

From April 1, 2020 to March 31, 2021

FY2021 / Summer Business Report



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SEGASammy

Stock Code: 6460

ファンタシースターオンライン2 ニュージェネシス
NEW GENESIS™
PHANTASY STAR ONLINE 2

Headlines

Consolidated Business Highlights

Net sales

▼Down 24.2% year on year

¥ **277.7** billion

Operating income

▼Down 76.4% year on year

¥ **6.5** billion

Ordinary income

▼Down 93.3% year on year

¥ **1.7** billion

Results by Business Segment



Entertainment Contents Business

Sales down, income up
year on year

Net sales

▼Down 12.0% year on year

¥ **217.8** billion

Operating income

▲Up 69.1% year on year

¥ **27.9** billion

Ordinary income

▲Up 72.2% year on year

¥ **27.9** billion



Pachislot and Pachinko Machines Business

Sales, income down
year on year

Net sales

▼Down 51.1% year on year

¥ **53.1** billion

Operating income

Year on year —

¥ **-10.6** billion

Ordinary income

Year on year —

¥ **-11.3** billion



Resort Business

Sales down year on year,
higher loss

Net sales

▼Down 39.4% year on year

¥ **6.3** billion

Operating income

Year on year —

¥ **-4.1** billion

Ordinary income

Year on year —

¥ **-8.9** billion

A Message from the CEO

Our new medium-term plan will guide the Group in building economic and social value.

Haruki Satomi

President and Group CEO, Representative Director



Business Environment and Results

I'm Haruki Satomi and greet you for the first time as both President and Group CEO of SEGA SAMMY HOLDINGS INC. I was newly appointed to the CEO position this past April 1. In this new capacity, I will do my utmost to realize sustained growth in the SEGA SAMMY Group's corporate value and to meet the expectations of our shareholders and all our stakeholders.

Group operating results for the fiscal year ended March 31, 2021 were hard hit by the COVID-19 pandemic, and both the strengths and the struggles of each of our business areas were brought into sharp focus. The Consumer area saw a dramatic boost in earnings on the back of stay-at-home spending. However, among other factors, the Pachislot and Pachinko Machines Business was negatively affected by government demands to temporarily suspend the operation of pachinko halls and the ensuing extension of the deadline for removing previous regulation machines. Also, the Resort Business was forced to contend with postponed and cancelled travel amid public health calls to refrain from outside activity, as well as the drying up of travel demand amid travel restrictions between countries. To respond to these rapid changes in the environment, and to build a solid business foundation with an eye to future growth, we implemented decisive structural reforms during the fiscal year ended March 31, 2021, including review of the business structure, reduction of fixed expenses, and review of the balance sheet.

In this environment, we recorded sales of ¥277.7 billion (down 24.2% year-on-year), operating income of ¥6.5 billion (down 76.4%

year on year), and ordinary income of ¥1.7 billion (down 93.3% year on year) for the fiscal year ended March 31, 2021. In connection with structural reforms, we recorded a ¥15.2 billion gain on sales of noncurrent assets and an ¥11.2 billion gain on sales of investment securities as extraordinary income, while recording an extraordinary loss of ¥34.1 billion for structural reform expenses, including the transfer of subsidiaries in the Amusement Center Operations and Amusement Machine Sales areas and special retirement allowances associated with the call for voluntary retirement. Also, having carefully considered the collectability of deferred tax assets in light of anticipated performance trends, we recorded such assets, realizing a ¥12.2 billion reduction in deferred income taxes. As a result of these actions, although we had initially projected a significant loss attributable to owners of parent, we ended the fiscal year with profit of ¥1.2 billion.

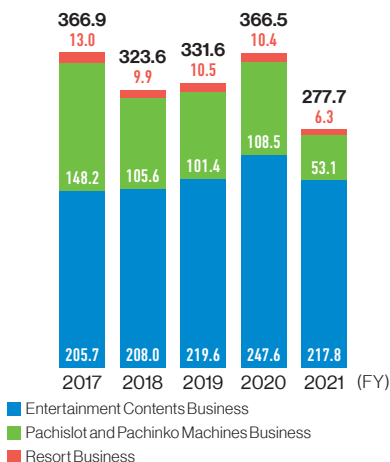
Looking ahead, our challenge is how to respond to the significant changes in the business environment and adapt to shifts in consumer lifestyles and values, while continuing to deliver experiences that move the heart to our stakeholders. To meet this challenge, in the current fiscal year we will steadily put in action the measures outlined in our newly formulated medium-term plan.



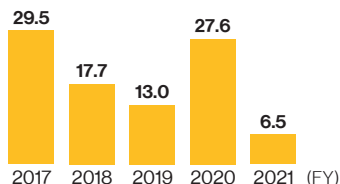
See pages 6-8 for an overview of the new medium-term plan (fiscal year ending March 31, 2022 - fiscal year ending March 31, 2024).

Results

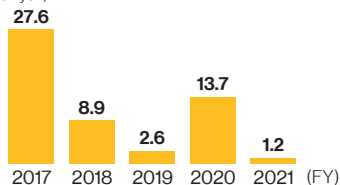
Net sales
(Billion yen)



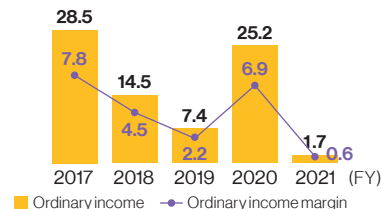
Operating income
(Billion yen)



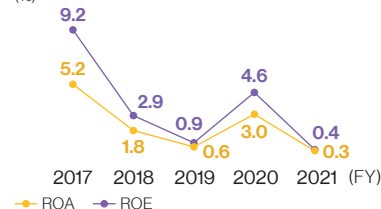
Profit attributable to owners of parent
(Billion yen)



Ordinary income / Ordinary income margin
(Billion yen / %)



ROA*1 / ROE*2
(%)



*1 ROA(%)=Profit attributable to owners of parent / Total assets

*2 ROE(%)=Profit attributable to owners of parent / Net assets

Overview of Each Business Segment

Entertainment Contents Business

In the Consumer area, we released new full game titles, including Western versions of *Persona 5 Strikers* and *YAKUZA: LIKE A DRAGON*, as well as *Football Manager 2021*. Coupled with brisk sales of repeat titles, this resulted in a total of 41,770 thousand units sold (compared with 28,570 thousand units sold a year earlier). Newly released F2P titles, including *Re:ZERO –Starting Life in Another World– Lost in Memories* and *Project SEKAI COLORFUL STAGE! feat. Hatsune Miku*, also performed well alongside existing titles.

In the Amusement Machine Sales area, we mainly sold mainstay products such as the *UFO Catcher* crane game series and prizes for those. In the Animation and Toys area, release of the special omnibus film *Detective Conan: The Scarlet Alibi*, coupled with sales of new and mainstay toys, underpinned solid performance.

As part of our structural reforms, we transferred the shares of a subsidiary in the Amusement Center Operations area at the end of December 2020. Results from the subsidiary are thus not included in consolidated reporting from the fourth quarter of the fiscal year ended March 31, 2021.

Pachislot and Pachinko Machines Business

We sold 35,000 pachislot units (down from 123,000 units a year earlier) including *Pachislot Hokuto no Ken Shukumei* and other machines. We also sold *P Shin Hokuto Muso Chapter 3* and other pachinko titles, for a total of 69,000 units sold (down from 104,000 units sold a year earlier).

Resort Business

In Japan, the number of visitors to *Phoenix Seagaia Resort* fell to 65.7% of previous-year levels due to the sharp drop-off in customer traffic amid the COVID-19 pandemic. On the other hand, it saw an upturn in individual travel demand during the government's *Go To Travel Campaign* period, with user volume in October and November exceeding 110% of previous-year levels. We also incurred expenses related to our preparations for entering the domestic integrated resort (IR) business.

Overseas, *PARADISE CITY* in South Korea was hard hit by the pandemic, with the drop amount (amount of chips purchased at casino tables) for the calendar year at 33.8% of the previous-year level, and the overall volume of casino guests at 45.5% compared to a year earlier.

A Look Back at Structural Reforms

In 2020, impacted by the onset of the COVID-19 pandemic, the Group faced a serious crisis across its business areas. With the aim of transitioning to a business framework that enables the Group to

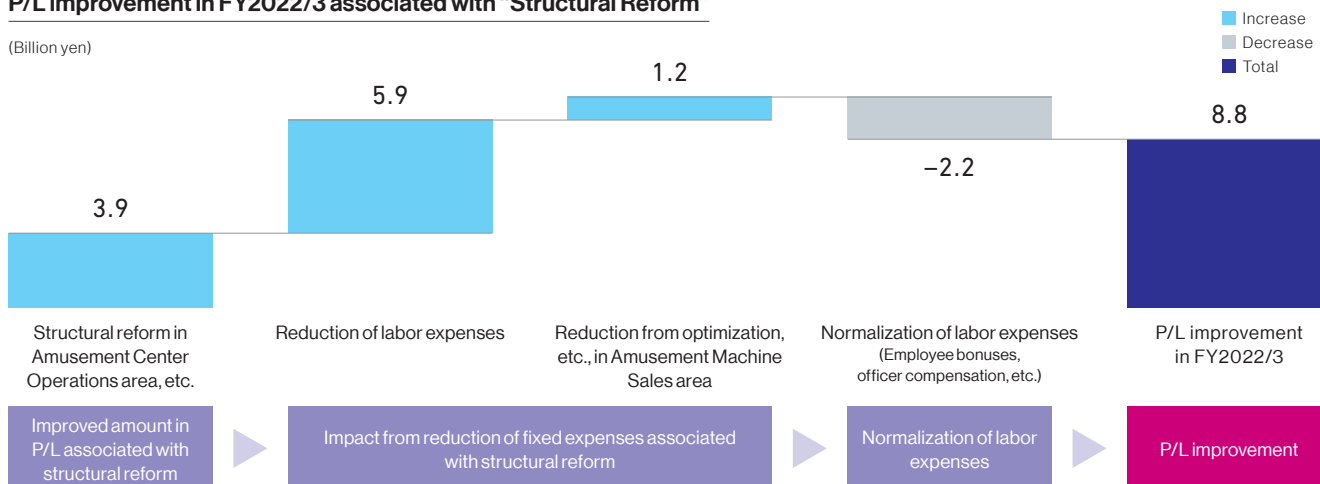
respond to such dramatic changes in the environment, we pursued a range of structural reform initiatives targeting a swift turnaround in profitability.

Impact of Implementation of “Structural Reform”

		P/L impact in FY2021/3
1	Review of Business Structure <ul style="list-style-type: none"> • Structural reform expenses in Amusement Center Operations area • Closure of Orbi Yokohama • Structural reform expenses in Amusement Machine Sales area 	¥ -19.1 billion (extraordinary losses) ¥ -0.5 billion (extraordinary losses) ¥ -3.2 billion (extraordinary losses)
2	Reduction of Fixed Expenses <ul style="list-style-type: none"> • Call for voluntary retirement, etc. 	¥ -9.2 billion (extraordinary losses)
3	Review of B/S <ul style="list-style-type: none"> • 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) 	¥ +11.2 billion (extraordinary income) ¥ +15.2 billion (extraordinary income)

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

(Billion yen)



Outlook for the Fiscal Year Ending March 31, 2022

Entertainment Contents Business

In the Consumer area, SEGA SAMMY is poised to bring several new major full game titles to market, including *HUMANKIND™*, *Total War: WARHAMMER III*, and *LOST JUDGMENT*, and projects sales of 37,870 thousand units (down 3,900 thousand units year on year). New planned F2P titles include *PHANTASY STAR ONLINE 2 NEW GENESIS*, the latest installment in the *PHANTASY STAR ONLINE 2*, online action role-playing game (RPG) series that first started service in Japan in July 2012. In the Amusement Machine Sales and Animation and Toys areas, we will continue to sell both new and mainstay products.

Pachislot and Pachinko Machines Business

We aim to boost both our share of sales and utilization in pachinko halls by launching new titles, including new installments of our mainstay titles, to meet replacement demand for previous regulation

machines, which are scheduled for removal during the current fiscal year. In addition, we will improve cost efficiency by suppressing development costs and standardizing machine parts to ensure stable profits. We project a reduction in fixed costs as a result of the structural reforms we have put in place, but also anticipate higher advertising and marketing costs in line with the increase in the number of titles.

Resort Business

We will continue to take steps to attract higher customer volume in *Phoenix Seagaia Resort*. Overseas as well, we will work to acquire further expertise in the development and operation of integrated resorts (IR) through *PARADISE CITY*. Our business plan assumes a gradual recovery in demand throughout the fiscal year ending March 31, 2022, the impact of the COVID-19 pandemic notwithstanding.

Forecast of Consolidated Operating Results for the Fiscal Year ending March 31, 2022

		(Billion yen)	
		FY2021/3 (Results)	FY2022/3 (Forecast)
Net sales	Total	277.7	312.0
	Entertainment Contents Business	217.8	213.0
	Pachislot and Pachinko Machines Business	53.1	89.0
	Resort Business	6.3	9.5
	Other and eliminations	0.5	0.5
Ordinary income	Total	1.7	20.0
	Entertainment Contents Business	27.9	25.0
	Pachislot and Pachinko Machines Business	-11.3	9.0
	Resort Business	-8.9	-5.0
	Other and eliminations	-6.0	-9.0
Income before income taxes		-9.8	20.0
Profit attributable to owners of parent		1.2	14.0

Shareholder Returns

The Board of Directors meeting held on May 13, 2021 resolved to pay dividends for the fiscal year ended March 2021 as shown on the right.

For the fiscal year ending March 2022, following the policy set out in the new medium-term plan, we intend to pay a total annual dividend of ¥40 per share, including an interim dividend of ¥20.



Overview of the New Medium-Term Plan

SEGA SAMMY launched a new Medium-Term Plan in April 2021, in effect from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024.

The new plan shifts Group management toward a focus on capital efficiency, and calls for management that recognizes the need to become a sustainable company capable of realizing a sustainable society and increasing corporate value.

Long-Term Vision Leading up to the Fiscal Year Ending March 31, 2030



New Medium-Term Plan Targets

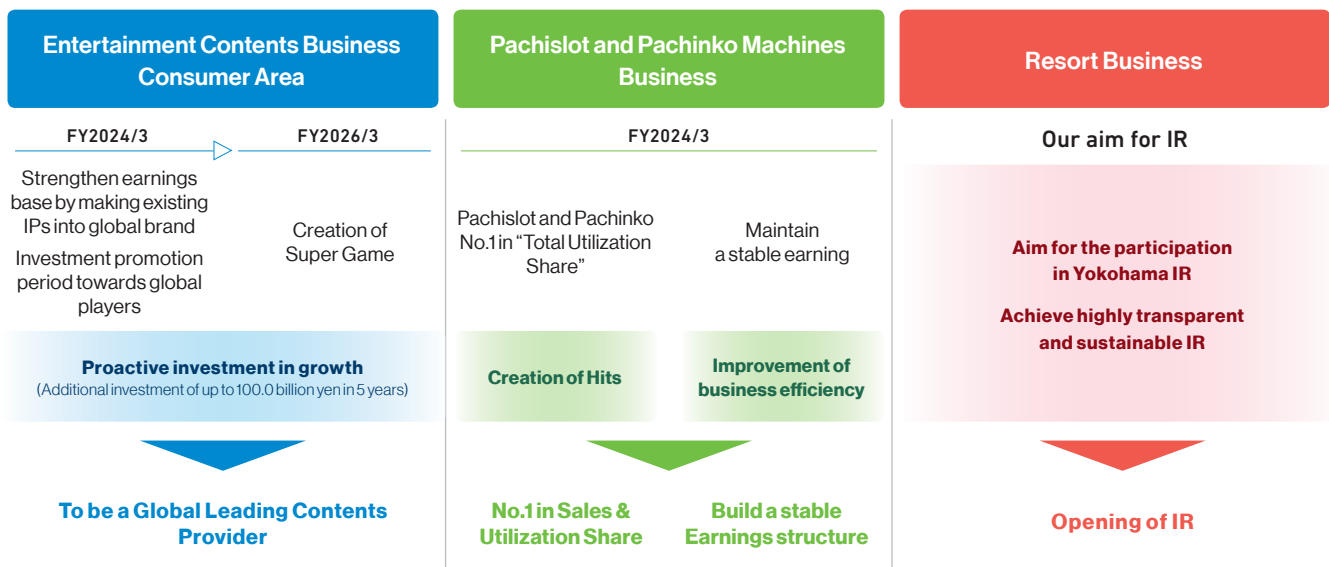
Beyond the Status Quo

—Breaking the Current Situation and Becoming a Sustainable Company—

FY2024/3 Ordinary income: **¥45.0 billion** / ROE*: **Over 10%**

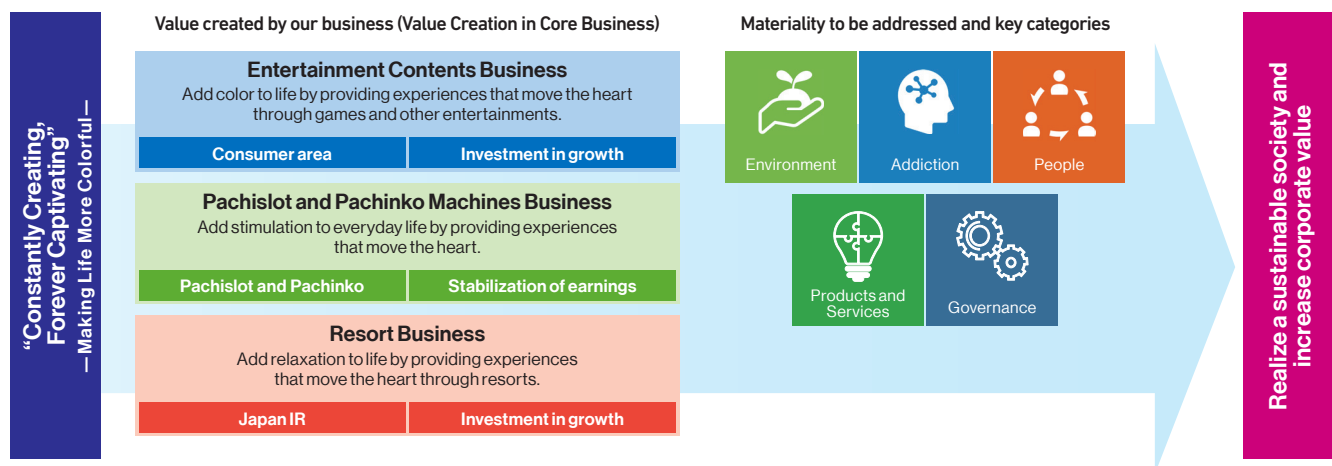
*ROE(%)=Profit attributable to owners of parent / Net assets

Medium to Long-Term Map



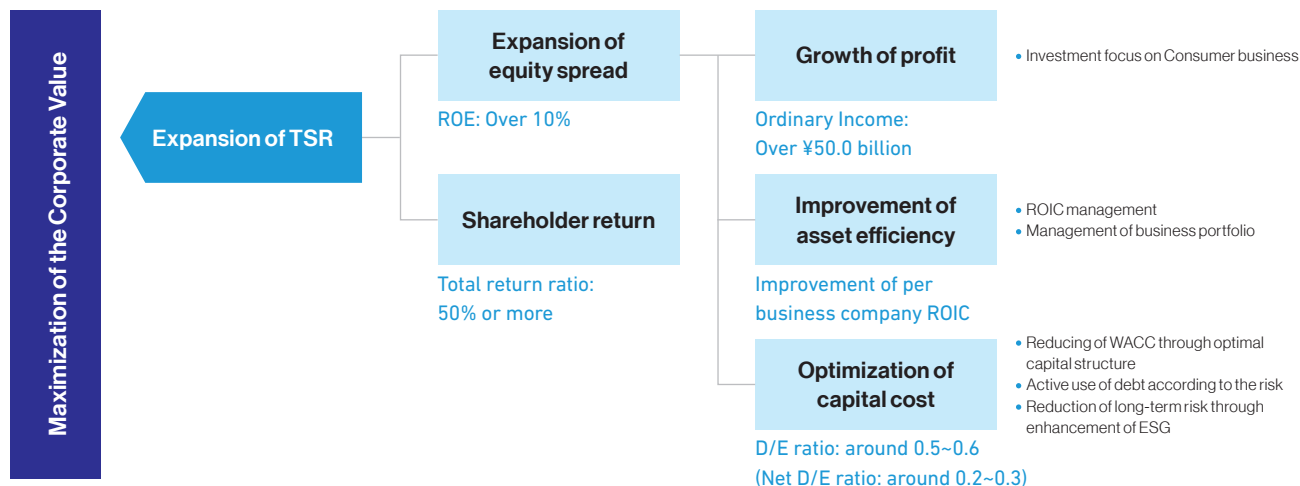
ESG/SDGs Initiatives

Guided by the theme of "Constantly Creating, Forever Captivating" set forth in the Group Mission, the Group is striving to realize a sustainable society and to increase corporate value. To this end, we are working to set quantitative ESG/SDGs goals and strengthen our action plans.

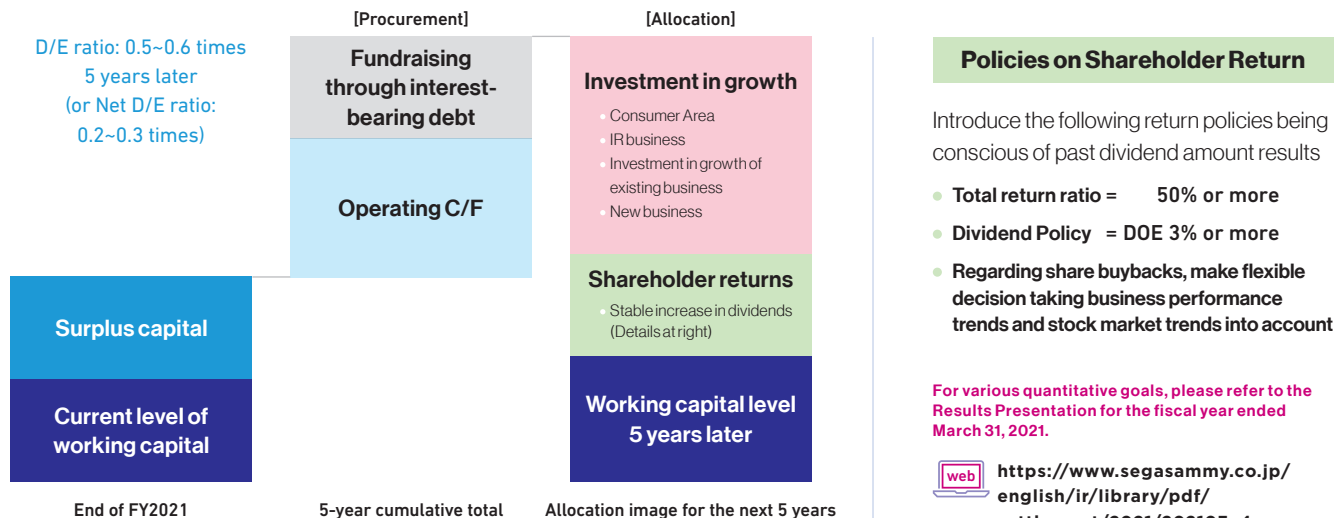


Financial Strategy (through the fiscal year ending March 31, 2026)

To maximize corporate value and shift Group management toward a focus on capital efficiency, we will strive to improve ROE employing a range of strategies, including the introduction of ROIC targets into Group businesses.



In procurement, the Group will make use of interest-bearing debt to improve capital efficiency and reduce capital costs through an optimal capital structure. In terms of capital allocation, we are seeking a balance between proactive investment in growth and shareholder returns.



Representative Director Message

Weathering the COVID-19 crisis and building the future

Hajime Satomi

Chairman, Representative Director



The COVID-19 pandemic that swept the globe in 2020 has substantially altered people's lifestyles and values. With no clear resolution to the crisis yet in sight, the world faces mounting uncertainties. Over the past year, the markets in which our Group is active have also experienced numerous setbacks that no one could have foreseen, and depending on the business area, we find ourselves dealing with severe adversity. Nevertheless, my view of this experience is far from pessimistic. Precisely because of what has occurred, I was able to sense in a new way how vital our ties with users are, and how important the ties between our Group companies are. Above all, I renewed my conviction that, no matter what the situation, people will continue to seek the *experiences that move the heart* that entertainment brings. Through the structural reforms we implemented during the fiscal year ended March 31, 2021, I believe the Group has become much more resilient, and that we have laid down a solid foundation for the future. All that remains now is for us to move boldly ahead to the future.

On April 1, 2021, I passed on the CEO reins to my son, Haruki Satomi, while I remain in the position of Chairman. Under the new CEO, in May 2021, we announced a new medium-term plan and long-term vision for the Group. Compared to other industries, the entertainment sector is undergoing radical changes in the business environment. It is crucial, therefore, to keep a finger on the pulse of what users are seeking now as well as what they are likely to seek going forward, and to move out ahead of other companies in taking action. In response to these changes in our environment, employees across the Group, under the leadership of the new CEO, will work together as a team to achieve the goals of the new medium-term plan. We look forward to your continued support for the growth of the SEGA SAMMY Group.

Latest Topics

6.1 model Pachislot Hokuto No Ken Shukumei Released

Pachislot Hokuto No Ken Shukumei, which corresponds to No. 6.1 model machine specification, was released in March 2021. Incorporating a lower base (faster medal intake), the new model offers more rapid game progress than the assist time (AT) functions of current No. 6.0 model machines. Also, normal play is a Straight-to-AT type that can be played regardless of timing, and the AT yields a net increase of about 2.8 medals per game. All the jackpots connect to Real AT, and there are no decreasing sections. There are two different types of Battle Bonus—continuous battle mode *Densho* and medal add-on mode *Ken-Oh*—ushering users to a whole new level of anticipation.

The new model carries on the traditional Center Button Play of the *Pachislot Hokuto No Ken* series but also offers new gameplay. In normal play, as users aim for certain reel combinations, their expectations are kept going until the push of the third stop button. Also, during AT play, stopping the “burst” symbol combination is the key to extending AT. In terms of visual effects, the machine cabinet is loaded with a special “strike point” above the main screen, a machine gimmick unique to *Pachislot Hokuto No Ken* series. Users are given the new experience of being able to push this gimmick.



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PHANTASY STAR ONLINE 2 New Genesis Launched in June 2021

Service for the latest title of *PHANTASY STAR ONLINE 2*, a Japanese-made online action role-playing game (RPG) that has attracted over 6 million users in Japan, is set to begin in June 2021. In *PHANTASY STAR ONLINE 2 New Genesis*, all players start from Level 1, so it is also ideal for first-time players. The game takes advanced character creation to the next level, allowing players to create their own one-of-a-kind heroes. The game takes place in a seamless open field where up to 32 players can move around freely. Various new systems allow players to connect to and set out into worlds of adventure, where a host of fresh encounters and surprises await. Players can not only enjoy fast-paced battles with easy-to-operate, exhilarating action, they can also roam around the vast worldscape using new movements

such as dashing and gliding. Don't miss the new online RPG offered by SEGA!



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24th Anime Series Feature Film *Detective Conan: The Scarlet Bullet* Hits Theaters!

The 24th installment in the *Detective Conan* anime film series, *Detective Conan: The Scarlet Bullet*, which had been postponed due to COVID-19 concerns, finally hit theaters across Japan on April 16, 2021. The film was an instant hit, and is being shown on screens nationwide.

The film opens as Japan is preparing to commemorate the World Sports Games, the world's biggest sports event, held every four years. Unprecedented disaster strikes as several executives of the world-famous corporate sponsors gathered for the opening ceremony are kidnapped in quick succession. The plot soon thickens to involve Japan's hyperlinear bullet train, which is heading from Nagoya to Tokyo at 1,000 km/h.

FBI agent Shuichi Akai, a highly popular figure in the original *manga* series, appears on the scene as a main character, along with his family. The Akai family joins forces with Conan to try and solve this extraordinary crime.



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New Sonic animation series *Sonic Prime* goes into production

Popular action game series Sonic the Hedgehog is getting a new animated adaptation *Sonic Prime*. SEGA SAMMY is moving into production of the new series, which is co-produced with Canadian media company WildBrain.

Sonic Prime is currently scheduled for worldwide release via Netflix starting in 2022. The new full-length animated series will feature Sonic the Hedgehog on a big new adventure across a planned 24 episodes. The series can be enjoyed by the whole family, from children to adults, as well as by fans of the Sonic games and past animated series.

In addition, *Sonic the Hedgehog 2*, the sequel to the worldwide mega hit *Sonic the Hedgehog* live-action movie, is set for release in the U.S. in April 2022. SEGA will post updates about the movie sequel on its official Twitter account (@SonicMovie) when available.



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INFORMATION

Starting with this Business Report (Summer FY2021), the popular interview series, "Experiences that move the heart" will be posted on the Investor Relations page of the Group's website. Please visit the website for details.

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

SEGA SAMMY also sends out electronic newsletters informing of updates to the website, including the publication of new business reports. To receive the newsletter, please subscribe below.

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



IR Information

As part of its ongoing enrichment of investor engagement, the SEGA SAMMY Group has responded to shareholder feedback by providing a window to its operations through the *Business Report*.

SEGA SAMMY HOLDINGS INC. IR Information Center

For inquiries about questionnaires, share information, corporate information, and other related information, please contact the phone number below. Please note that the IR Information Center is closed on Saturdays, Sundays, national holidays, and Company holidays.

- ▶ Phone: **+81-3-6864-2404**
- ▶ Business hours: **Monday through Friday,
9:00 a.m. – 6:00 p.m. (JST)**

IR Calendar

Schedule of activities for shareholders and investors:

- August Announcement of results for the three months ending
June 30, 2021
- November Announcement of results for the six months ending
September 30, 2021

Investor Relations Online

Through our IR website, we disclose consolidated financial statements, press releases, and other statutory disclosure documents as well as actively provide briefings on management strategies.

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



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Cautionary Statement with Respect to Forward-Looking Statements

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and SEGA SAMMY Group companies ("the Group") are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions.

From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management. The Company cautions that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore undue reliance should not be placed on them.

Also, it should not be assumed that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation. Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's IP rights, rapid advances in technology, and unfavorable verdicts in major litigation.