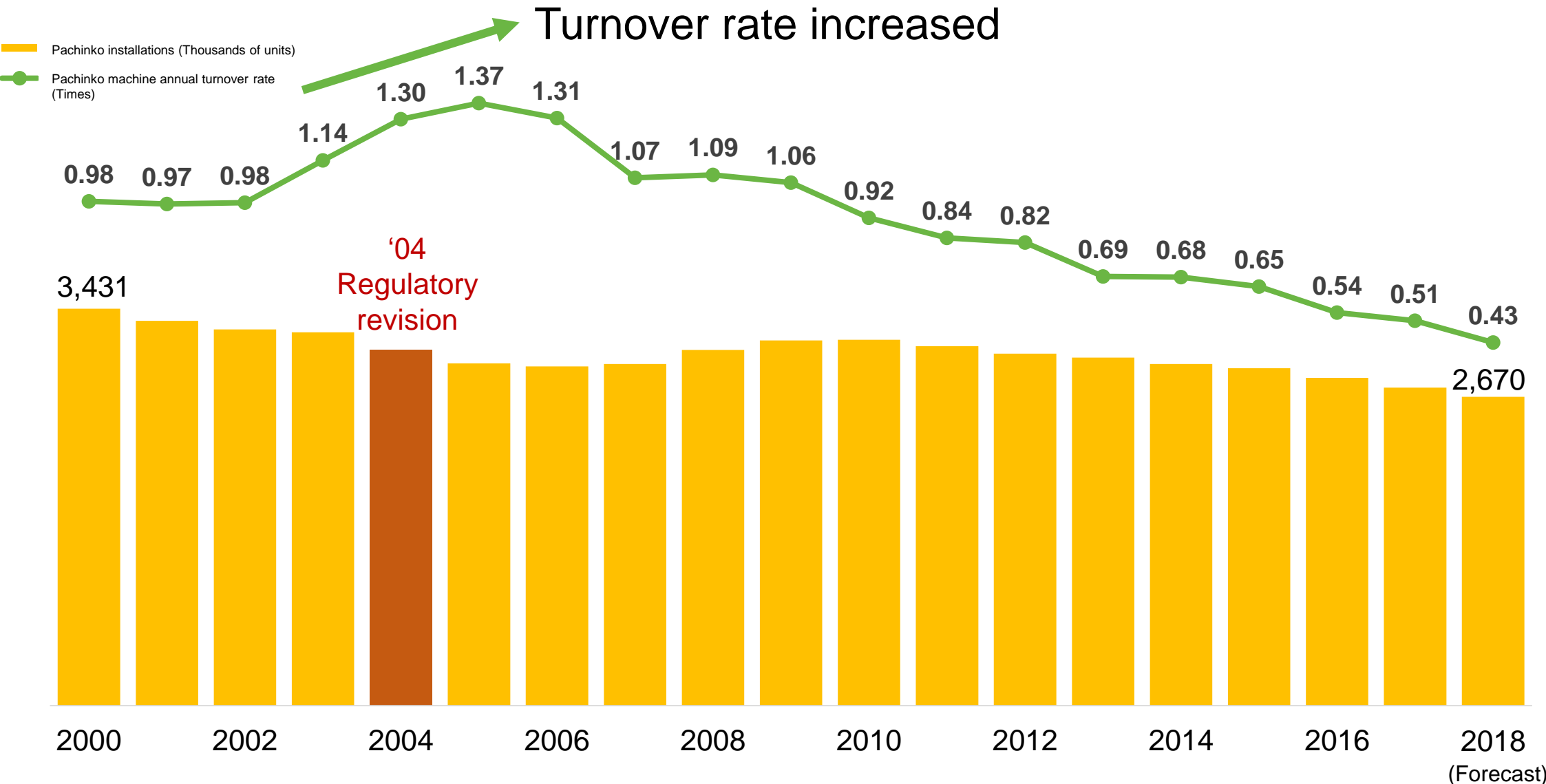
# Market Environment:

## Around previous regulatory revision (Pachislot)



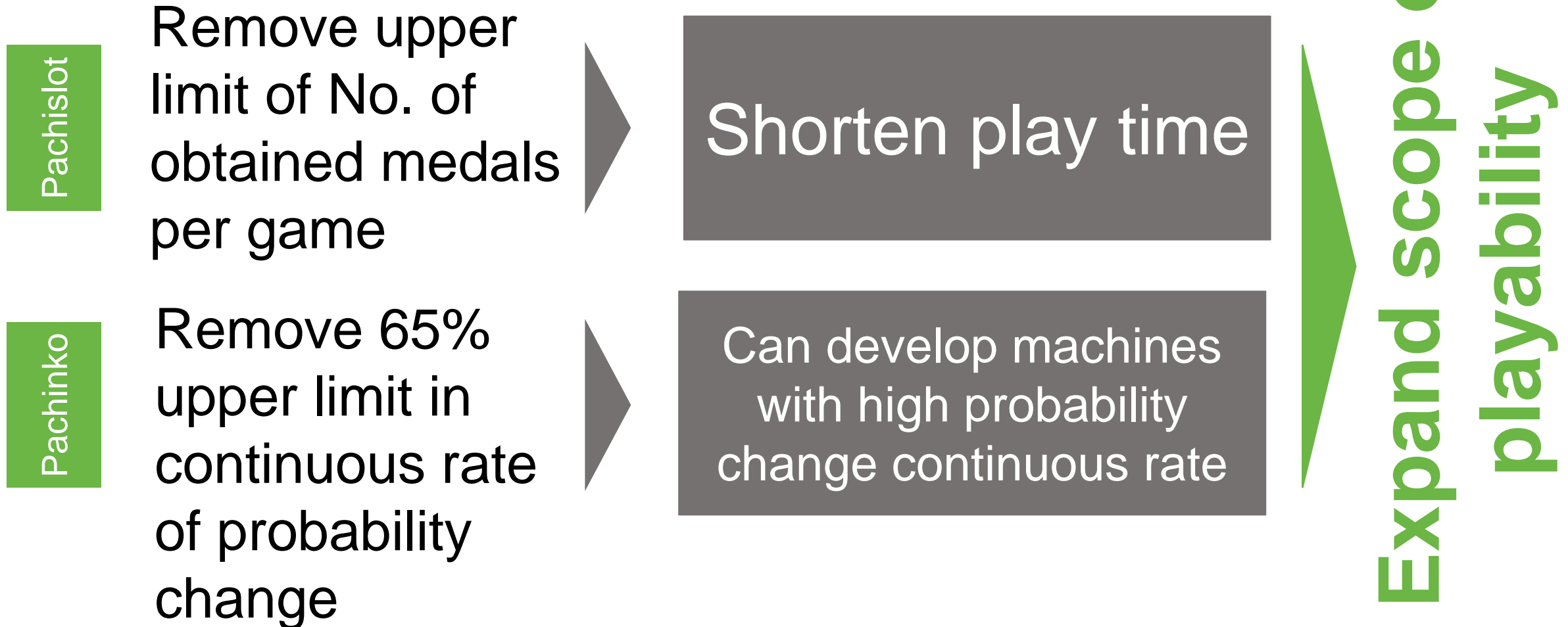
# Market Environment:

## Around previous regulatory revision (Pachinko)



# Market Environment:

## Revision of voluntary regulations



# Strength of Sammy (IP)

## Owens multiple popular series

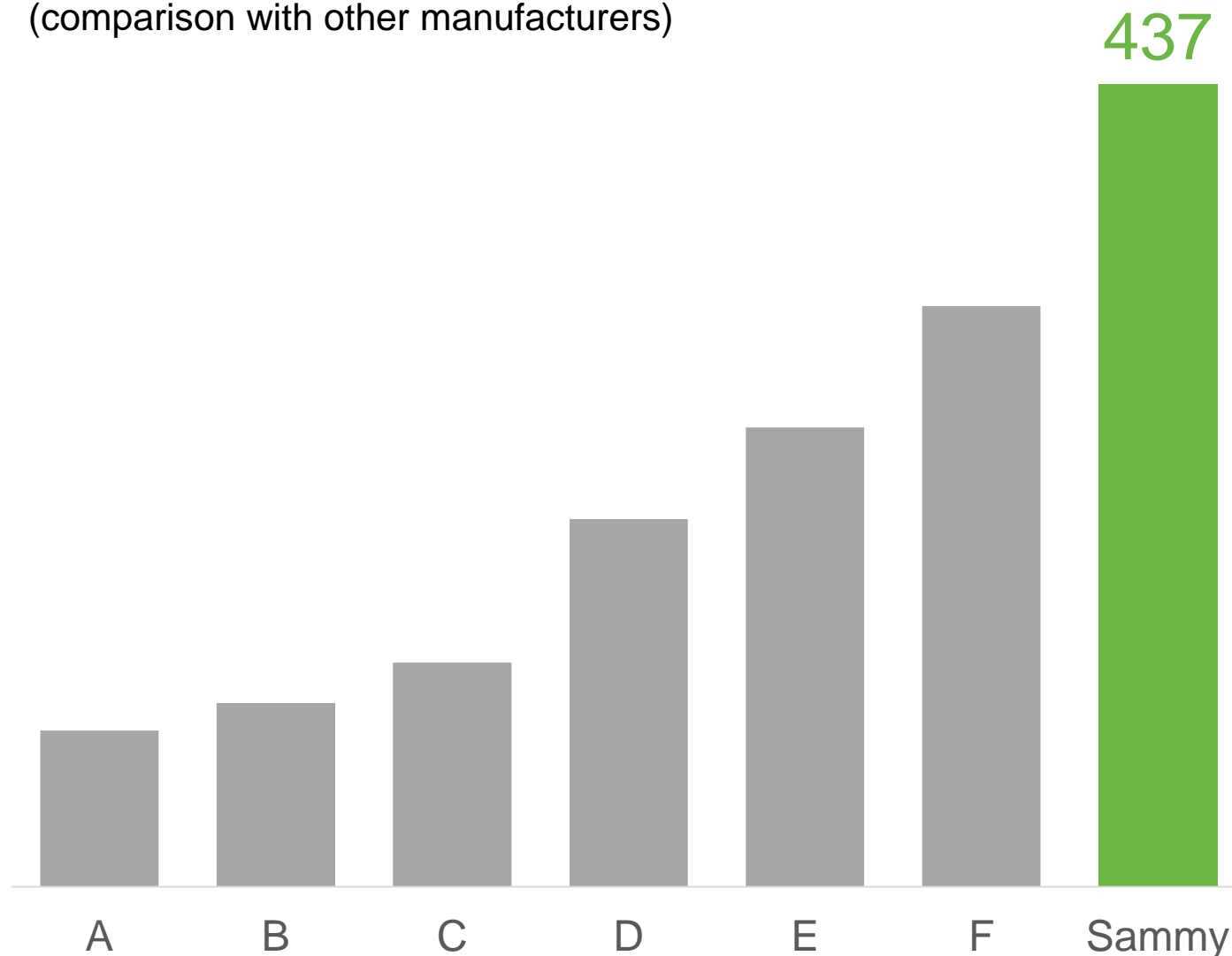
<No of titles/Total sales units (Total of Pachislot and Pachinko machines)>

Hokuto No Ken	31 titles	Approx. <b>2,870K</b> units
ALADDIN	14 titles	Approx. <b>560K</b> units
Beast King	14 titles	Approx. <b>500K</b> units
SOUTEN-NO-KEN	11 titles	Approx. <b>450K</b> units
Hokuto Muso	4 titles	Approx. <b>160K</b> units
Eureka Seven	3 titles	Approx. <b>130K</b> units
Bakemonogatari/Nisemonogatari	9 titles	Approx. <b>120K</b> units
CODE GEASS	3 titles	Approx. <b>60K</b> units

※No. of titles includes spec changed ver.

# Strength of Sammy (Development resources)

No. of development staffs  
(comparison with other manufacturers)



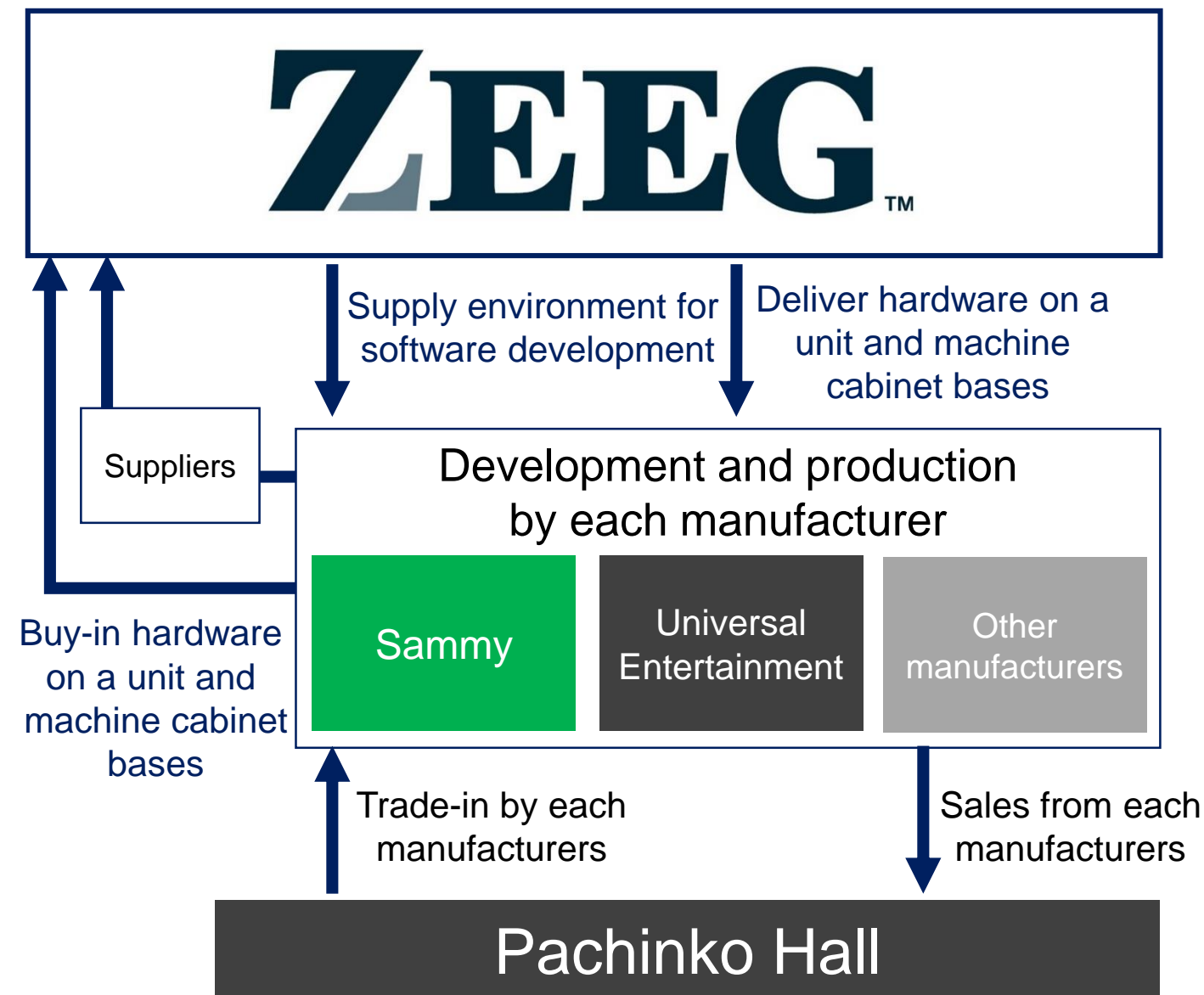
More than 400  
development staffs

Top-class scale  
among the industry



**ZIEG®**

# ZEEG (Business model)



Integrated support covers both hardware and software

- ✓ Supply hardware
- ✓ Supply software development kit (ZSDK\*)

Reducing procurement costs by reuse

- ✓ Reuse that taking advantage of economies of scale
- ✓ Increase the reused component ratio and the ratio of cabinets use
- ✓ Reduce procurement costs for buy-in on component bases

# ZEEG (Variation of models)

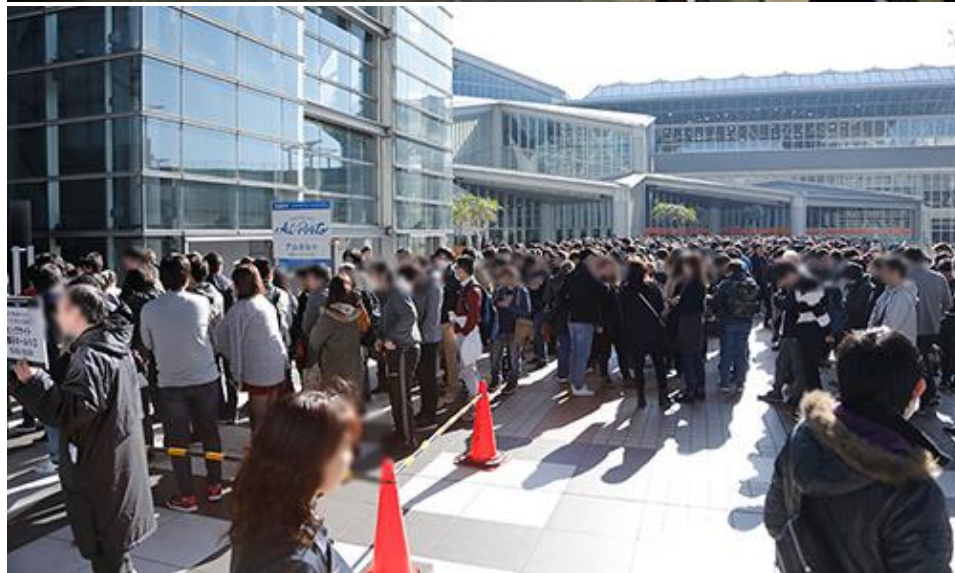


Selling 5 types of proto type



# B to C Activities

To build future fans



More than 16,000 fans attended “Universal Carnival” x “Sammy Festival 2018”

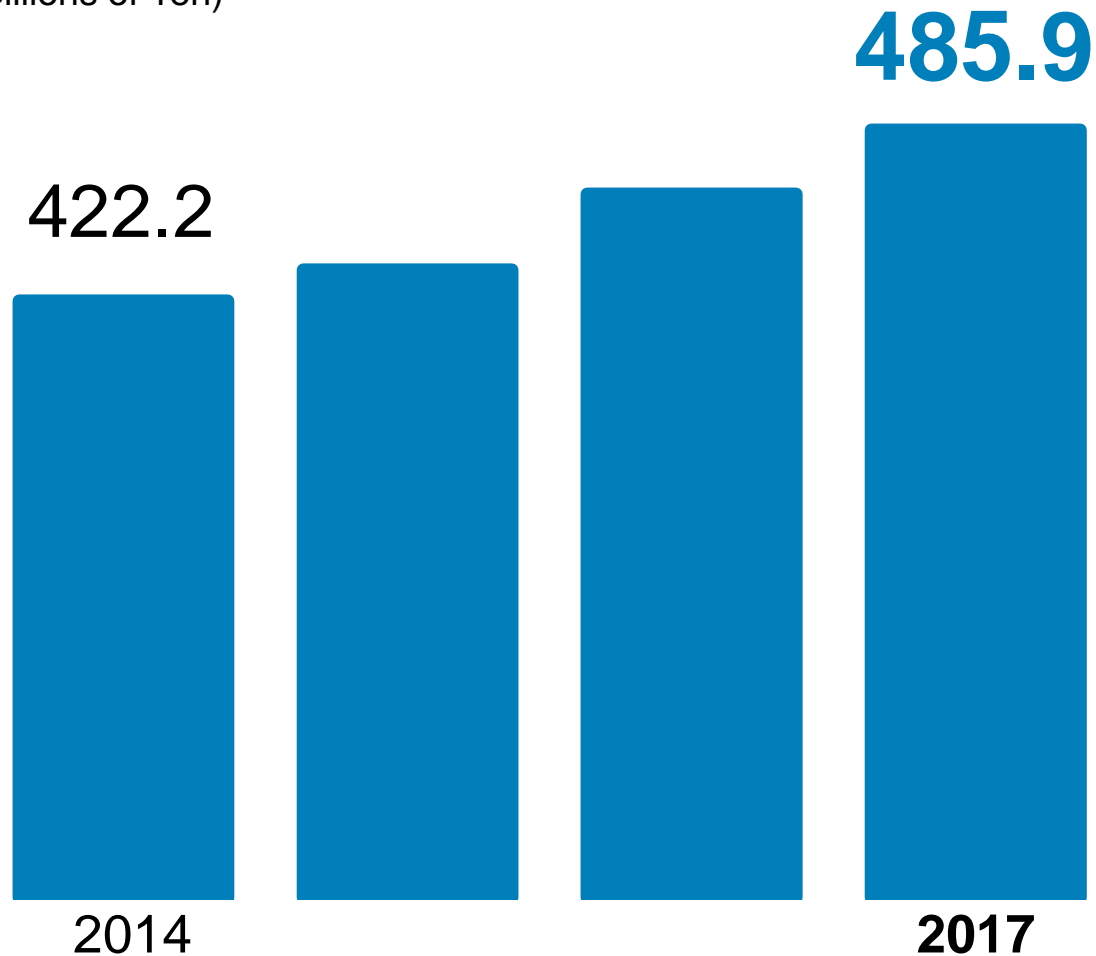
# Entertainment Contents Business

# **Amusement Machines Sales and Amusement Center Operations**

# Transition of market scale of Amusement center operation

Transition of sales by operators

(Billions of Yen)



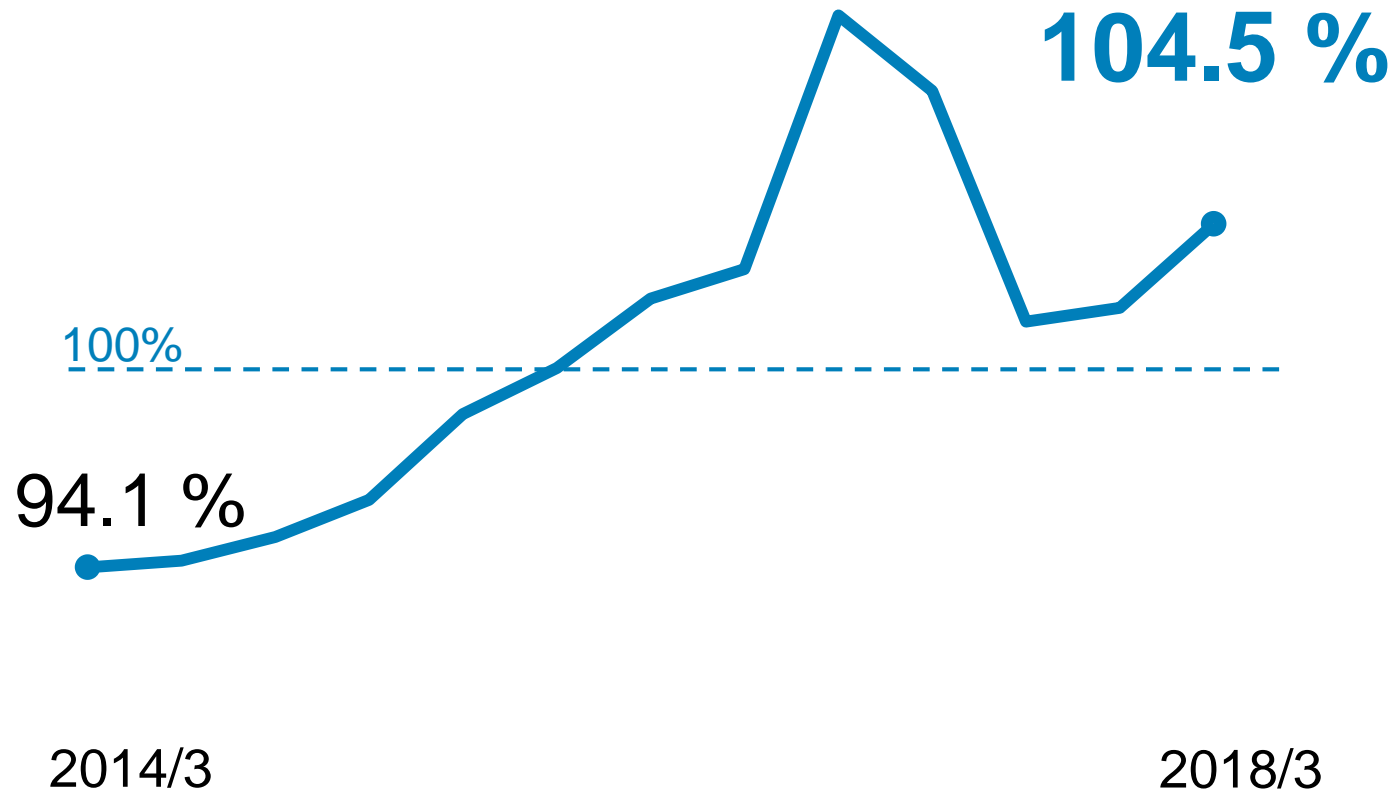
Sales of operators tend to recover after 2014

- Favorable performance in prize field
- Contribution of the sales from **“KanColle Arcade”** and etc.
- Parts of Entertainment Establishments Control Law revised and interpretation base has changed. (2016/6)

Source: Amusement Industry Survey 2017, JAIA

# Expansion of operators business

YoY sales ratio of existing domestic amusement centers



Strengthening  
profitability through the  
enhancement of  
operation in prize field

Train full-time leaders for operation  
Supply official operational manual  
Improved accuracy in buying-in of prizes



# Promote the collaboration with other operators

Co-development and sales of terminal for multiple electronic money for amusement centers



Unify the specs of IC card for arcade game



KONAMI



Amusement

Common symbol



Enables players to use the same card for corresponding arcade machines of each company

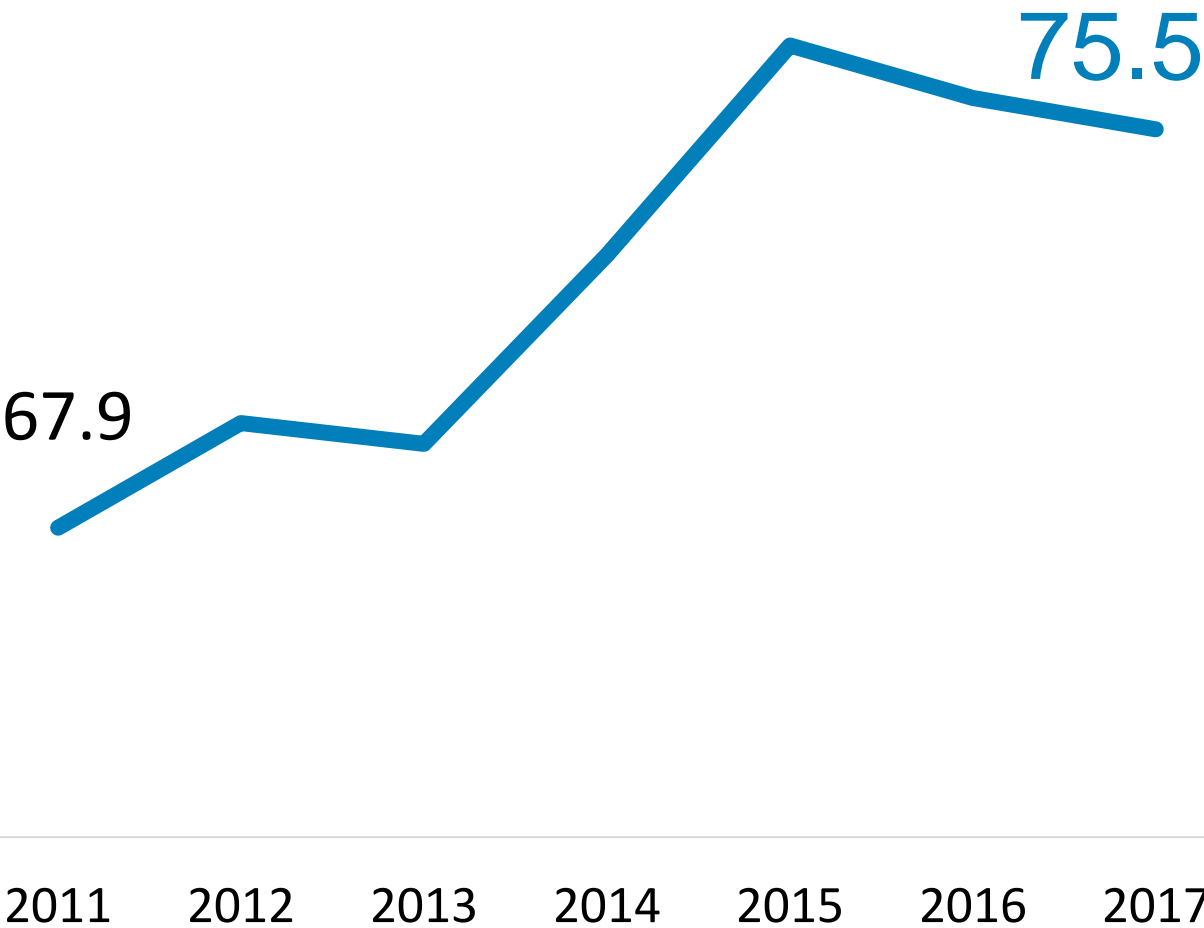
# Utilization of external IP

- KanColle Arcade
- Fate/Grand Order Arcade

# Packaged Games

# Improve and maintain product quality

Transition of average score in external review site



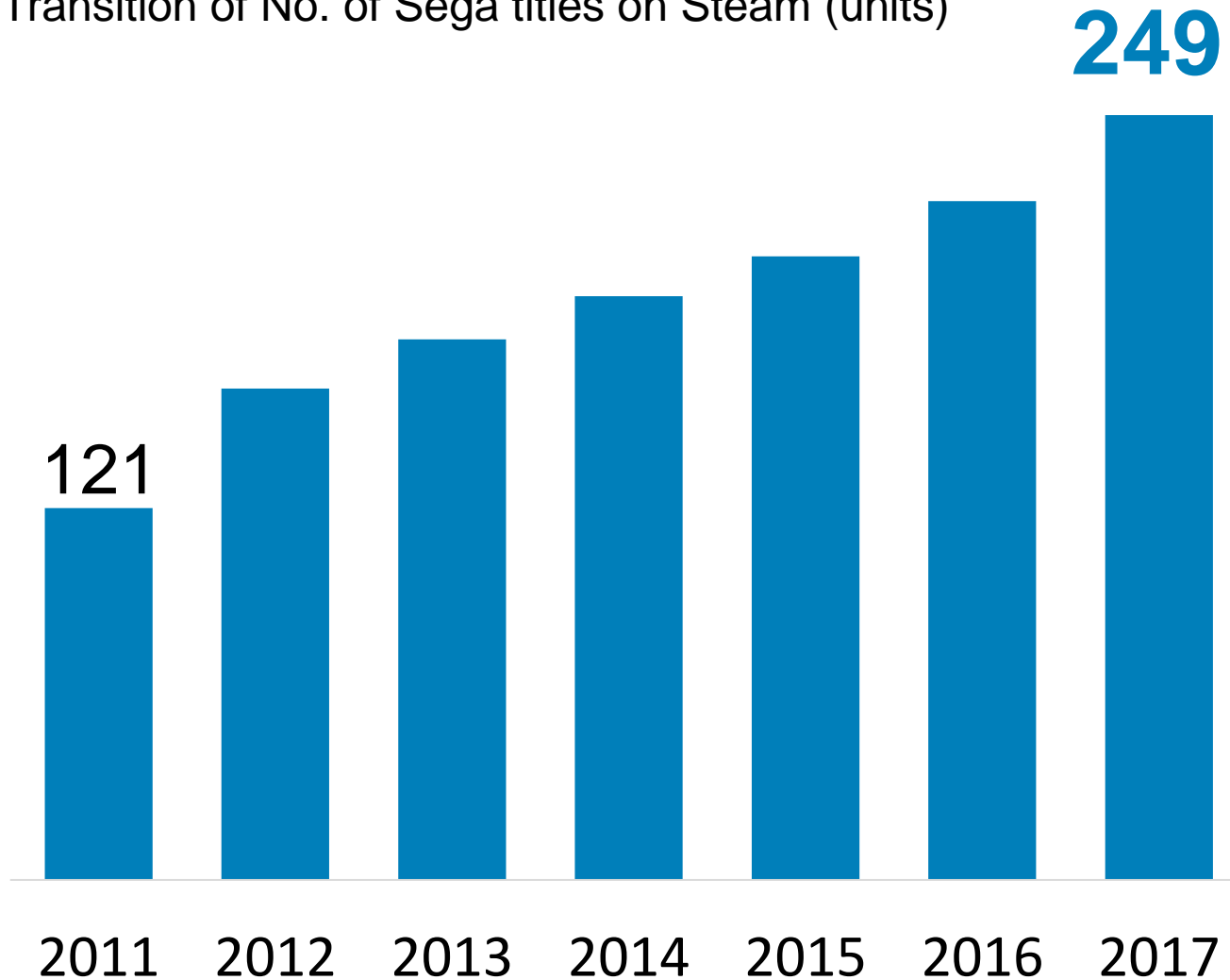
Rated more than 70.0 for average of all titles consecutively from 2014

Titles received high score in 2018 (FY19)

Titles	Release Date	Score
Football Manager 2019	2018/11/8	86
Valkyria Chronicles 4	2018/9/25	85
Two Point Hospital	2018/8/29	84
Sonic Mania Plus	2018/6/17	87
Yakuza 6: The Song of Life	2018/4/17	83

# Expansion of title lineup

Transition of No. of Sega titles on Steam (units)



Numbers of titles on Steam is increasing

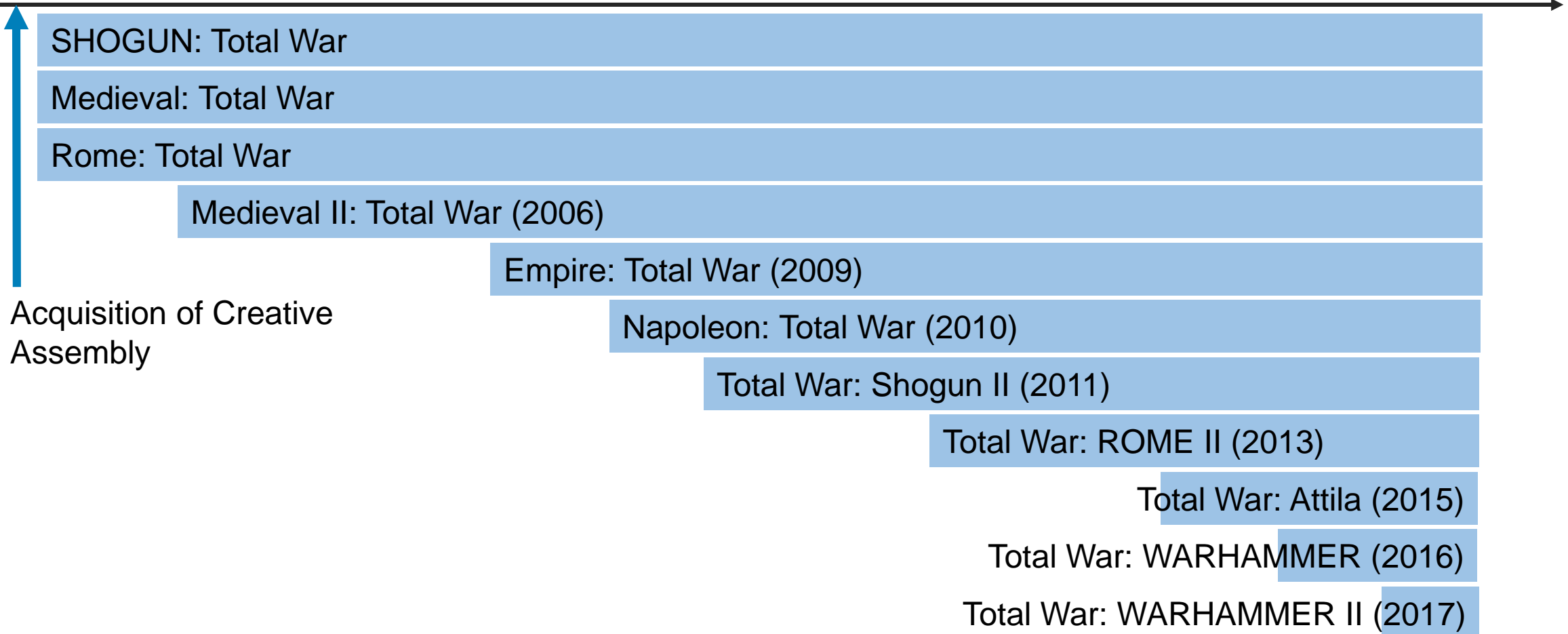
# Distribution of old titles (Example)

Chronicle of Total War series sales

Realize long tail sales with  
continuous distribution via Steam

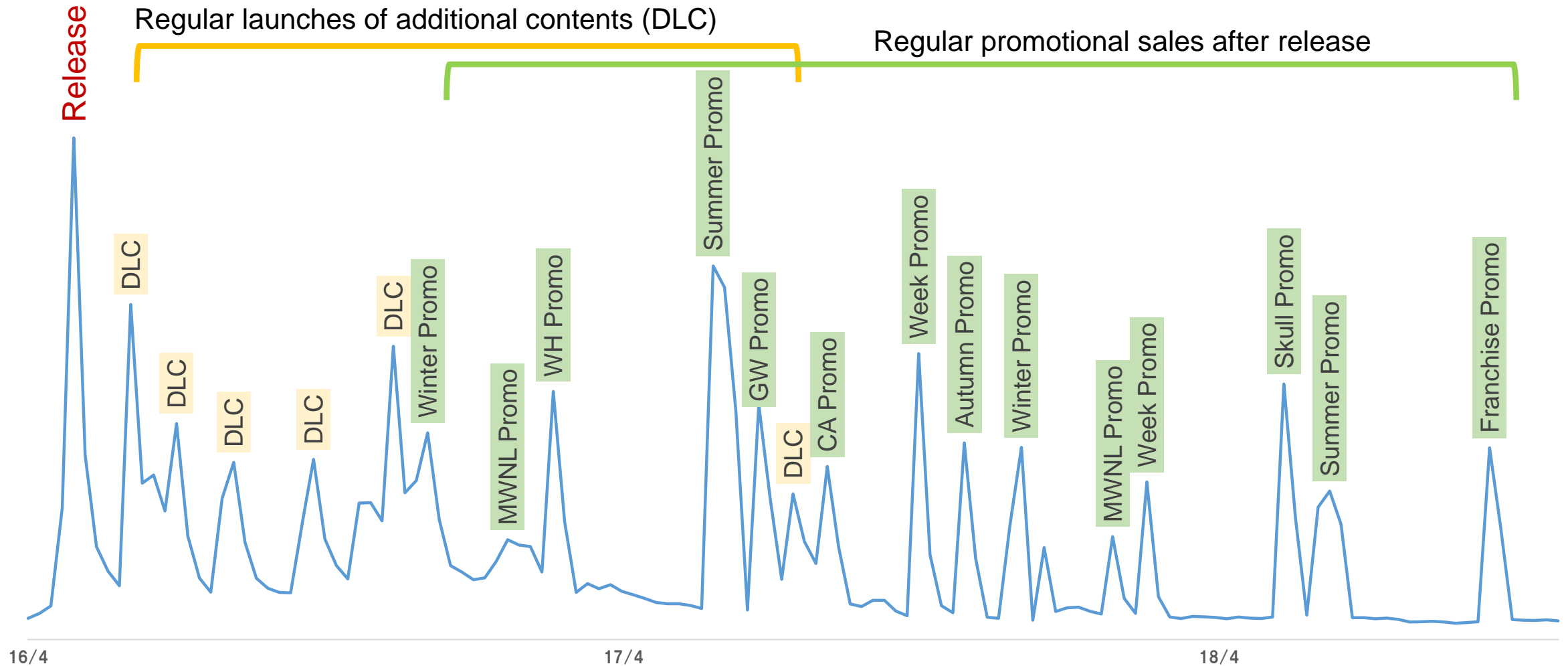
2005

2018



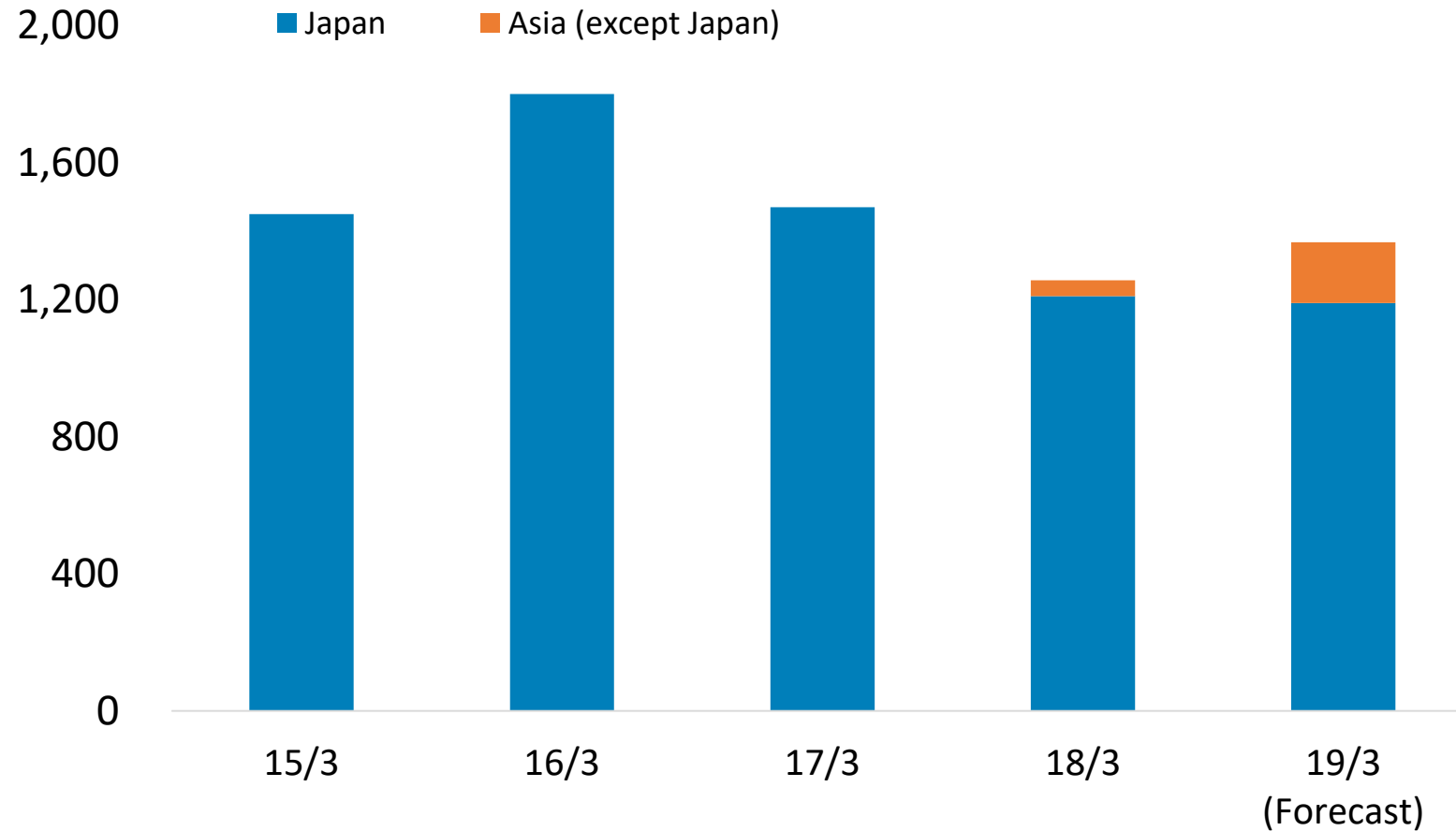
# Strategy for raising profit from long term sales (example)

Transition of sales number of Total War: WARHAMMER in Steam



# Sales of 3<sup>rd</sup> party titles and licensing in titles

(Thousands of units)



Support earnings  
with the sales  
of 3<sup>rd</sup> party titles

Commenced self-distribution  
in Asia from March 2017

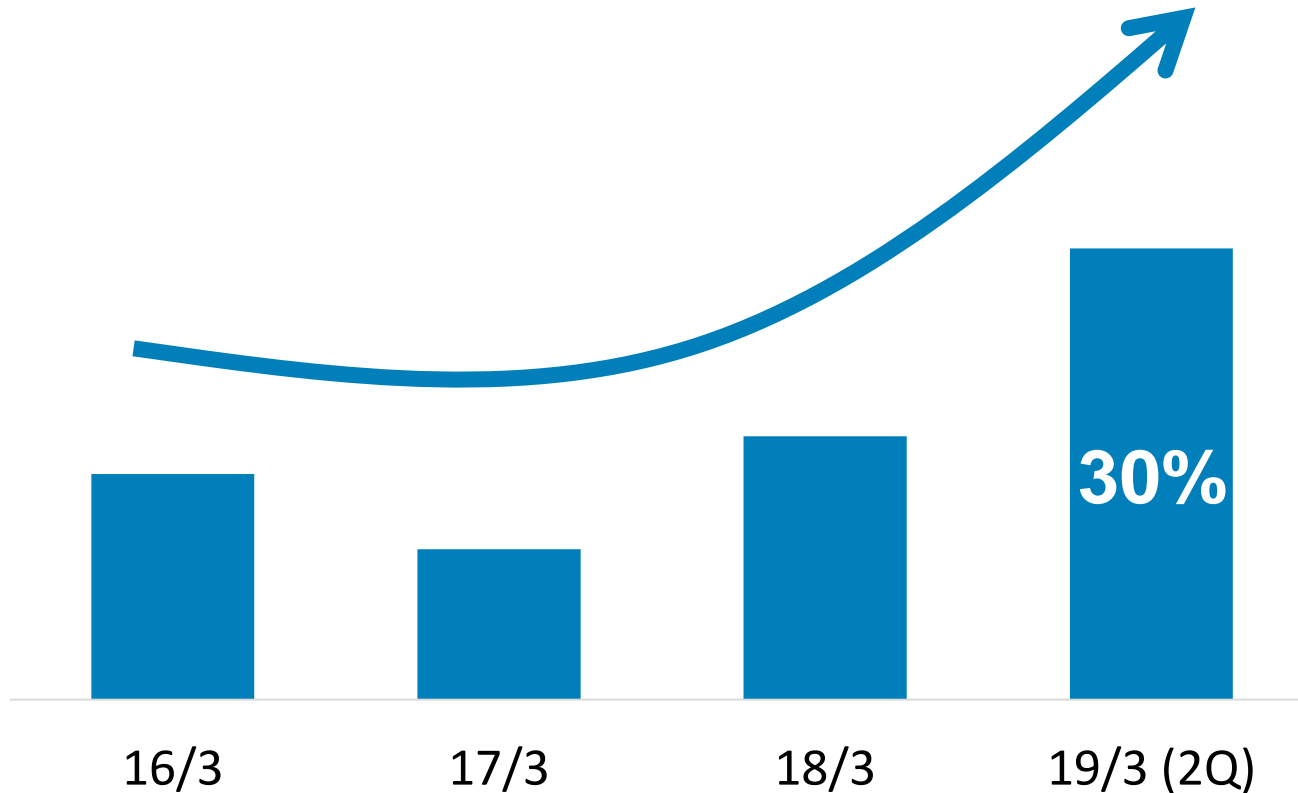
※3<sup>rd</sup> party titles are not included in sales number of Sega titles

※Licensing in title: Includes SEGA publishing titles



# Trend of download sales ratio in Japan

Download sales ratio of Sega titles in Japan



Download sales ratio  
is also increasing in  
Japan

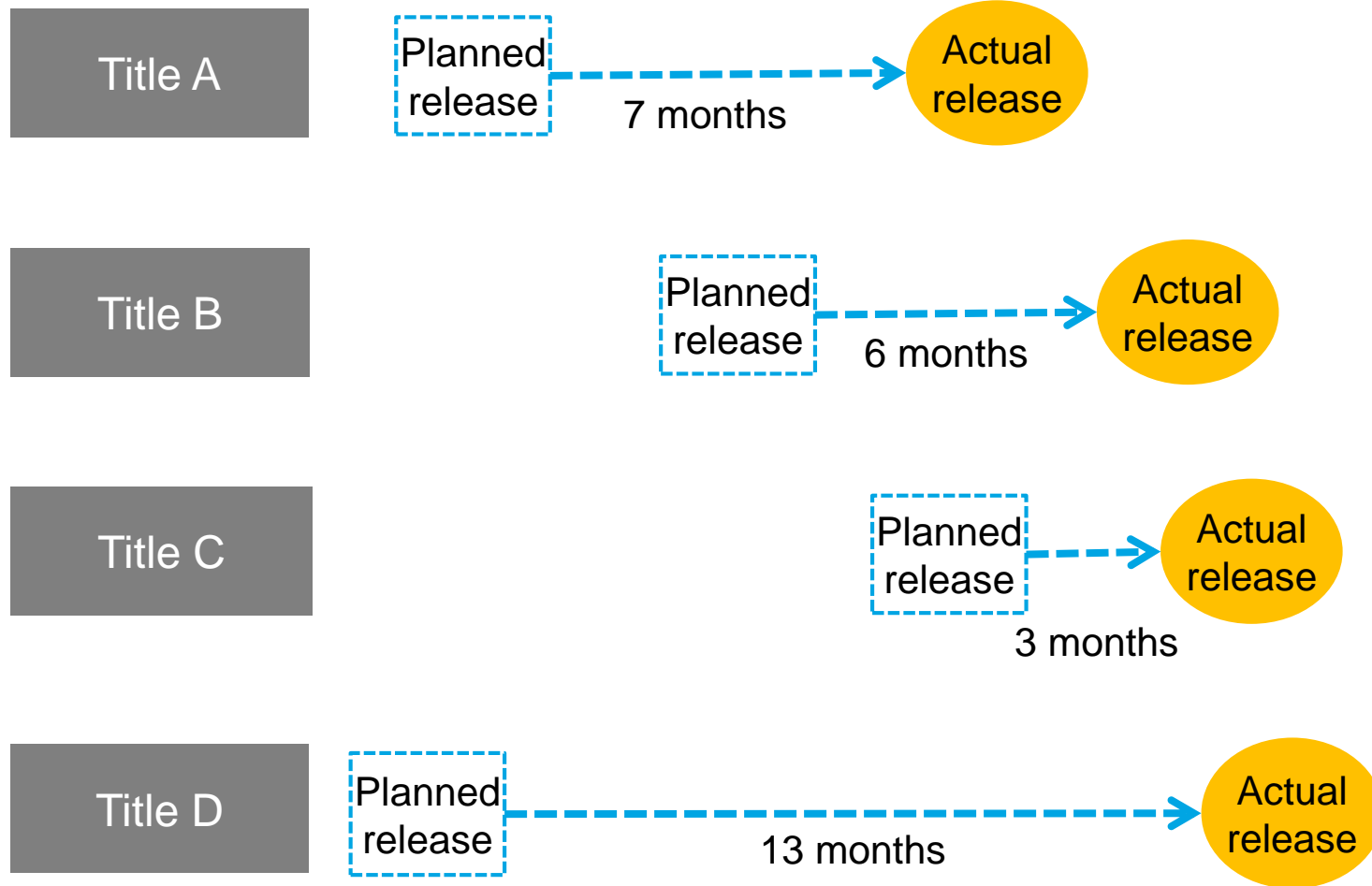
# Present issues in Digital Games Area

# Transition of top 3 titles in quarterly sales (Digital Games)

Top titles remained to be occupied by the titles operated over long-term

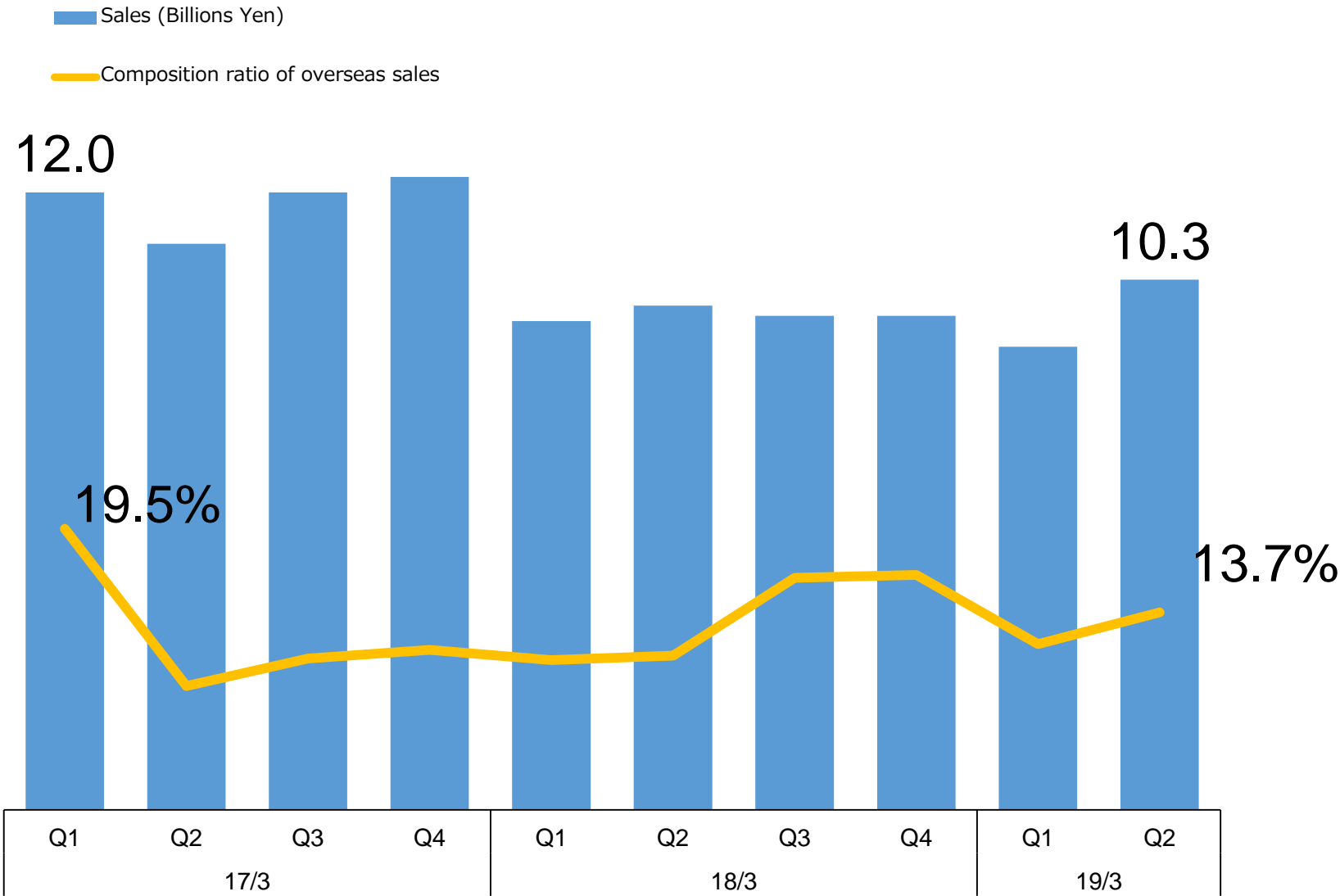
Titles	Service launch	17/3				18/3				19/3	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
PHANTASY STAR ONLINE 2	Jul, 2012	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Puyo puyo!! Quest	Apr, 2013	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>		2	2	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>
CHAIN CHRONICLE 3	Jul, 2013				2	3 <sup>rd</sup>					
Hortensia Saga	Apr, 2015	3 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>		2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>			
SHIN MEGAMI TENSEI Liberation Dx2	Jan, 2018	—	—	—	—	—	—	—	2 <sup>nd</sup>		
SEGA Pocket Club Manager	Apr, 2018	—	—	—	—	—	—	—	—	2 <sup>nd</sup>	
BORDER BREAK	Aug, 2018	—	—	—	—	—	—	—	—	—	2 <sup>nd</sup>
※Red font = new titles											
Numbers of titles newly launched in each quarter		2	1	1	2	1	0	1	1	3	1

# Delay in launch of new titles



Launch of new titles  
Tends to delay  
chronically

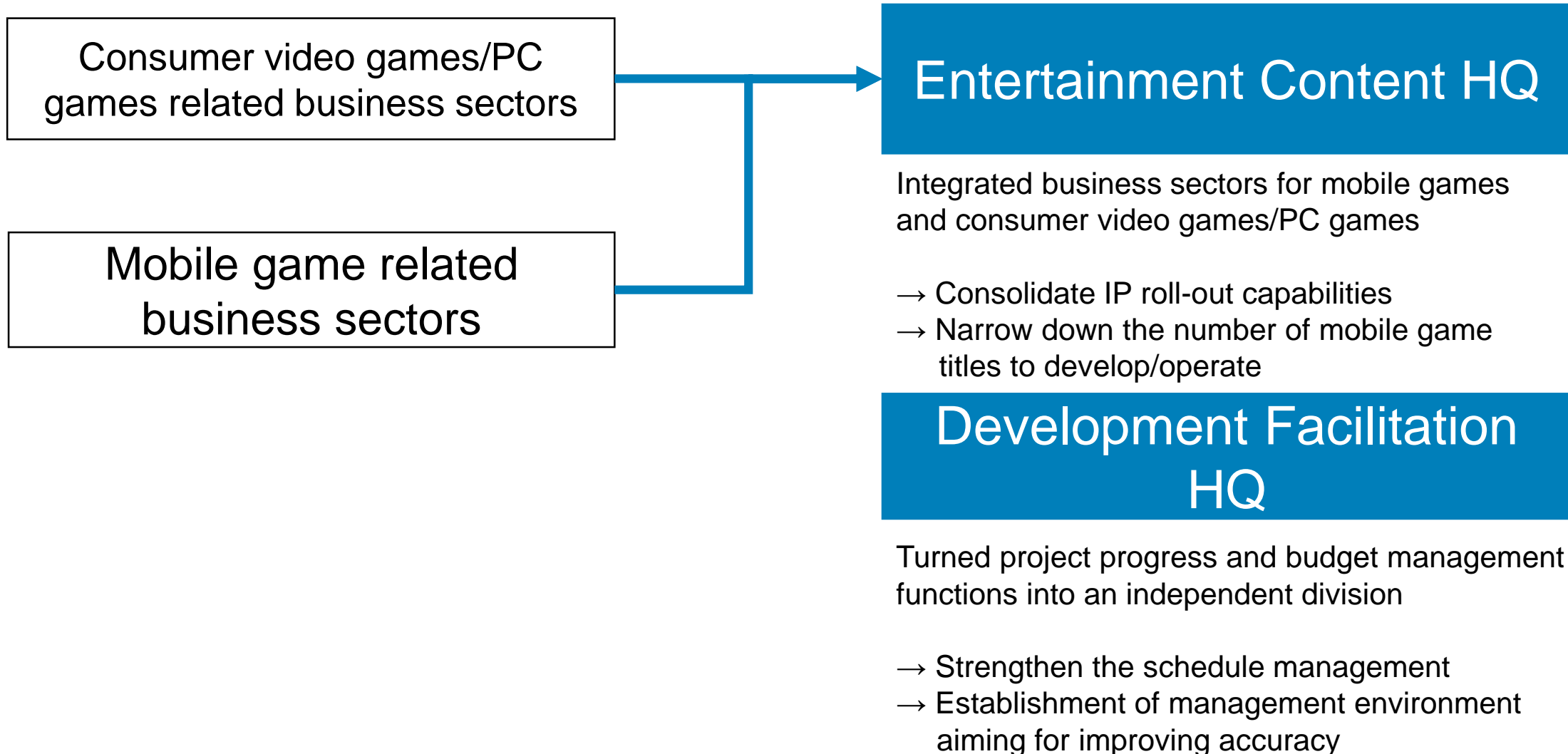
# Transition of overseas sales ratio (Digital Games)



Overseas sales  
transitions at  
low level

# Reorganization of SEGA Games (Summary)

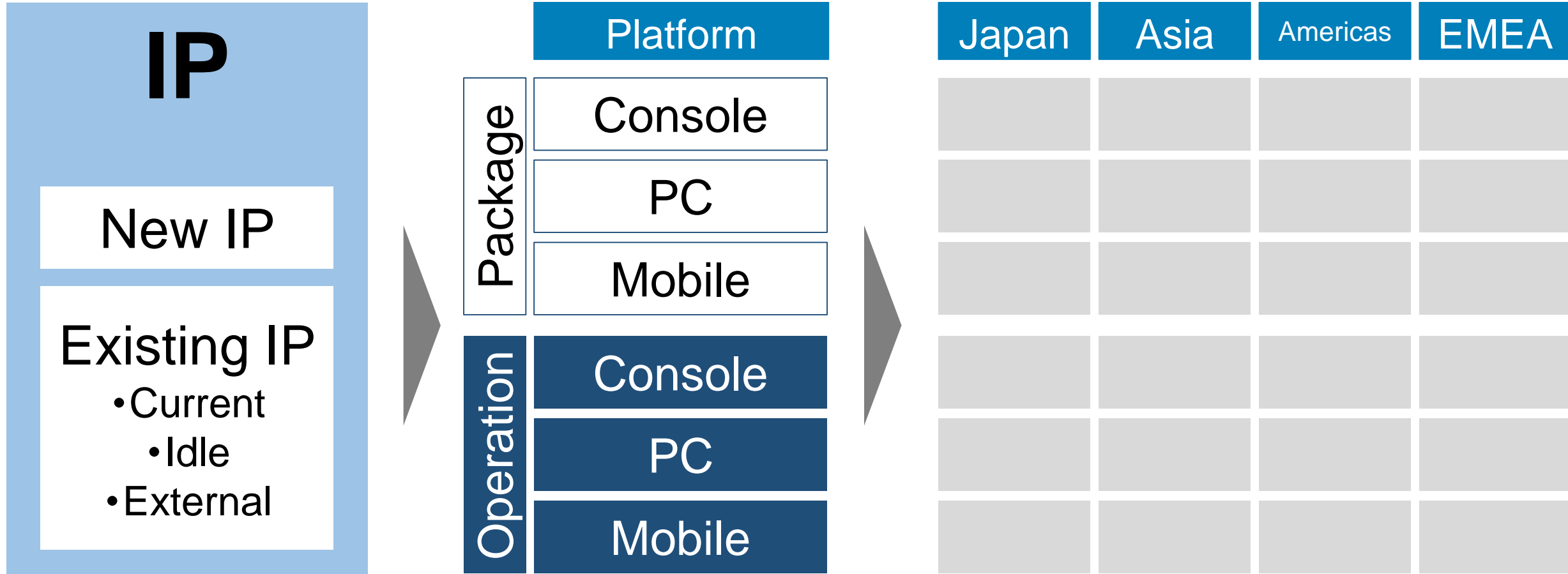
## Fundamental reorganization



# Progress IP-centric strategy

Create / grow IP    **×**    Roll-out on multiple platform    **×**

Global roll-out



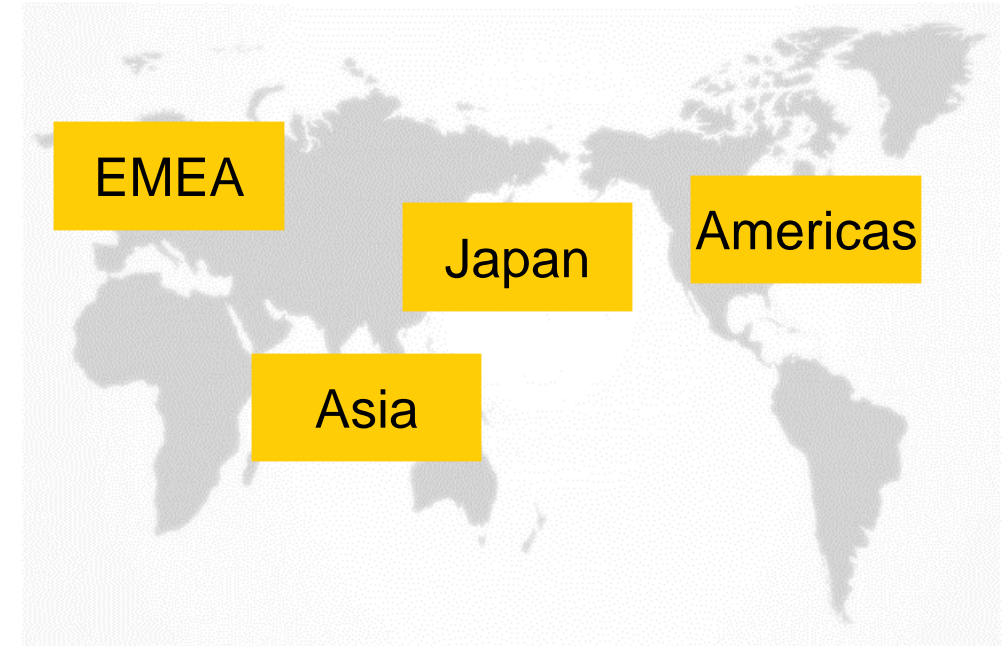
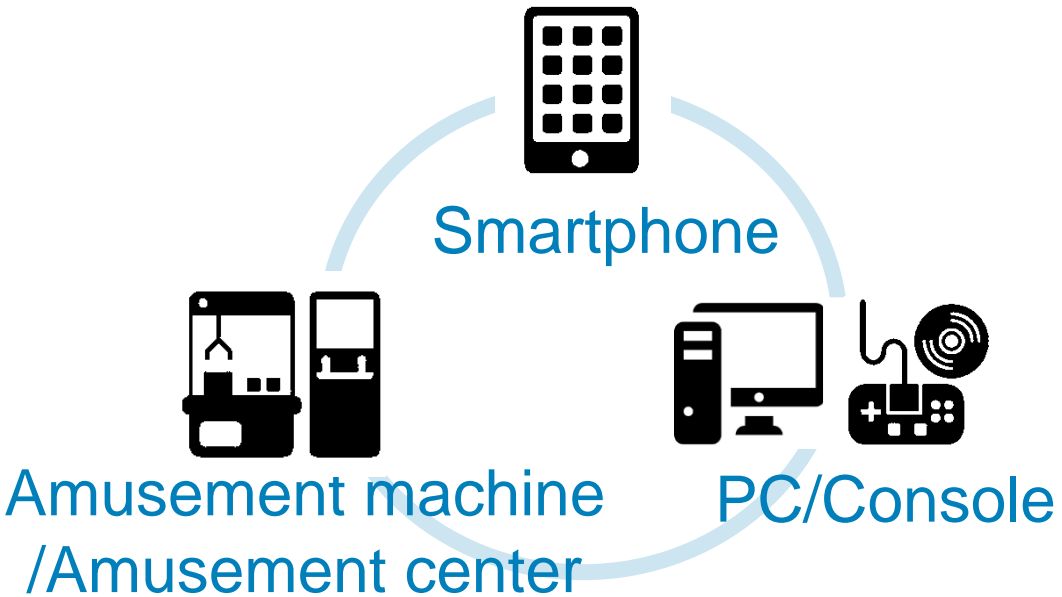
# Example: Titles from Ryu ga Gotoku studio

	Create/grow IP	Roll-out on multiple platform	Global roll-out
Package	Original series	Ryu ga Gotoku 1-6	Yakuza 1-6
	Spin-off	Kurohyo: Ryu ga Gotoku Shinsyo, Ryu ga Gotoku OF THE END, etc.	Yakuza: Dead Souls
	Collaboration with external IP	Hokuto ga Gotoku	Fist of the North Star: Lost Paradise
	New IP	JUDGE EYES: Shinigami no Yuigon	Project JUDGE (working title)
Operation	F2P on smartphone and PC	Ryu ga Gotoku ONLINE	

※ It also rolled out into pachinko/pachislot, movie/drama, play, merchandising and etc.



# Multiple roll-out of contents



Roll out the strong IP regardless of platforms and territories

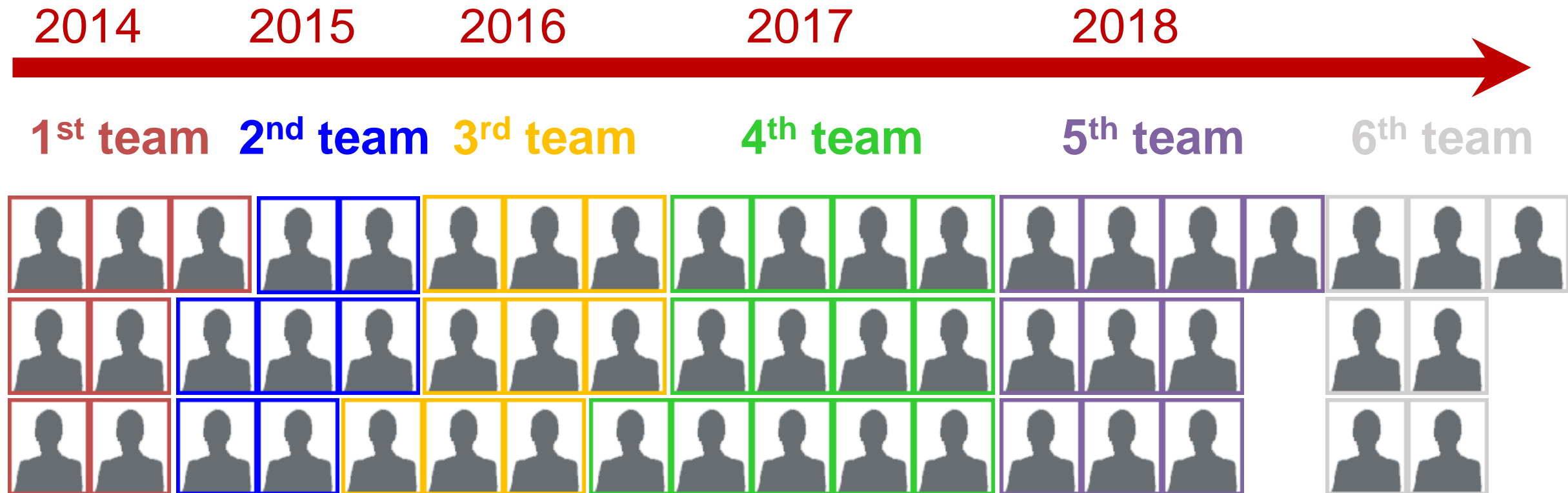
# Resort Business



**Responsibility and firm determination  
as a Japanese company**

# To prepare for casino business operation

Nurturing human capital for casinos



Aim to establish an organization with  
100 personnel in the near future

# Value chains for casino

Identify necessary elements for  
casino operations

Whether operation by  
SEGASAMMY is feasible

How to complement for elements  
not operatable ourselves

# To acquire Casino operation

## Value Chain Analysis for 118 items

# Complies world's highest casino regulations for clean casino business operations

## Acquisition of Gaming Machine Manufacture and Distribution License in Nevada. U.S.

Notice Regarding Acquisition of Gaming Machine Manufacturer and  
Distributor Licenses in Nevada by Group Companies



SEGA SAMMY CREATION INC. (hereafter “SSC”), a wholly owned subsidiary of SEGA SAMMY HOLDINGS INC. (hereafter “the Company”), and Sega Sammy Creation USA Inc. (hereafter “SSCU”), a wholly owned subsidiary of SSC, have completed their investigations and hearings by the Nevada Gaming Control Board and the Nevada Gaming Commission. SSC and SSCU received Manufacturer licenses and Distributor licenses (hereafter “Licenses”) for the manufacture, sale and distribution of gaming machines in the State of Nevada as of December 1, 2017 (local date.) Details are as follows.

# Industry-Academia Joint Research with Kokoro Research Center of Kyoto University

## Countermeasures for addiction from Japan

.....  
N E W S   R E L E A S E



December 2017

SEGA SAMMY HOLDINGS INC.

Kyoto University

### **-Development and Operation of a Safe and Secure Integrated Resort Facility- Industry-Academia Joint Research on Gambling Addiction**

**Process research on gambling addiction conducted jointly with Kyoto University  
Kokoro Research Center**

**Collection and analysis of player data, onsite at casino facilities**

**Investigation into onset mechanisms of gambling addiction**

**Three-year joint research through to March 2021**



# Initiatives of SEGA SAMMY

**Combine the various cultures of operating companies to foster a SEGA SAMMY Group culture**

**SEGA Sammy**

# Strengthen Group business management and increase efficiency

Integration	Administration functions	▶ For the best use of human resources and boosting efficiency
	Licensing functions	▶ To strengthen IP strategy
Newly established	Resort Business Division	▶ To support the business management of each facilities
Consolidation	Internal control functions	▶ To strengthen governance

# Promotion of Work-Style Reforms



**SEGA Sammy**  
HOLDINGS

- Promotion of Female Participation
- Reduction of Long Overtime Hours
- Smooth operation of flex time systems

etc.

**SEGA Sammy**  
Each group company



Newly established  
“Working Method  
Consultation Room”  
(as of Apr. 1, 2017)

Established the site for  
information exchange  
between employees  
regarding work-style,  
named “**Waku Lab**”

Consolidate and share  
initiatives of each company

JOB+

# Side Job System 【JOB+(Job plus)】

Introduced to improve the ability of individual employees through new skills and experiences acquired while working side jobs

## Examples of applied side jobs

Creative activities including writing

Consultant/licentiate

Lecturer/instructor

Family business

Retail (including sales of used items)

Holding seminars and events

Appearance in a theatrical play/extra

YouTuber, video distributor

Interpretation/translation

Others



Status of approval  
(as of Aug 2018)

Applied side jobs range widely  
Many based on experience gained through work



## Flex Time Systems

Improve business efficiency and QOL of employees by introducing flex time systems at group's major companies



## Telework Systems

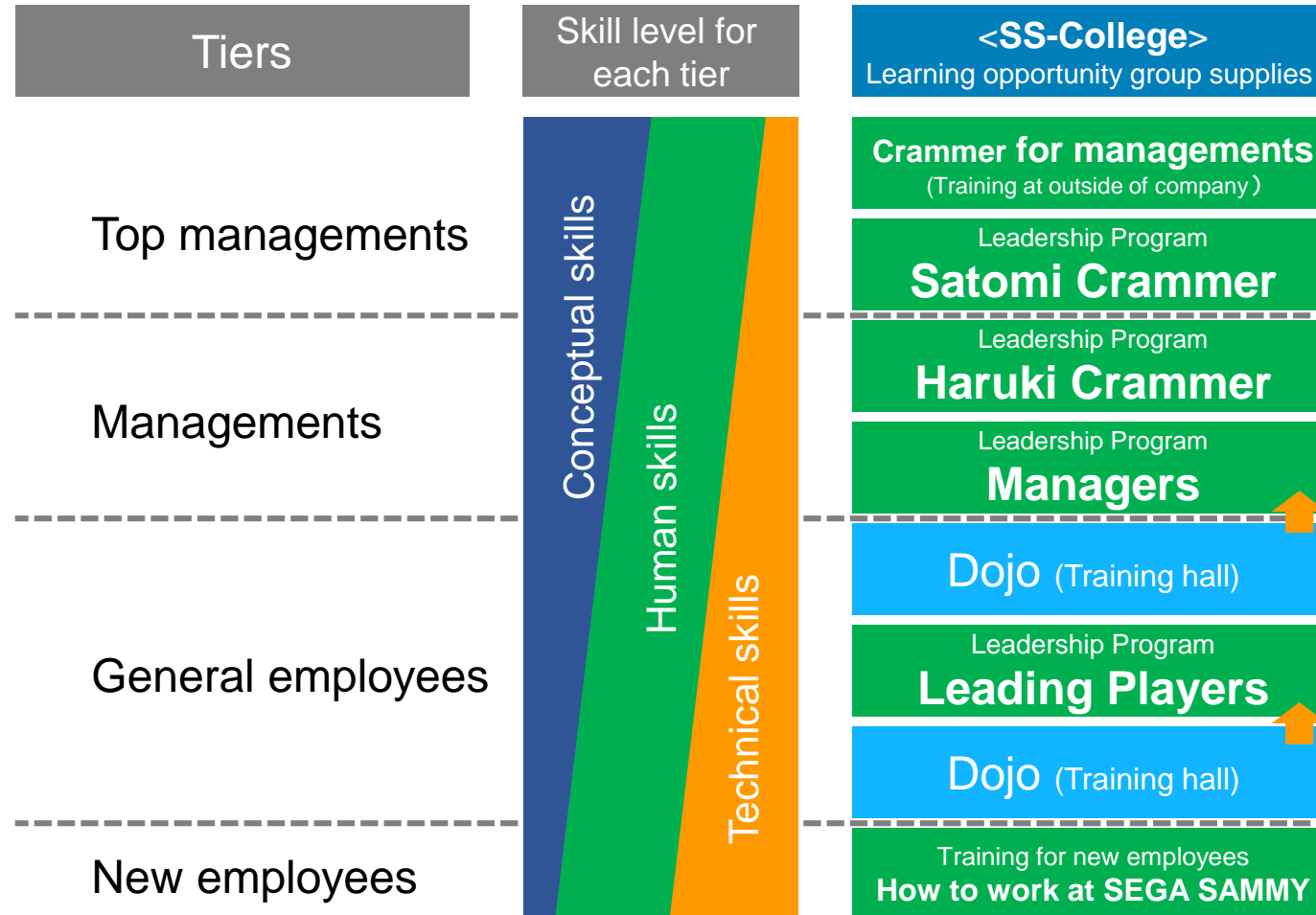
Consider introduction of teleworking and satellite offices in an aim to improve productivity and secure workforce



## Nursery

“SEGA SAMMY Osaki Nursery School (tentative name),” a nursery center within the company is scheduled to be opened on April 1, 2019

# Supply various learnings such as business skills and skills to improve personal strength



## SS-College

Opening lecture  
 “Keynote speech by  
 Manager Hara”

Held the lecture meeting with  
 Inviting Mr. Hara, the manager of  
 Track and Field club at Aoyama Gakuin  
 University



# Improve business efficiency and strengthen coordination between group companies

Conform to the latest ICT

Reduce travel times

Meeting spaces





# Vitalize interaction and coordination among human capital





# Vitalize interaction and coordination among human capital



Create a “SEGA SAMMY Group culture”



# Investment activities targeting promising companies

■ LP investment in venture capital funds

■ Investment/acquisition and establishment of **JVs**



Related to existing businesses  
Startups, etc.



# Co-working space

Accelerate open innovation through interaction between employees of group companies and venture capital

**SEGA Sammy** X



Start up companies  
X Big enterprise

Human X Human

New technologies  
X  
Old technologies





# Utilization of co-working space



Opening ceremony of co-working space



Private showing for press





**Soccer**



**Professional League for Mah-jongg  
“M League”**



**Baseball**

**SEGA**Sammy



**Golf**



**Sport Facilities**



**e-sports**



**Combine the capabilities of the group  
and build the base for further growth**

# Awards for IR activities

- Received 2018 Award for Excellence in Corporate Disclosure from Securities Analysts Association of Japan



2018 Award for Excellence  
in Corporate Disclosure

— Industries —

**SAAJ** The Securities Analysts  
Association of Japan

The highest rank in the advertising services, media  
and entertainment category

The Securities Analysts Association of Japan

- Received award in Internet IR Award 2018



Received second rank award

Daiwa Investor Relations Co. Ltd.





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

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The contents of this material and comments made during the questions and answers etc. of this briefing session are the judgements and projections of the Company's management based on currently available information.

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

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

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

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

Please visit below websites for products and service information.

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

(SegaSammy Group Website list)

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