

SEGA SAMMY Management Meeting 2021

2021/12/14

Disclaimer

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

Today's Agenda

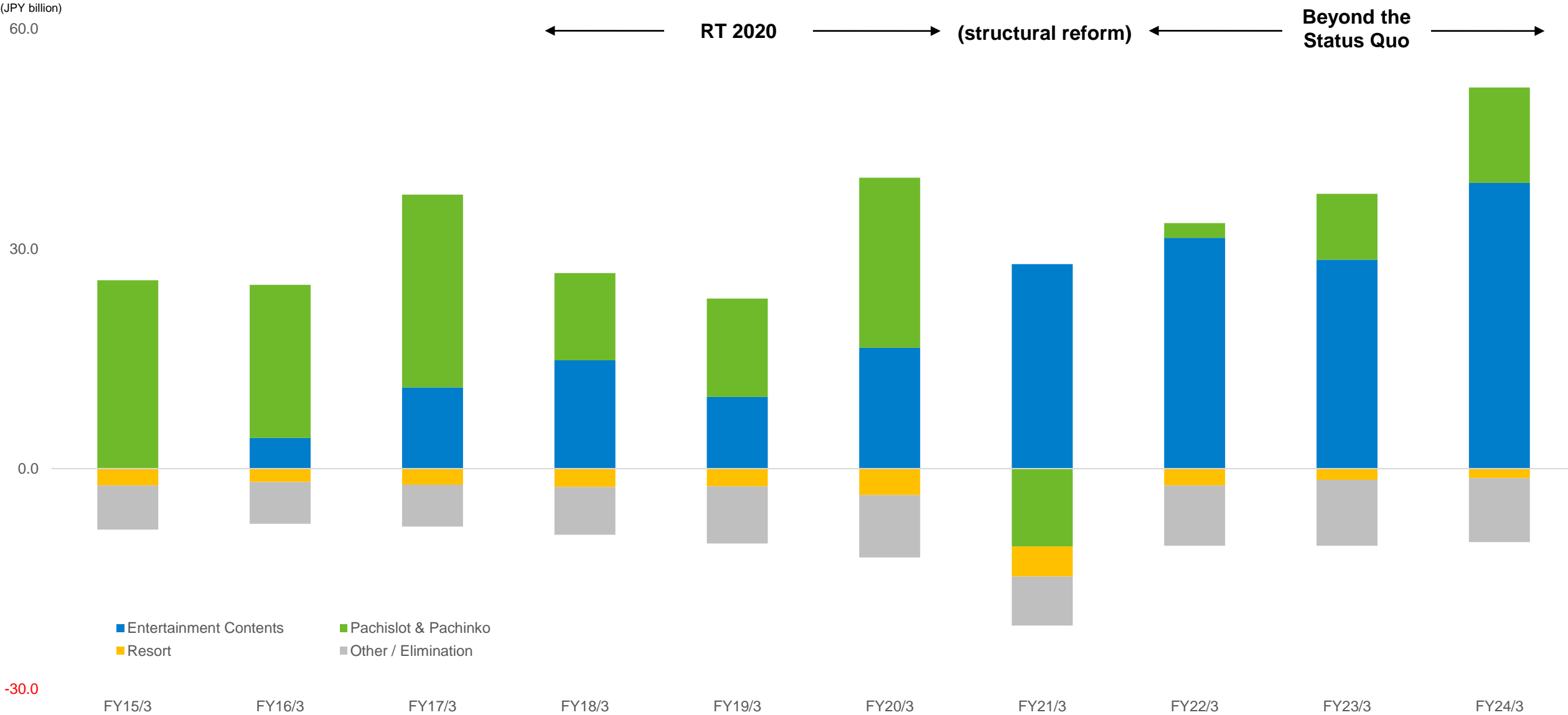
Time	Presentation contents	Speaker
16:00 - 16:30	Session 1: Growth strategies of Consumer business	Haruki Satomi Yukio Sugino
16:30 - 17:00	Q&A	
17:00 - 17:20	Session 2: Pachislot & Pachinko Machines business Session 3: Financial strategies	Haruki Satomi Koichi Fukazawa
17:20 - 17:30	Q&A	

SEGA SAMMY's Initiatives (FY2018/3 to FY2024/3)



	Previous Medium-term plan RT2020 (FY2018/3 to FY2020/3)	Structural Reform Period (FY2021/3)	New Medium-term Plan Beyond The Status Quo (FY2022/3 to FY2024/3)
Target	Operating margin of 15% or more ROA 5% or more		Ordinary income: 45.0 billion yen or more ROE over 10%
Main Measures	<p>< Company-wide ></p> <ul style="list-style-type: none"> ■ Consolidation of Group Head Office Functions ■ Promotion of Work-Style Reforms <p>< Entertainment Contents Business ></p> <ul style="list-style-type: none"> ■ Creation of global hit titles <p>< Pachislot and Pachinko Machines Business ></p> <ul style="list-style-type: none"> ■ Promotion of reuse ■ Improvement of development efficiency 	<p>< Company-wide ></p> <ul style="list-style-type: none"> ■ Review of Business Structure ■ Reduction of fixed costs ■ Sales of non-operating assets <ul style="list-style-type: none"> ・ Real estate, securities, etc. <p>< Entertainment Contents Business ></p> <ul style="list-style-type: none"> ■ Transfer of amusement facilities operation business ■ Focusing resources to Consumer area 	<p>< Company-wide ></p> <ul style="list-style-type: none"> ■ Shift to the management focusing on capital efficiency ■ Realization of optimal capital structure <p>< Entertainment Contents Business ></p> <ul style="list-style-type: none"> ■ Strengthen the global branding of existing IPs <ul style="list-style-type: none"> ・ Expanding touch points ・ Prolonging product life cycles ・ Strengthening user engagement ■ Promote investment toward becoming a global player <p>< Pachislot and Pachinko Machines Business ></p> <ul style="list-style-type: none"> ■ Creation of hits <ul style="list-style-type: none"> ・ Review lineup, create machines from user's perspective ■ Improvement of business efficiency <ul style="list-style-type: none"> ・ Improve development efficiency, cost improvements, etc.

Operating Income (FY2015/3-FY2024/3)



*FY2022/3 plan : Forecast announced on Nov. 8, 2021
FY2023/3 plan, FY2024/3 plan : Mid-term plan announced on May 13, 2021

Growth Strategies of Consumer Business

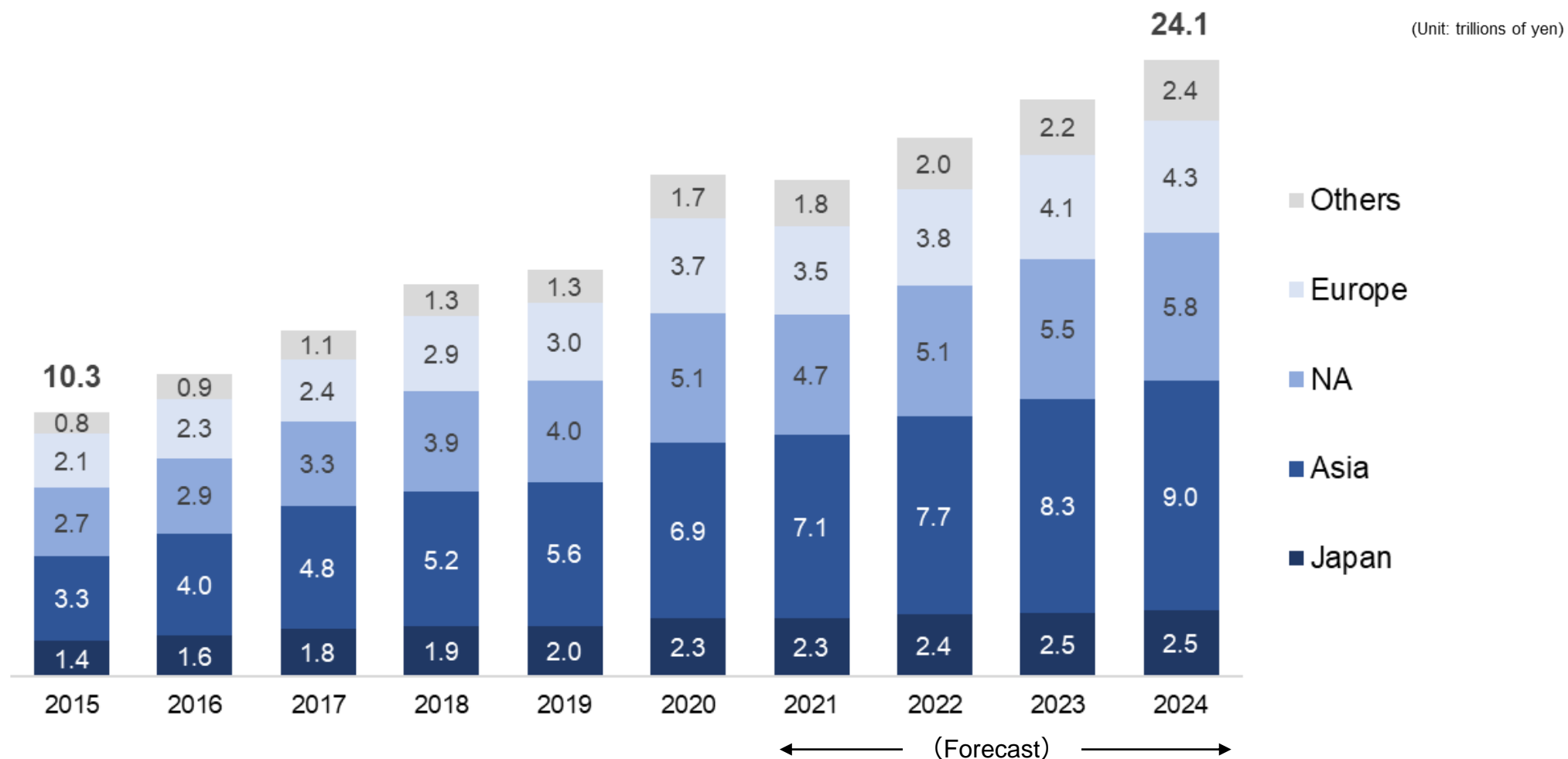
Yukio Sugino

President and COO (Representative Director)
of SEGA CORPORATION

01

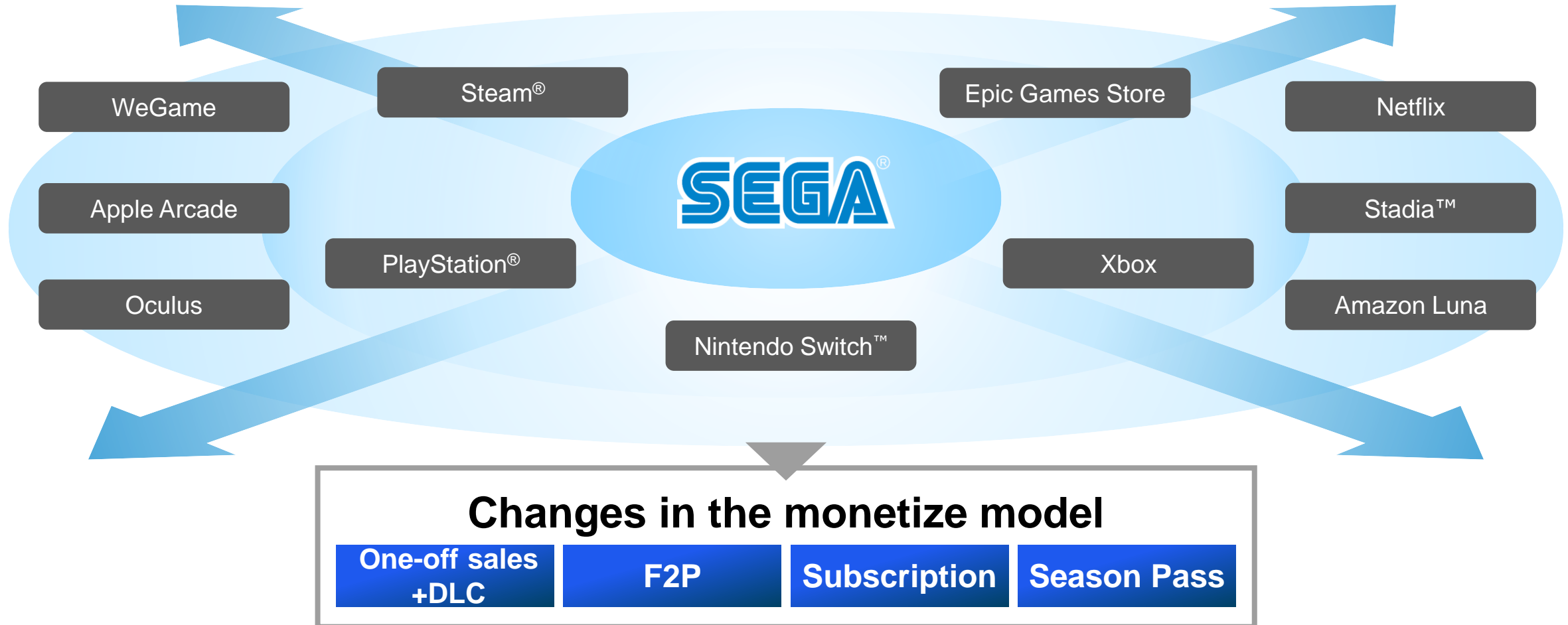
Market Environment

Growth of Consumer business continuing globally

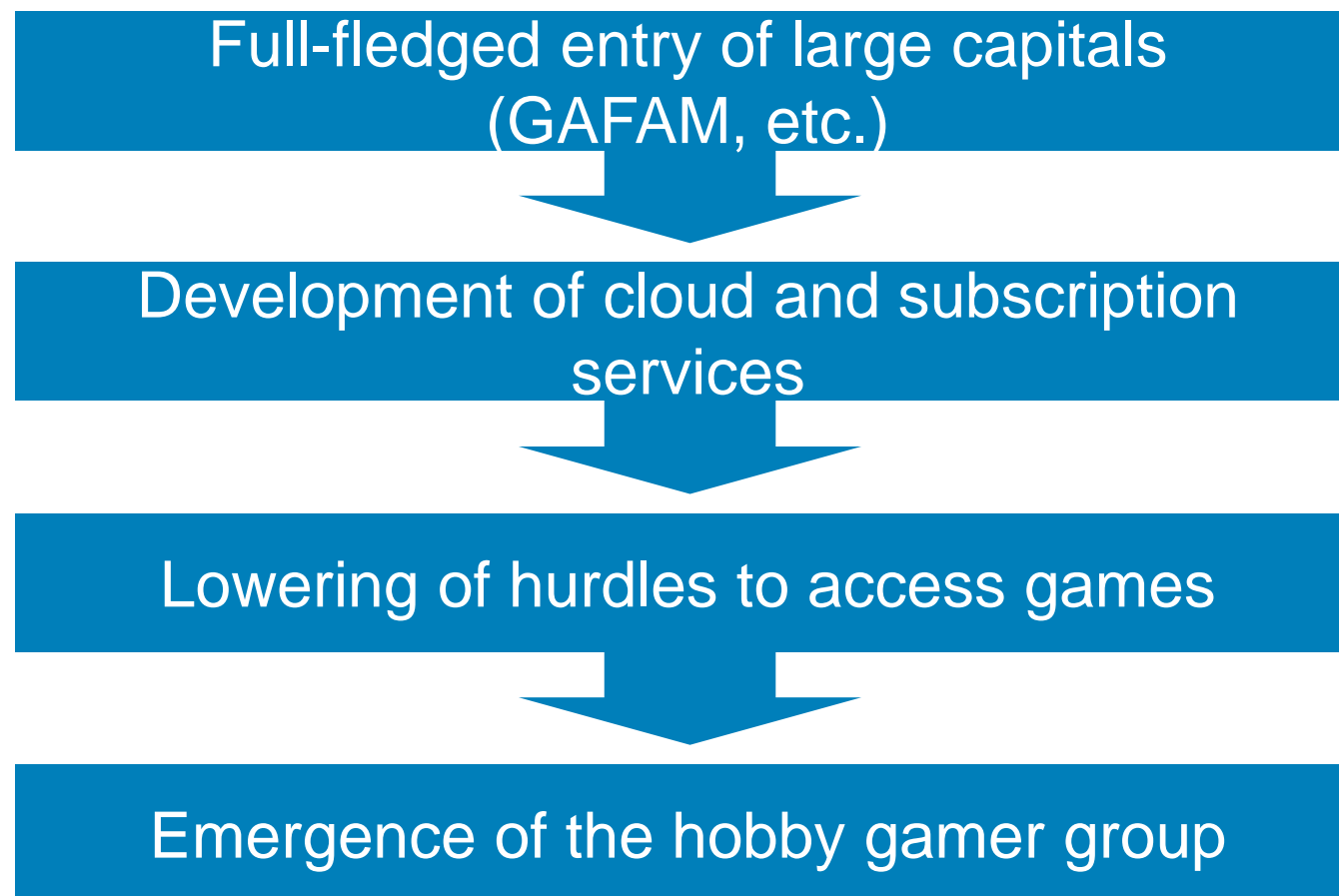


*In-house estimation based on Newzoo Global Games Market Data June 2021 (Exchange rate: 1 USD = ¥110)

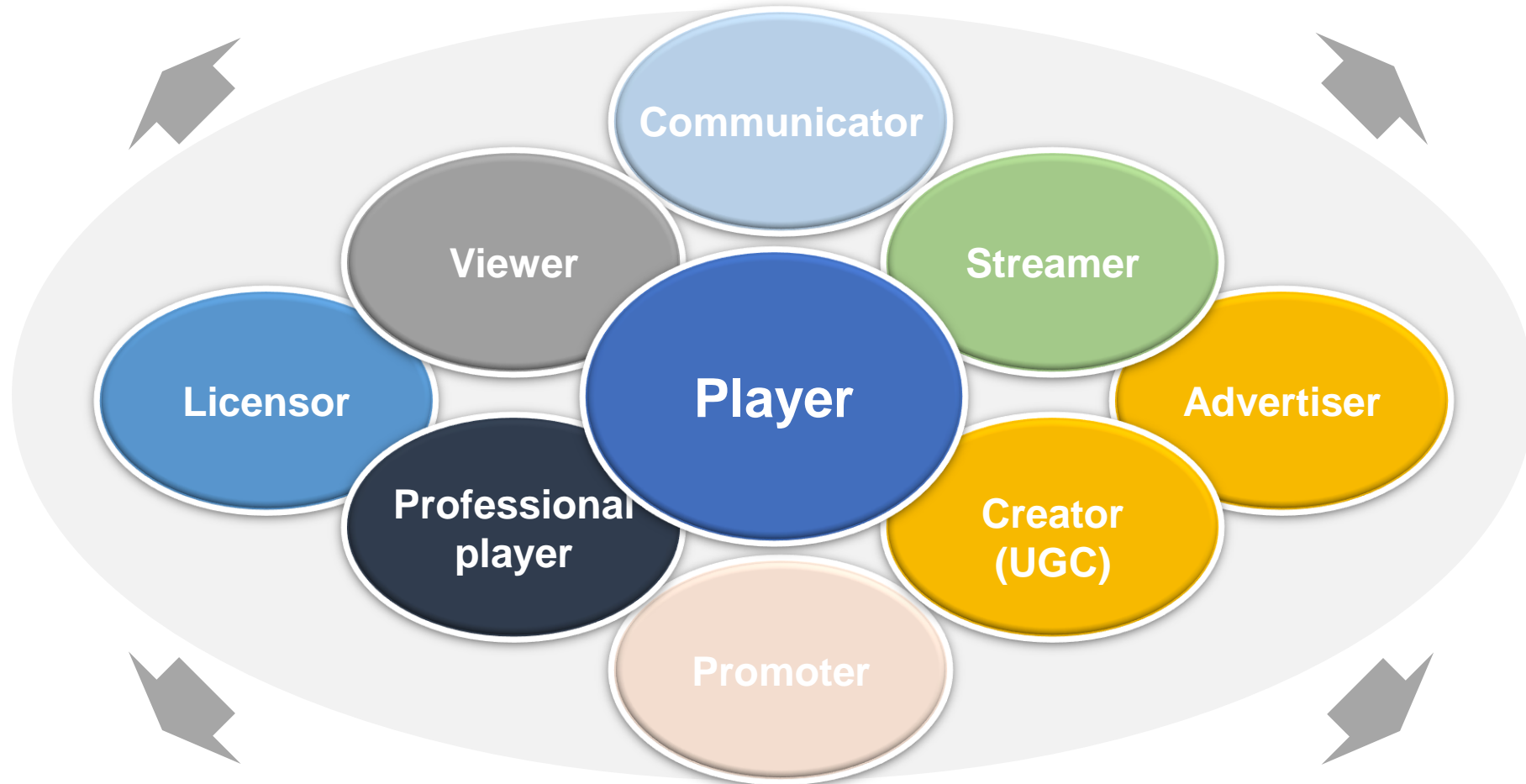
**Barriers between devices and regions disappear,
points of contact with users increase**



Games will become a giant industry with a global reach of 3.0 billion people



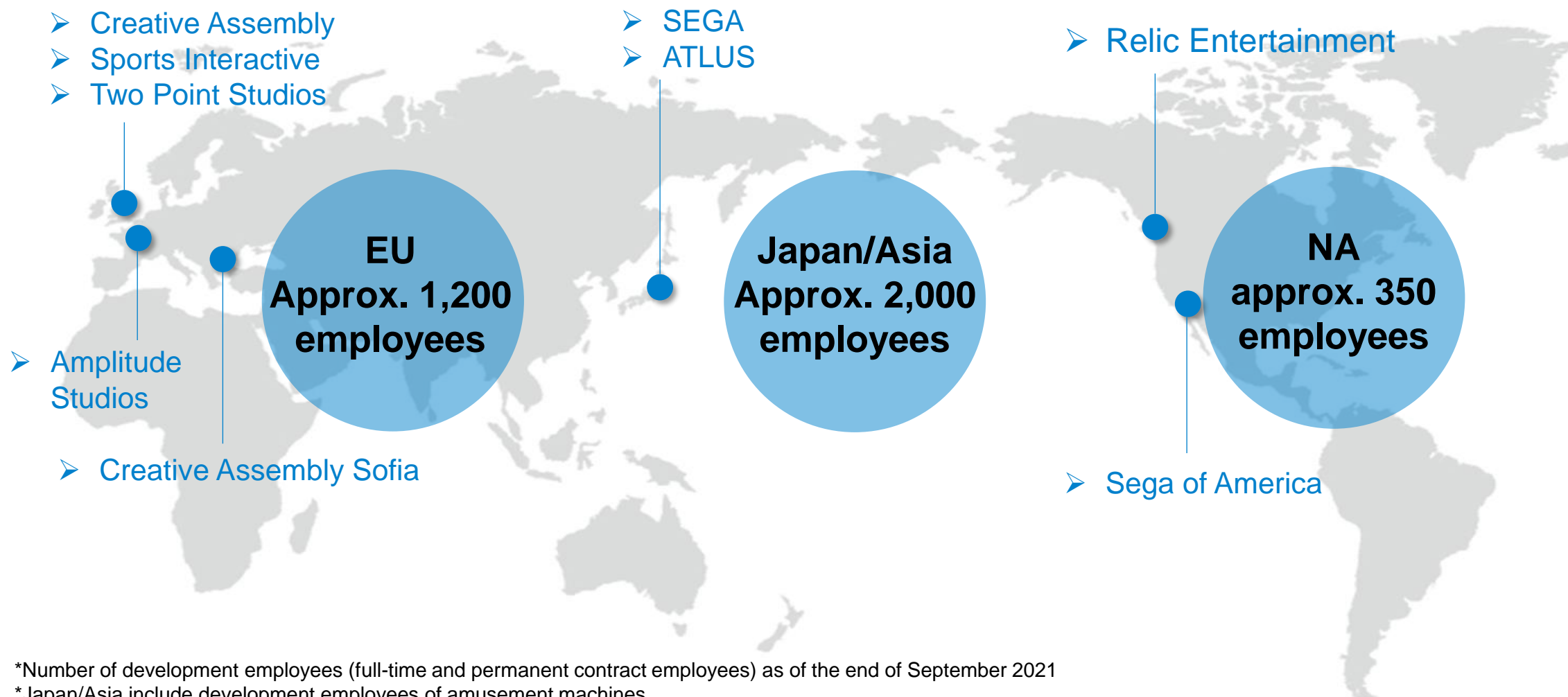
Involvement in games becomes diverse and ecosystem is expanding



02

Strengths of SEGA

Holding the largest scale global studio structure among Japanese game companies



*Number of development employees (full-time and permanent contract employees) as of the end of September 2021

*Japan/Asia include development employees of amusement machines

History of Overseas Studio M&A

	2005	2006	2013	2016	2019
Development studio					
Location	U.K.	U.K.	Canada	France	U.K.
Employees	Approx. 660	Approx. 180	Approx. 280	Approx. 130	Approx. 30
Main IPs					
Most recent new titles (plan)			"Age of Empires IV" *Published by Microsoft		

*Number of development employees (full-time and permanent contract employees) as of the end of September 2021

Rich Lineup of IPs (examples of major IPs)

Studios under management of Europe

TOTAL WAR™ 

FOOTBALL MANAGER™

TWO POINT HOSPITAL


HUMANKIND

 ENDLESS SPACE - 2

COMPANY OF HEROES™

Studios under management of Japan

SONIC™
THE HEDGEHOG

龍が如く
TV

PHANTASY STAR™
ONLINE 2

P5
PERSONA 5

真・女神転生 V

Project SEKAI
COLORFUL STAGE!
feat. 初音ミク

Past IPs

*Major examples

SHINOBI™

Out Run™


Space Channel 5

AFTER BURNER

CRAZY TAXI™

黄金の斧
GOLDEN AXE

Jet Set Radio

Example of Overseas Titles (Reference)



- Developer: Amplitude Studios
- Release: August 2021
- Genre: Strategy

Example of Overseas Titles (Reference)



- Developer: Creative Assembly
- Release: February 2022
- Genre: Real Time Strategy



© Games Workshop Limited 2021.
Published by SEGA.

Example of Overseas Titles (Reference)

COMPANY OF HEROES 3

- Developer: Relic Entertainment
- Release: 2022
- Genre: Real Time Strategy



©SEGA. Developed by Relic Entertainment.

Example of Overseas Titles (Reference)



© Games Workshop Limited 2021.
Published by SEGA.

<https://www.totalwarbattles.com/warhammer/>

Please watch the video

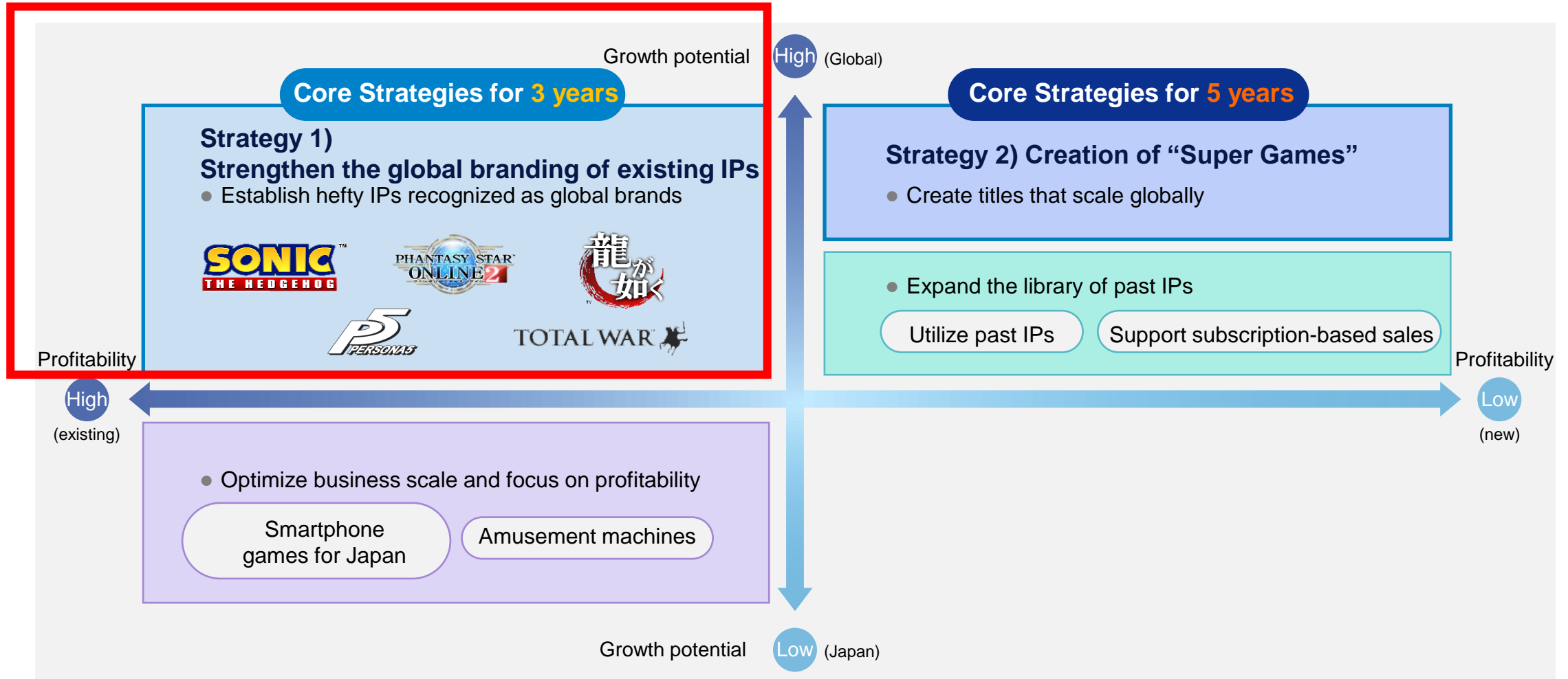
03

Medium-term Plan (By FY2024/3)

Becoming a Global Leading Contents Provider



【Core Strategies】



Growing mainstay IPs into global brands



1

Expanding touch points with users

- Strengthening global roll-out
- Multiplatform support
- Multilingual support

2

Prolonging product life cycles

- Utilizing IP assets
- Strengthening digital sales
- Multichannel monetization

3

Strengthening user engagement

- Community management
- Strengthening the mix of media

04

Growth Strategy for IPs



(Yakuza series in the West)

Expansion of touch points with users

- Strengthening global roll-out
 - Multiplatform support
 - Multilingual support

- Simultaneous Global Launch/Multiplatform Support
⇒ “Lost Judgment” (Released in September)

Prolonging product life cycles

- Utilizing IP assets
- Strengthening digital sales
- Multichannel monetization

- Spin-Off/Change of motif
⇒ “Ryu ga Gotoku: Kenzan!”,
“Ryu ga Gotoku: Ishin”,
Judgment series, etc.
- Remake/Remaster ⇒ “Yakuza: Kiwami”
- Support of subscription service (Xbox Game Pass)

Strengthening user engagement

- Community management
- Strengthening the mix of media

- Strengthening digital marketing



Multiplatform support (support PC) (FY2019/3~)



**Unit sales of PC version
2.80 million units**

Simultaneous Global Launch (FY2022/3)



**Initial speed of sales in
Europe and North America
+76% compared to the
previous title in the series***

*Previous title in the series = "Judgment"

Image of Strategic Roll-out



Before FY2017/3

FY2018/3

FY2019/3

FY2020/3

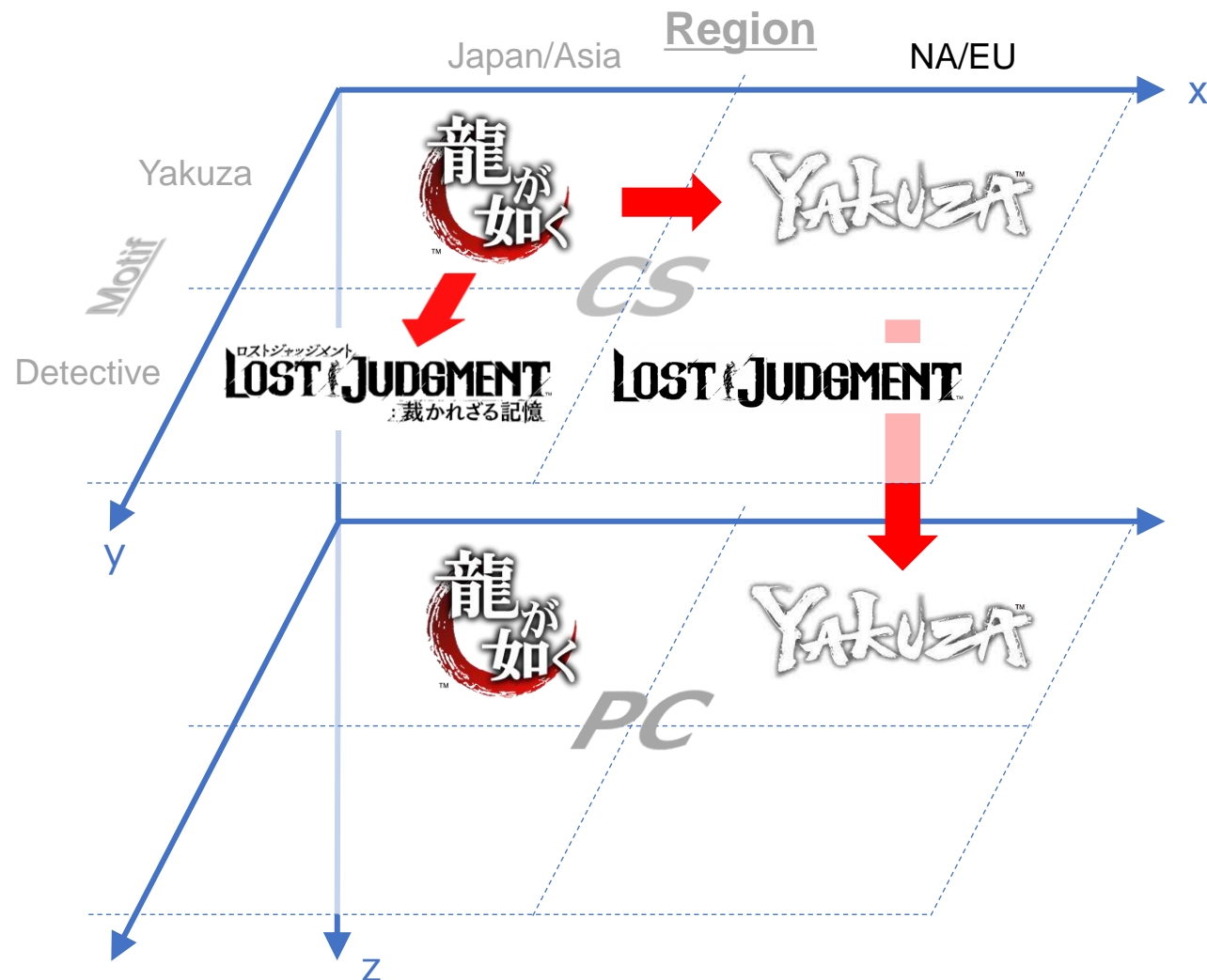
FY2021/3

FY2022/3

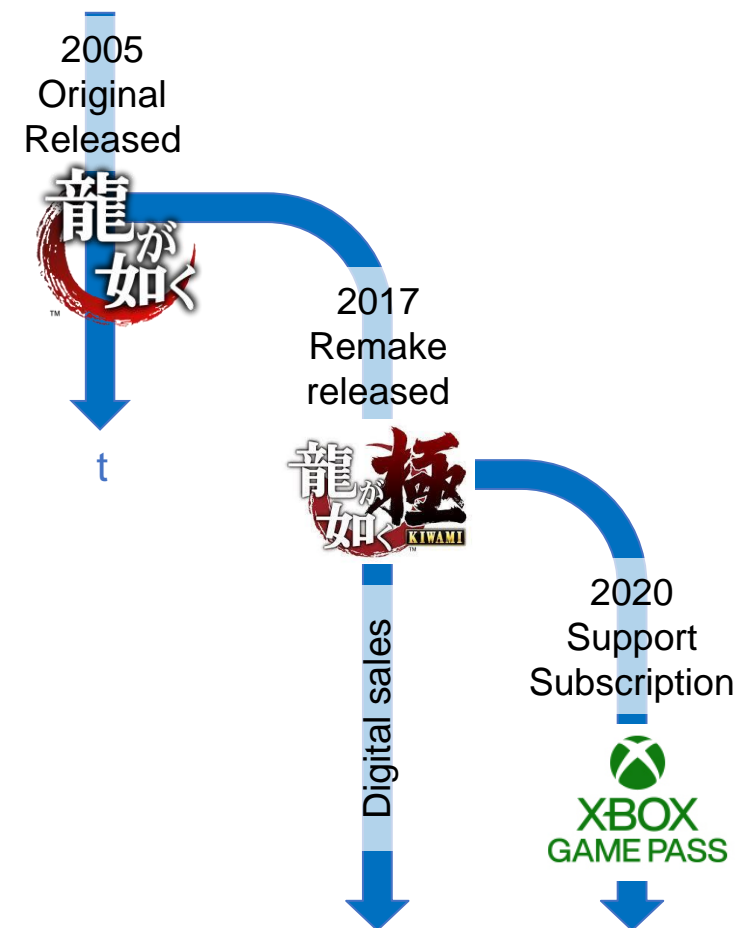
		Titles	Original release date (FY)	Strategy 1) Expansion of touch points								
				Multi-platform (The information shown is an example)						Global expansion/Multi-language		
				Console					PC	Japan	Asia	NA/EU
				PS4	PS5	Xbox One	Xbox S/X	Xbox Game Pass	Steam			
Strategy 2) Prolonging the product life cycle	Remake	Yakuza Kiwami	2006/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Remake	Yakuza Kiwami 2	2007/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Remaster	Yakuza 3	2009/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Remaster	Yakuza 4	2010/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Remaster	Yakuza 5	2013/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Yakuza 0	2015/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Yakuza 6: The Song of Life	2017/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Remaster	Judgment	2019/3	✓	✓		✓			✓	✓	✓
		Yakuza: Like a Dragon	2020/3	✓	✓	✓	✓	✓	✓	✓	✓	✓
		Lost Judgment	2022/3	✓	✓	✓	✓			✓	✓	✓

*PS5 includes compatibility with PS4, Xbox S/X includes compatibility with Xbox Game Pass

Expansion of touch points with users



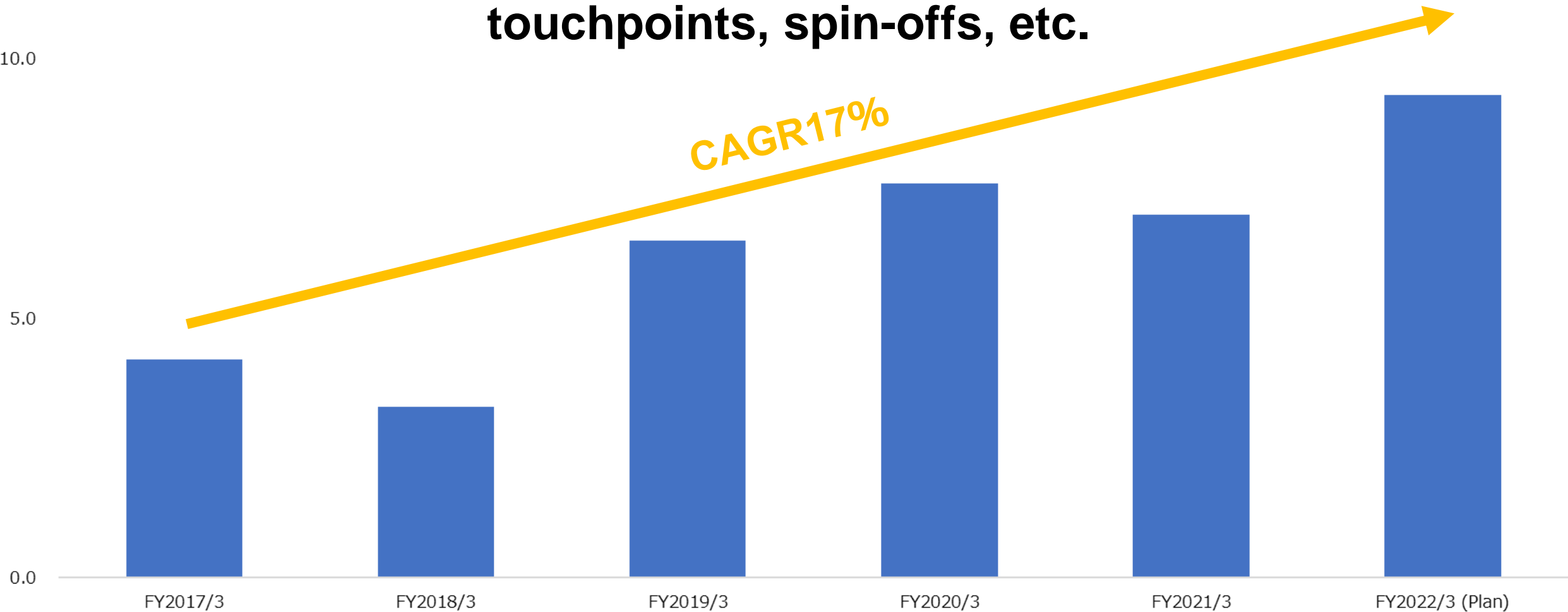
Prolonging product life cycles





Sales has been growing through expansion of touchpoints, spin-offs, etc.

(Unit: billion yen)



*Sales of the series in Consumer area, including “JUDGMENT” series

TOTAL WAR™



Expansion of touch points with users

- Strengthening global roll-out
 - Multiplatform support
 - Multilingual support

- Expanded the roll-out area through change of motif
THREE KINGDOMS ⇒ Asia
- Mobile roll-out
⇒ Licensing out of the IP to NetEase

Prolonging product life cycles

- Utilizing IP assets
- Strengthening digital sales
- Multichannel monetization

- Remaster
- DLC
- Support of subscription service (Xbox Game Pass)

Strengthening user engagement

- Community management
- Strengthening the mix of media

- Enhancement of CRM

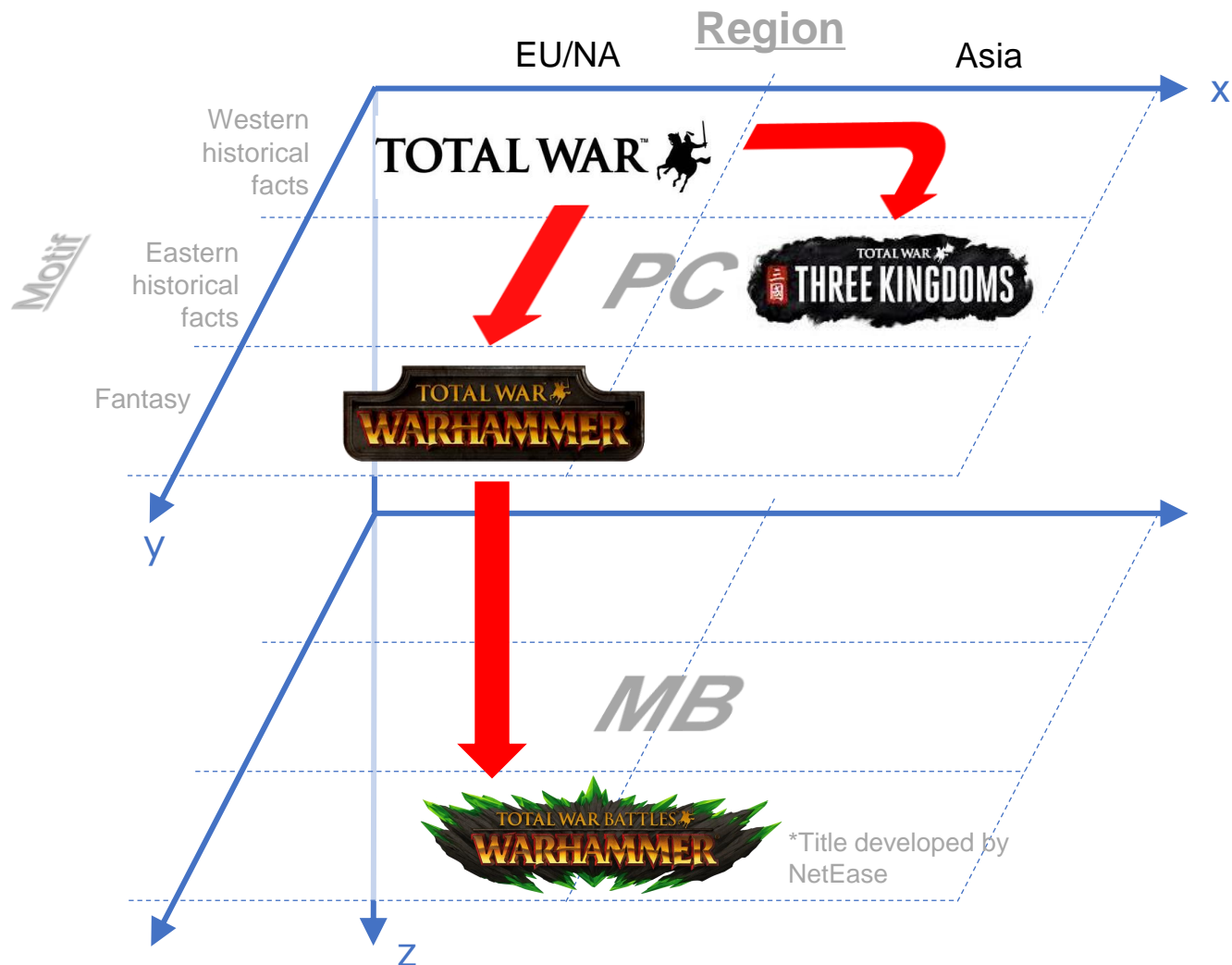
Expanded Asian market with
Three Kingdom motif



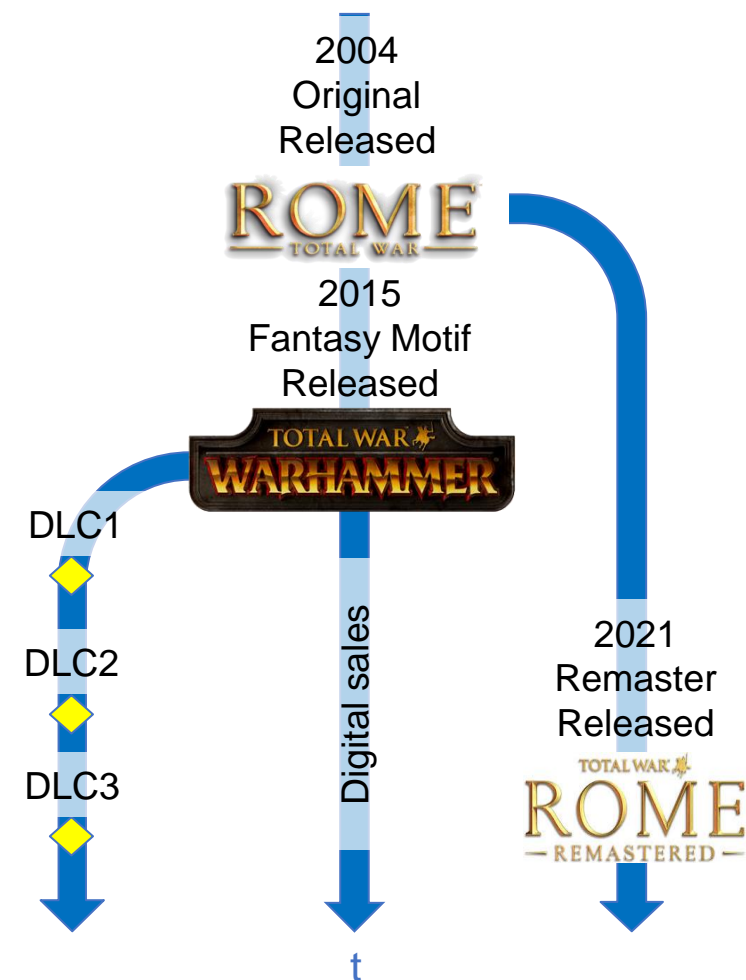
**Sales in the Asian region
+167% compared to the
previous title in the series***

*Previous title in the series= comparison with "Total War: WARHAMMER II"

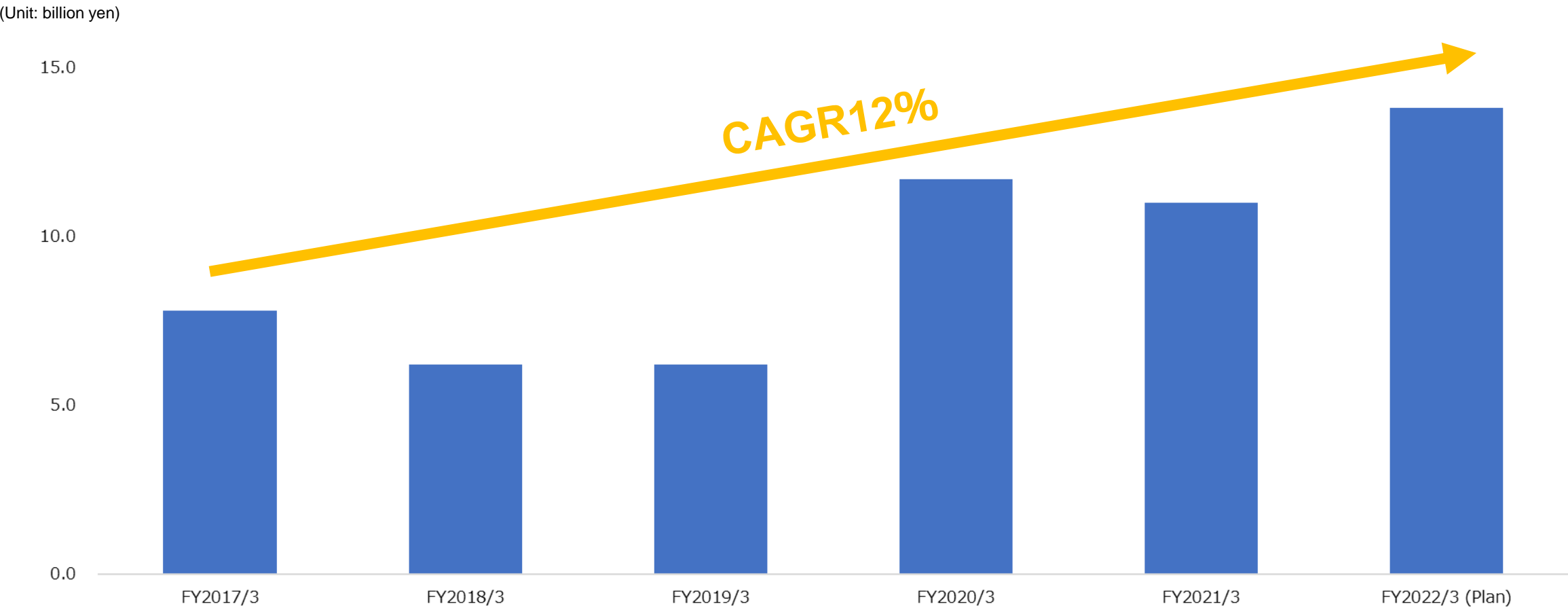
Expansion of touch points with users



Prolonging product life cycles



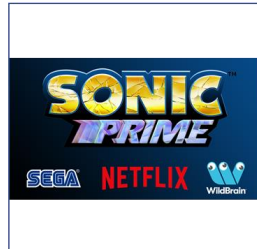
Sales has been growing through motif change, remaster, etc.



*Sales of the series in Consumer area

SONIC™
THE HEDGEHOG

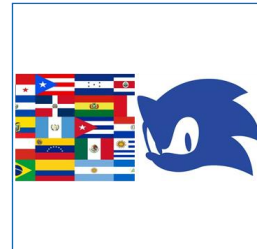
Examples of Collaboration in Sonic 30th Anniversary (in 2021)



Netflix Sonic Prime Animation Announce



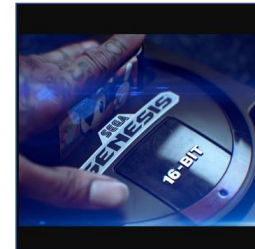
Film2 Jakks Pacific Toy Line Announce



Sonic Social LatAm Spanish Launch



Danone Mobile Partnership



30th 'Fan Anthem' Video



30th Anniversary Website



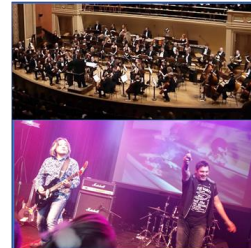
Sonic Central Video



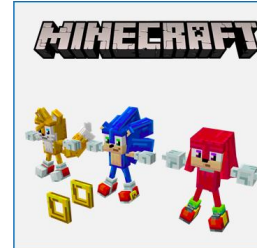
Bricktown x Sonic Collab



Tokyo Olympics Launch w/ Sonic Costume



Sonic Symphony



Minecraft x Sonic DLC



Mobile 30th Content (Dash/Forces/TSR)



Rings Celebrity Video Series



Stray Rats Fashion Collab



Two Point Hospital X Sonic (Sonic Integration)



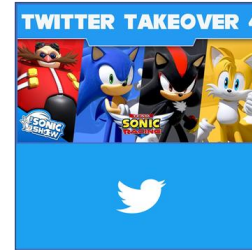
Sonic Colors: Rise of the Wisps Launch



Phantasy Star Online Content



"Sonic Colors Ultimate" Launch



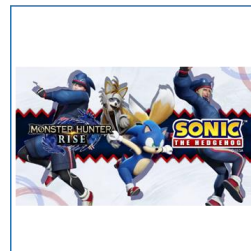
Twitter Takeover



Fall Guys x Sonic



Judgement 2 x Sonic Collab



MONSTER HUNTER RISE x SONIC Collab



Macy's Day Parade



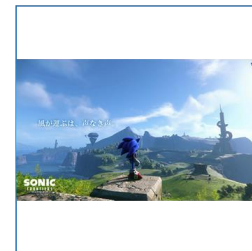
Steve Aoki x SONIC Virtual Concert



The Game Awards x Project R



"SONIC THE HEDGEHOG 2" Trailer Launch

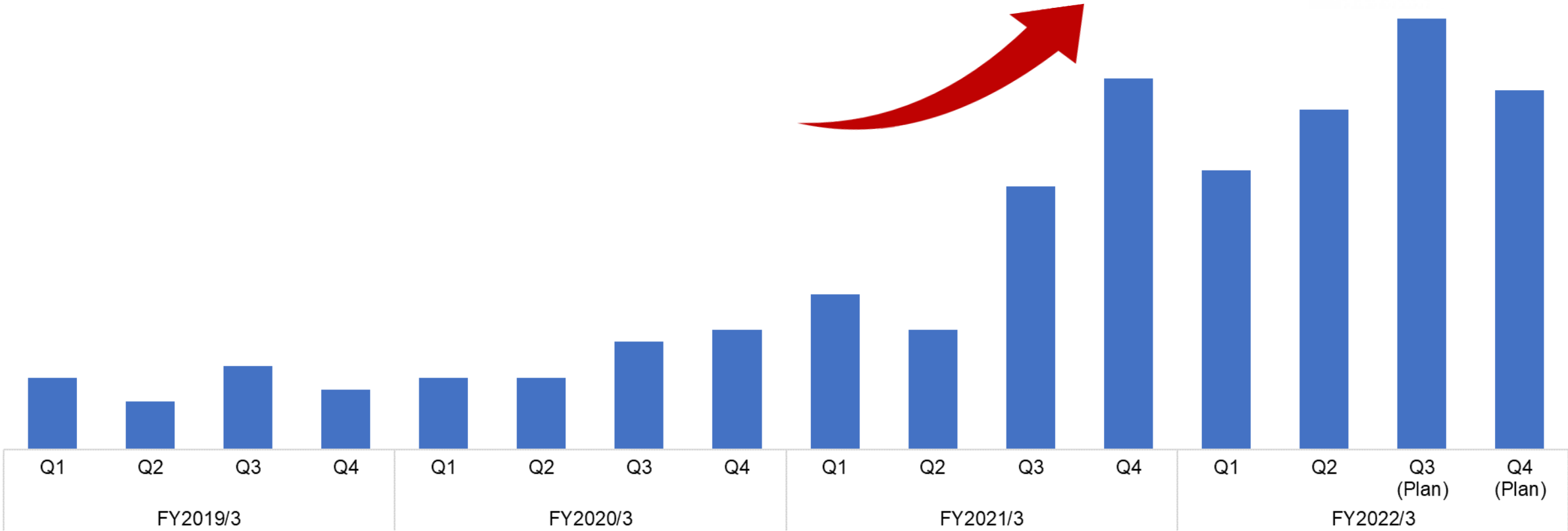


"SONIC FRONTIERS" Announce

<https://sonic.sega.jp/30th/>



Sharp increase in business offers after the release of movie



2021

2022



© PARAMOUNT PICTURES AND SEGA OF AMERICA, INC.

Scheduled to be released in U.S.
nationwide on April 8, 2022

https://youtu.be/eMV_Im9VEmY



©SEGA

Scheduled to release new title
“SONIC FRONTIERS”



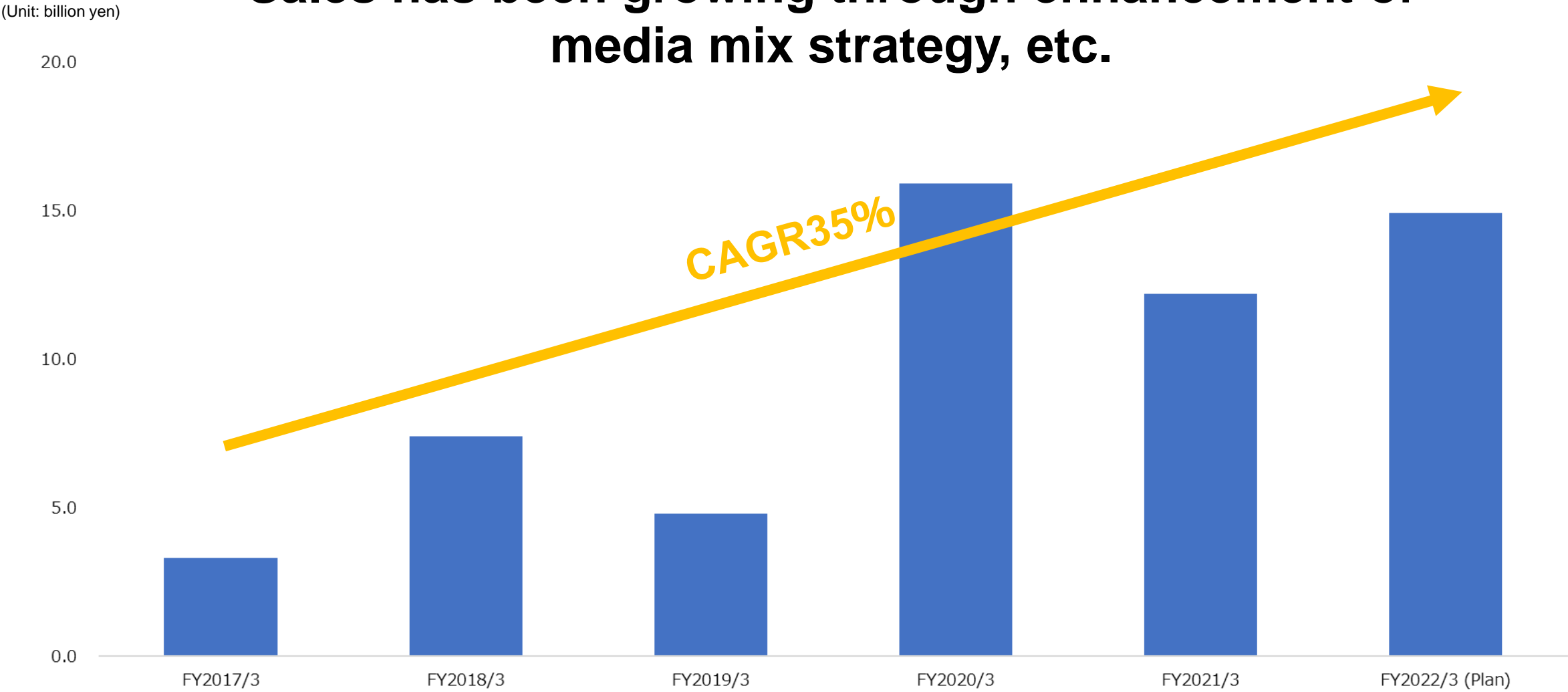
©SEGA

<https://youtu.be/aSZ28-qX8u4>

Please watch the video



Sales has been growing through enhancement of media mix strategy, etc.



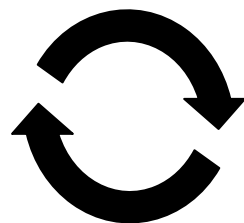
*Sales of the series in Consumer area

Strengthening user engagement

**Jointly develop the games
incorporating user feedbacks**

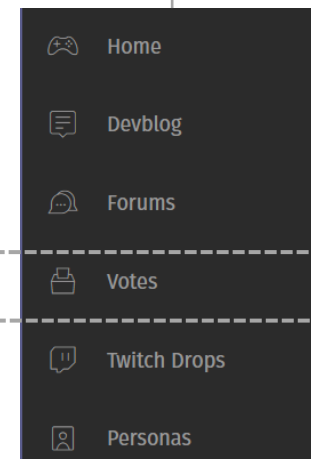
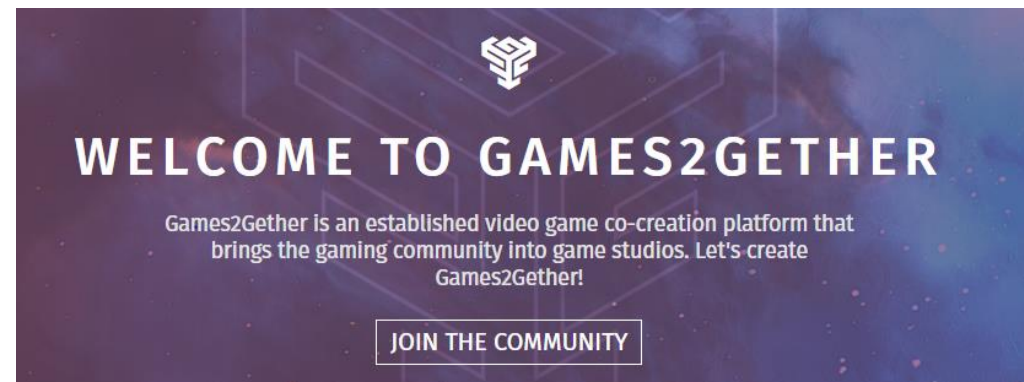


User
communities

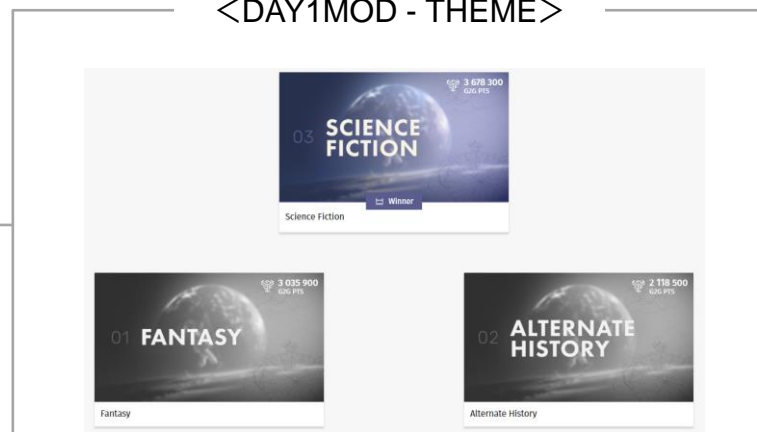


**Improvement of communication
and services**

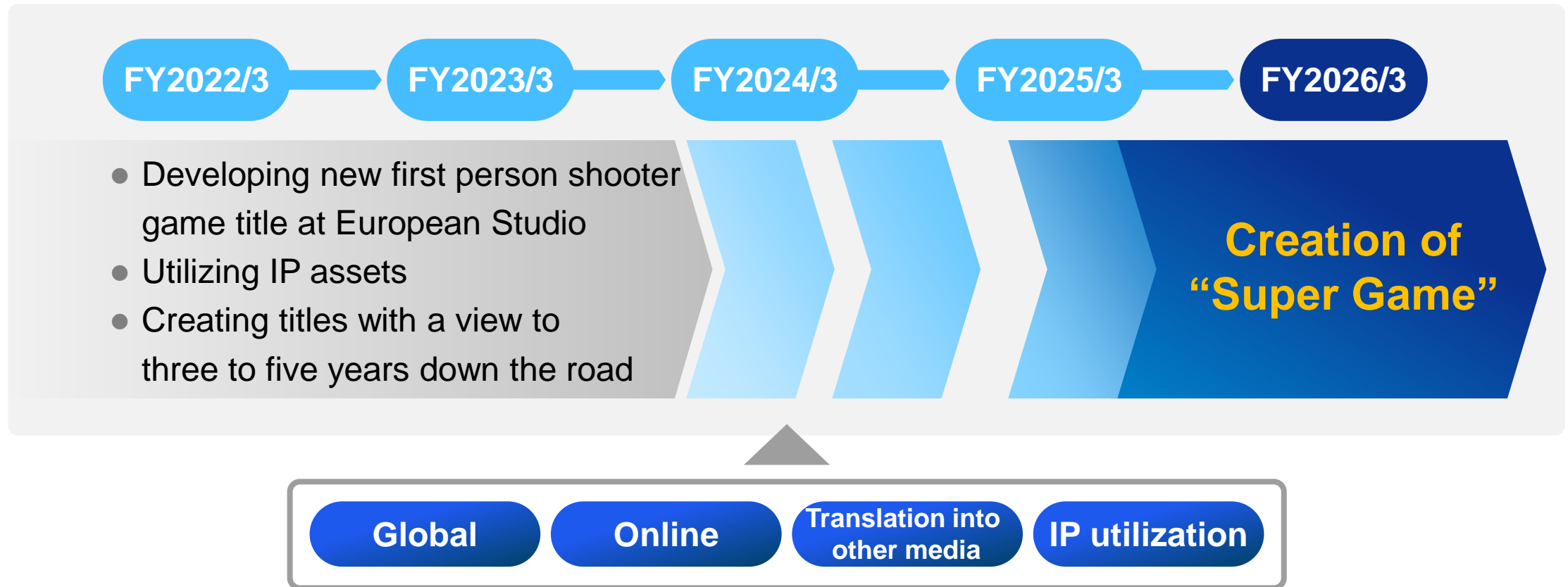
<Reference case: GAMES2GETHER>



<DAY1MOD - THEME>



Taking on the challenge of creating major global titles



Target lifetime sales of 100.0 billion yen

Started exploring strategic alliance with Microsoft towards creation of “Super Games”

(Major areas to consider)

**Develop games utilizing
technologies of Microsoft
in Microsoft's Azure
cloud platform**

**Technical collaboration to turn
SEGA's current development
environment into a
next generation environment
built on Microsoft's
Azure cloud platform**

05

Toward the Next Fiscal Year and After

Review of the Current Fiscal Year

■ FY2022/3 Major New Titles (Full Game)



“Sonic Colors: Ultimate”

©SEGA



“Lost Judgment”

©SEGA



“HUMANKIND™”

©2021 Amplitude Studios SAS. Published by SEGA.



“Super Monkey Ball Banana Mania”

©SEGA



“Shin Megami Tensei V”

©ATLUS.
©SEGA. All rights reserved.



“Football Manager 2022”

© Sports Interactive Limited 2021.
Published by SEGA Publishing Europe Limited.



“Total War: WARHAMMER III”

© Games Workshop Limited 2021.
Published by SEGA.

Review of the Current Fiscal Year

■ FY2022/3 Major New Titles (F2P)



“PHANTASY STAR ONLINE 2 NEW GENESIS “

©SEGA



“HATSUNE MIKU: COLORFUL STAGE!”

© SEGA/© CP/© CFM



“Sin Chronicle“
(Scheduled to be released on spring 2022)

©SEGA

Titles already announced (to be released in or after 2022)



“SONIC FRONTIERS”
(scheduled to be released in 2022)

©SEGA



“PROJECT Re FANTASY”

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“Company of Heroes 3”

©SEGA. Developed by Relic Entertainment.

**The latest title of
Yakuza series**

Pachislot and Pachinko Machines business

Overview of Smart Pachislot and Pachinko

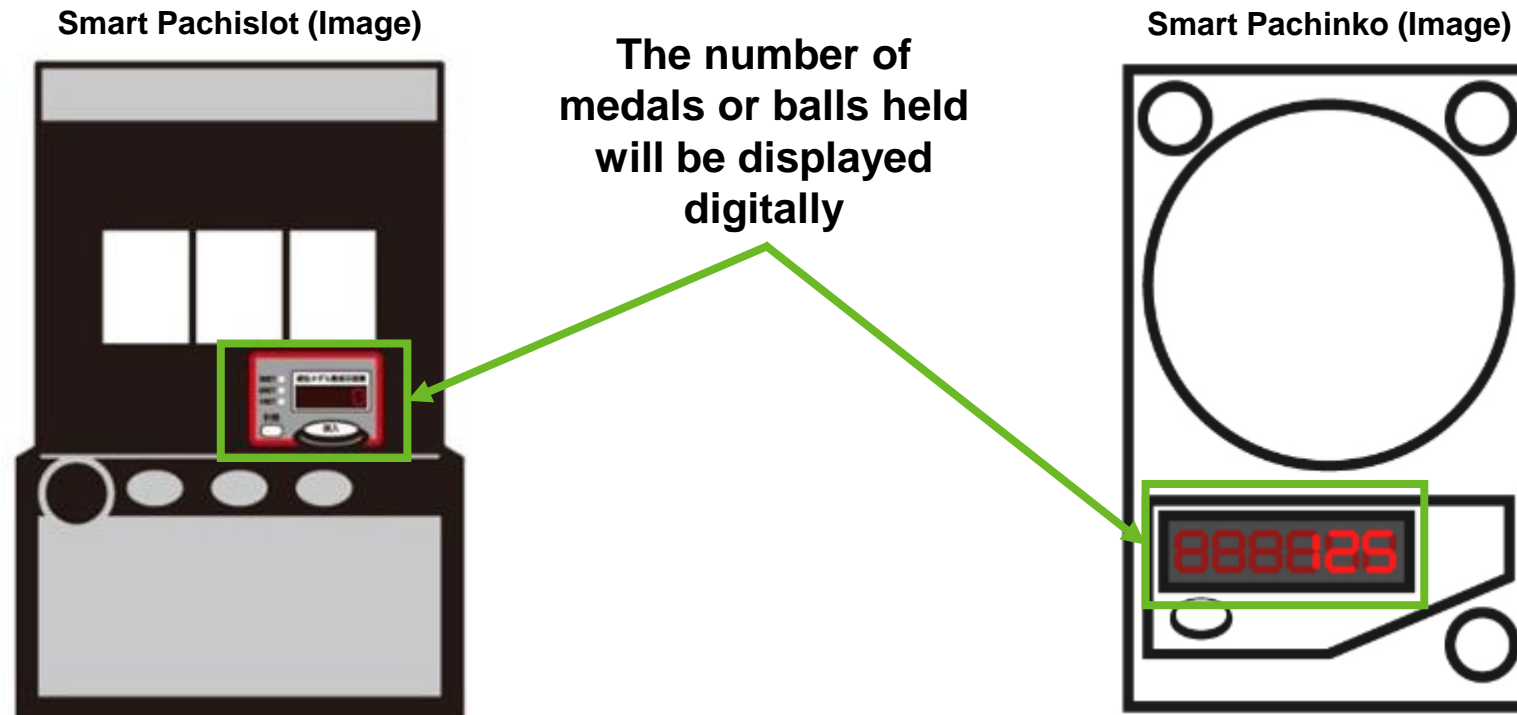
Haruki Satomi

President and Group CEO, Representative Director of SEGA SAMMY HOLDINGS INC.

President and CEO, Representative Director of Sammy Corporation

- Physical payout of medals and balls does not occur
- Associations will be able to collect play data, etc.

There will be no significant change in appearance compared to the existing pachislot and pachinko machines



Advantages from Installation (by viewpoint)

Manufacturer

- **Improves gameplay**
⇒ Due to relaxing of regulation, various game design will be possible
- **Reduction of the number of components**
⇒ Components related to payout, etc. will not be needed

User

- **Solves dissatisfaction of users**
⇒ Due to relaxing of regulation, disadvantages of users will be solved
- **Measure against infection**
⇒ Improves hygiene because the users don't have to touch the medals and balls directly

Pachinko Hall

- **Ease the burden**
⇒ Simplifies the operation
- **Eradication of crimes**
⇒ Prevents crimes such as bringing in medals and balls, etc.
- **Improvement of pachinko hall's environment**
⇒ Noises from collisions of medals and balls will be reduced
- **Lowers the hurdle of new store opening**
⇒ Reduces initial cost

Other

- **Measure against addiction**
⇒ Associations will be able to collect play data, etc.

Abolishment of upper limit of number of games has been decided exclusive to smart pachislot

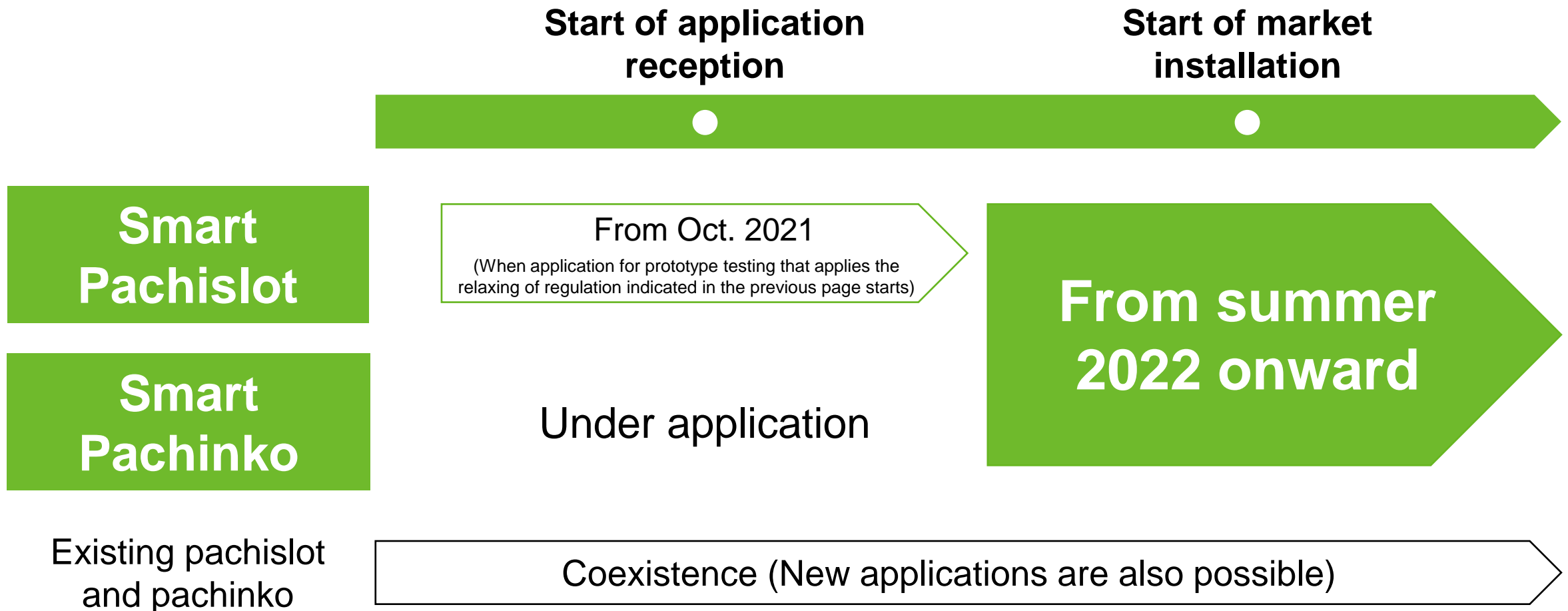
1) Improves gameplay

Various game design will be possible

2) Solves dissatisfaction

Solves disadvantages of users accompanying with the upper limit of number of games

Manufacturers are already applying for prototype testing



Consider various possibilities outside the box

Short- to Medium-term

- Improves gameplay
- Reduction of the number of components
- Improvement of Pachinko hall's environment
- Eradication of crimes
- Ease the burden of Pachinko halls
- Measure against infection
- Measure against addiction
- Lowers the hurdle of new store opening

Possibility of Long-term

Diversification of pachinko hall's layout

Cashless

Software download

Digitalization of operations

Data transmission between machines

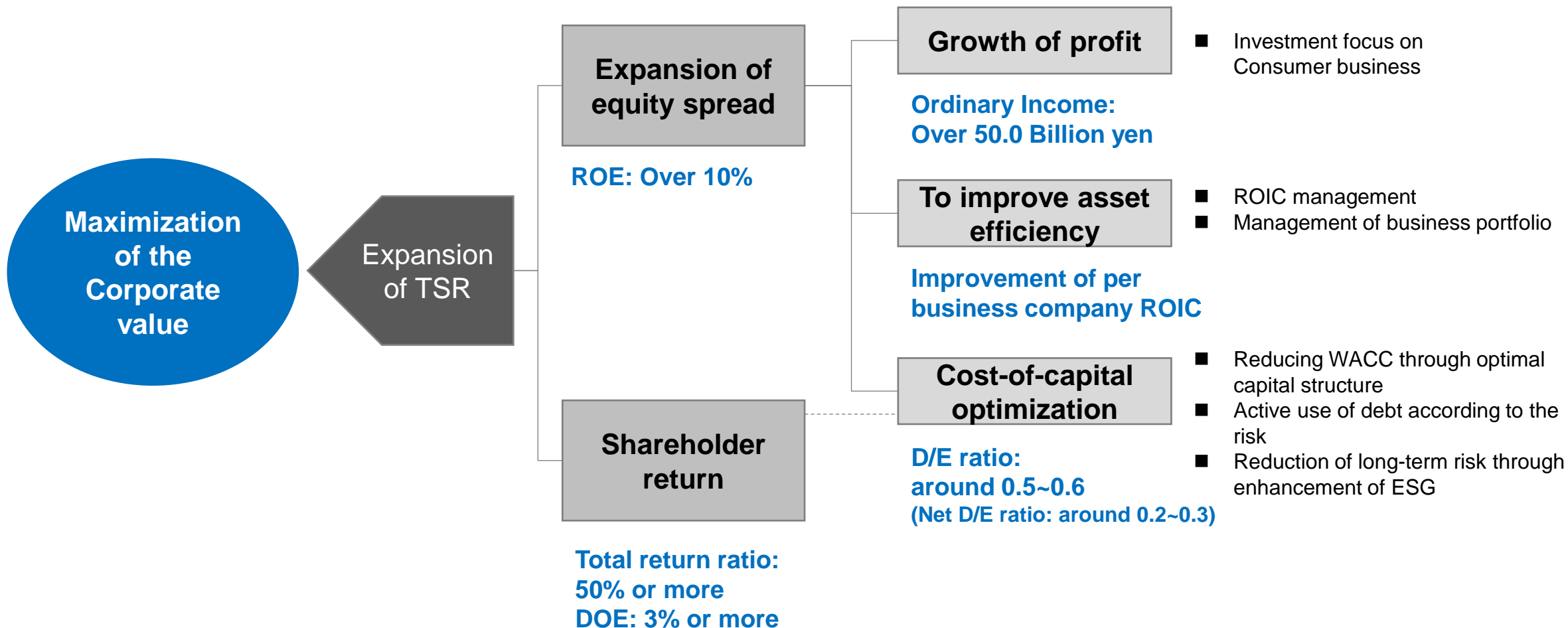
Financial Strategies

Koichi Fukazawa

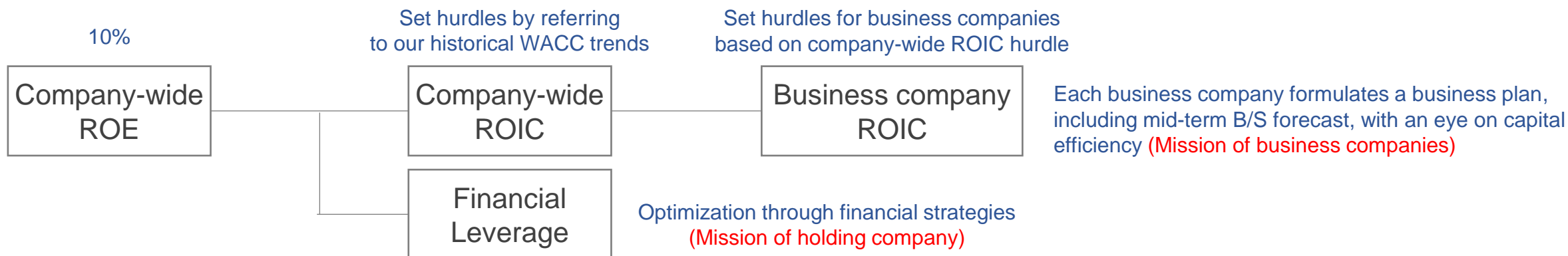
Senior Executive Vice President and Group CFO,
Director of the Board of SEGA SAMMY HOLDINGS INC.

To maximize the Corporate Value (~FY2026/3)

Shift to the management focusing on capital efficiency



Basic Concept about ROIC Hurdle and Operation

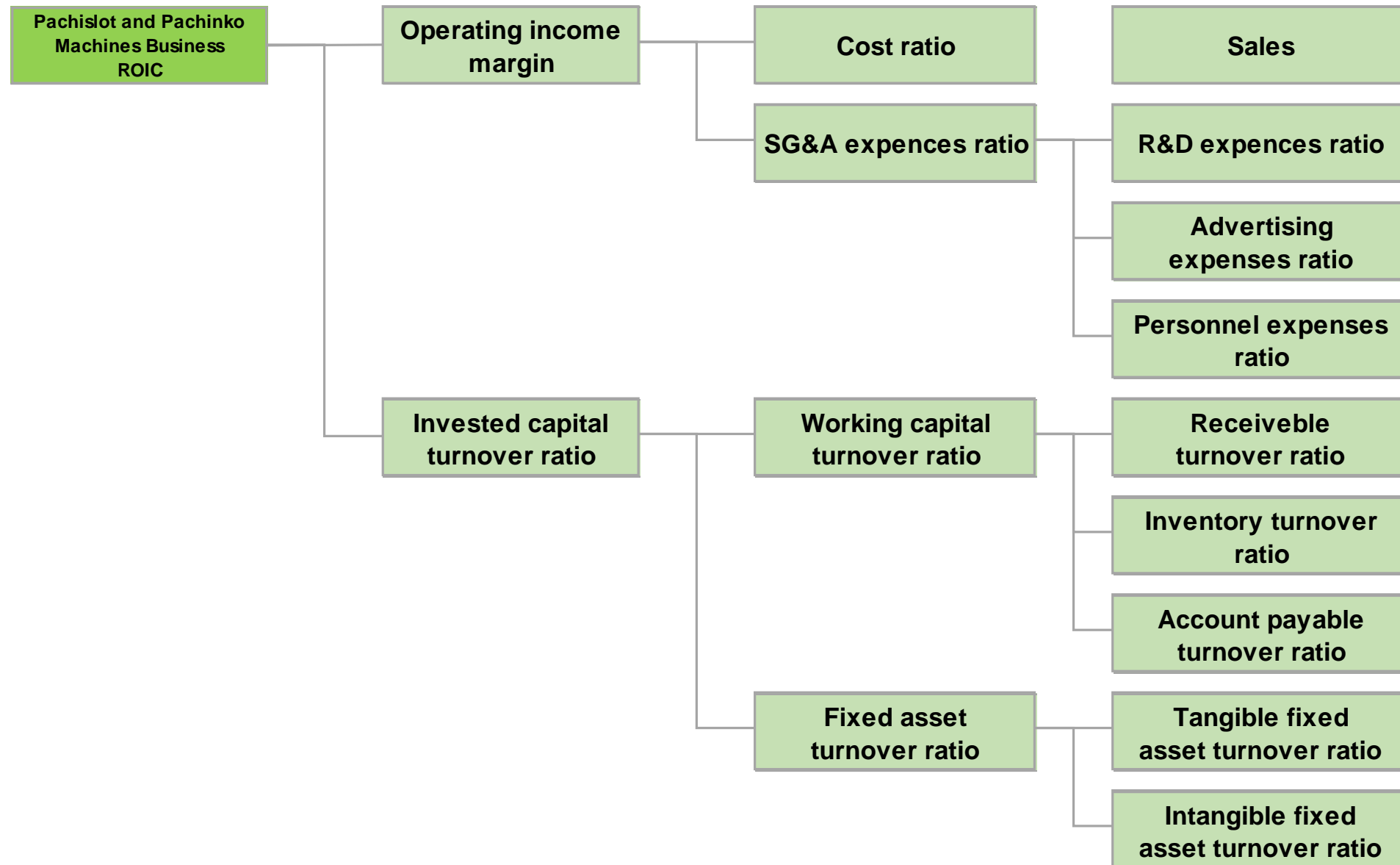


	Company-wide (SSHD consolidated) ROIC	ROIC of Business Companies										
Denominator	<div>B/S procurement side (Measure investment efficiency from the perspective of investor)</div> <table><tr><td>Non-business asset</td><td rowspan="2">Interest-bearing debt</td></tr><tr><td>Net working capital</td></tr><tr><td>Fixed asset</td><td>Shareholders' equity</td></tr></table>	Non-business asset	Interest-bearing debt	Net working capital	Fixed asset	Shareholders' equity	<div>B/S management side (Improve efficiency of business investment from the perspective of company)</div> <table><tr><td>Non-business asset</td><td rowspan="2">Interest-bearing debt</td></tr><tr><td>Net working capital</td></tr><tr><td>Fixed asset</td><td>Shareholders' equity</td></tr></table>	Non-business asset	Interest-bearing debt	Net working capital	Fixed asset	Shareholders' equity
Non-business asset	Interest-bearing debt											
Net working capital												
Fixed asset	Shareholders' equity											
Non-business asset	Interest-bearing debt											
Net working capital												
Fixed asset	Shareholders' equity											
Numerator	Net income + interest expenses	<div>After-tax adjusted ordinary income*</div> <div>*Excluding the affects from expenses that does not result from business investment, such as the expenses based on group policy including management guidance fee to parent company, etc., and lawsuit settlement expenses</div> <div>*Applied the flat rate of 30% for the tax rate to calculate business company ROIC for convenience.</div>										

Implemented 7 sessions of ROIC management introduction from second half of FY2021/3

<div>Day 0</div> <div><Case Session> Understanding finance and structure of ROIC Indicator</div>	<div>Day 1</div> <div><Dialog Session> Dialogue on meaning of introducing ROIC, operational rules and targets</div>	<div>Day 1.5</div> <div><Dialog Session> Dialogue on meaning of introducing ROIC, operational rules and targets *For managements of division</div>	
<div>Day 2</div> <div><Output Session> Planning measures and action to improve ROIC Set by managements of each company through internal discussion</div>	<div>Day 3</div> <div><CFO Session> Dialogue on measures to improve ROIC based on the mid-term strategy 1) Discussion about priority of effect and execution degree of measurement</div>	<div>Day 4</div> <div><CFO Session> Dialogue on measures to improve ROIC based on the mid-term strategy 2) KPI set again through internal discussion of each company</div>	<div>Day 5</div> <div><CFO Session> Session on remaining assignment</div>

ROIC Tree (Pachislot and Pachinko Machines Business)



Examples of Measures to Improve ROIC (Pachislot and Pachinko Machines Business)



Key Drivers for improvement	KPI to set	Action plan
<u>Sales</u>	Utilization share	Pursuit of optimal title balance Create topics and promoting fans through strategic and integrated utilization of digital media
	Profit composition ratio	Promotion of new business Continuous exploration of new seeds
<u>Cost ratio</u>	Surplus loss ratio	Shortening lead time Improvement of components commonization
	Ratio of parts subject to reuse	Improvement of components commonization Strengthen cooperation between teams of development (design) and production (manufacturing and reuse process)
	Direct material cost ratio to sales	Improvement of components commonization Pursuit of cost performance at the time of design
<u>R&D expenses ratio</u>	R&D expenses	Reduction of development cost per title (reduction of cut number in images, increasing commonization and diversion ratio of images) Optimization of title numbers, launch of derivative and low cost titles
<u>Selling expenses ratio</u>	Selling expenses per unit	Full shift to e-commerce and efficient use of it



<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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