

SEGA SAMMY Management Meeting

2018/11/30

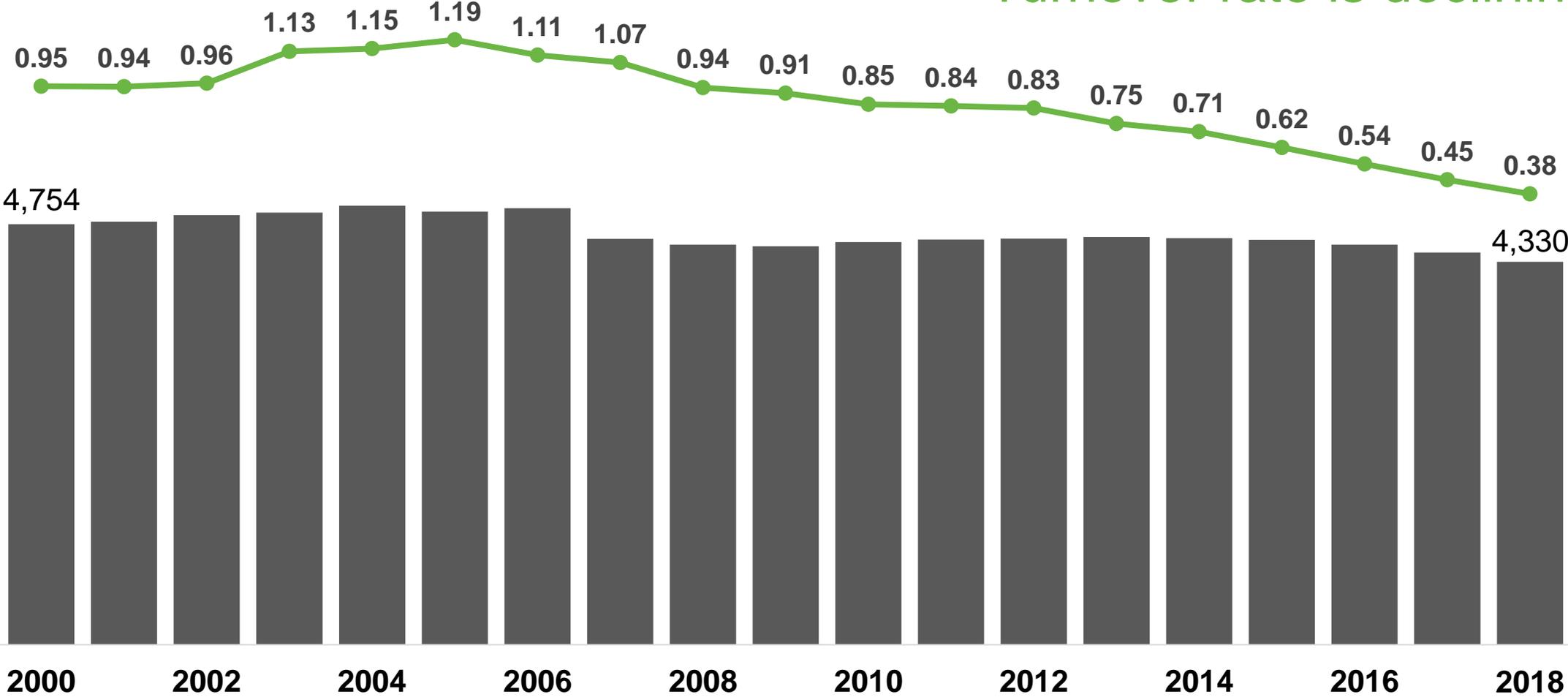
SEGA SAMMY HOLDINGS INC.

Pachislot and Pachinko Machine Business

Market Environment (Pachislot and Pachinko)

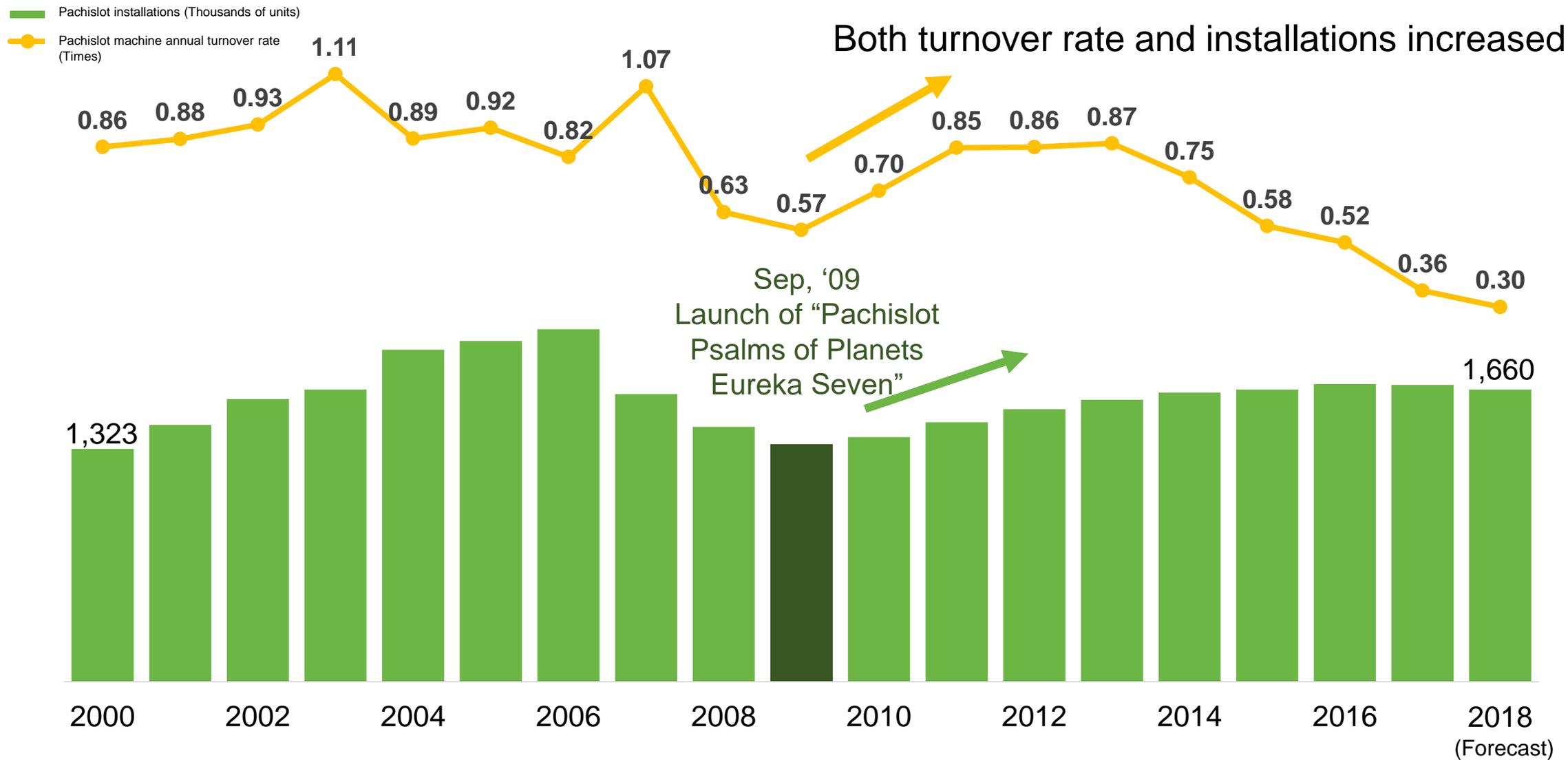
Pachislot / Pachinko installations (Thousands of units)
 Pachislot / Pachinko machine annual turnover rate (Times)

Installations keep stable
 Turnover rate is declining

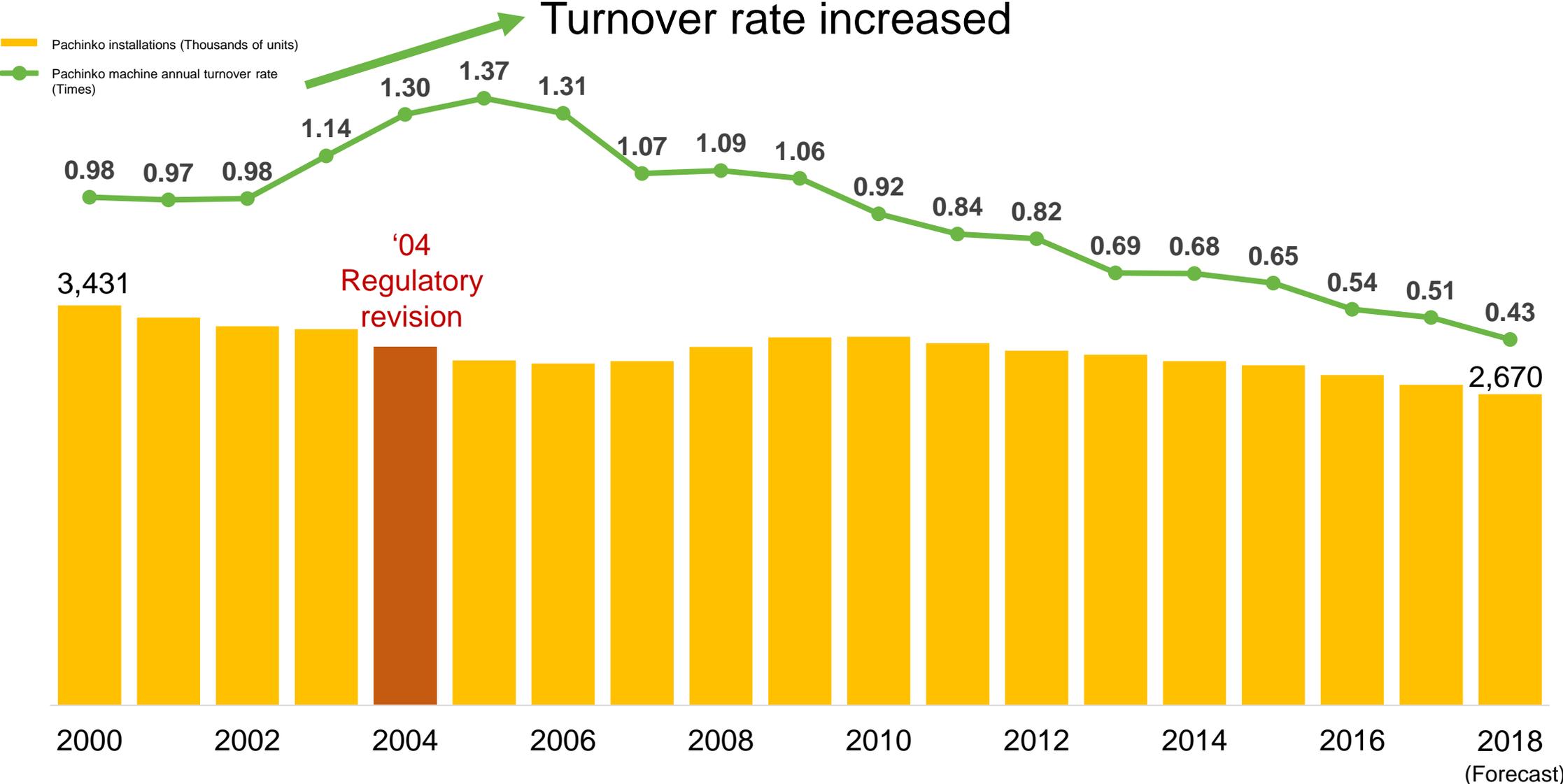


(Forecast)

Market Environment: Around previous regulatory revision (Pachislot)

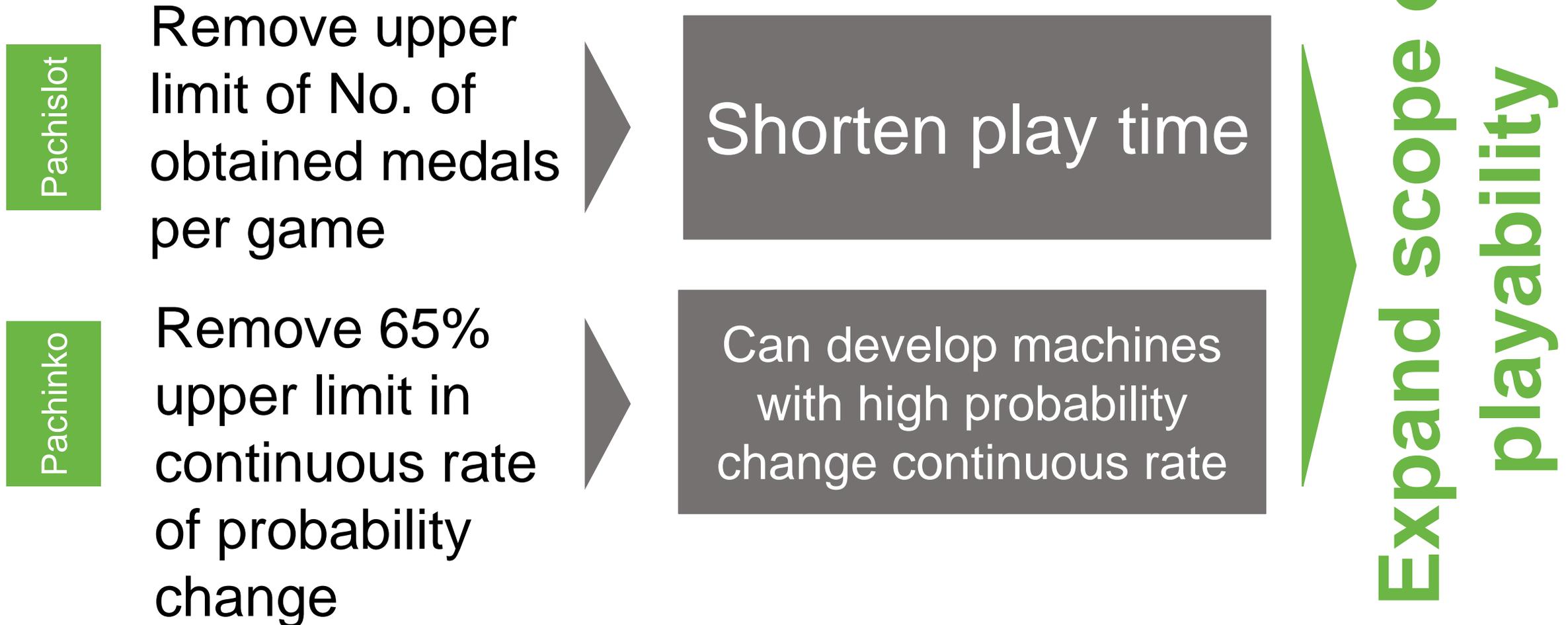


Market Environment: Around previous regulatory revision (Pachinko)



Market Environment:

Revision of voluntary regulations



Strength of Sammy (IP)

Owns multiple popular series

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

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

※No. of titles includes spec changed ver.

Strength of Sammy (Development resources)

No. of development staffs
(comparison with other manufacturers)



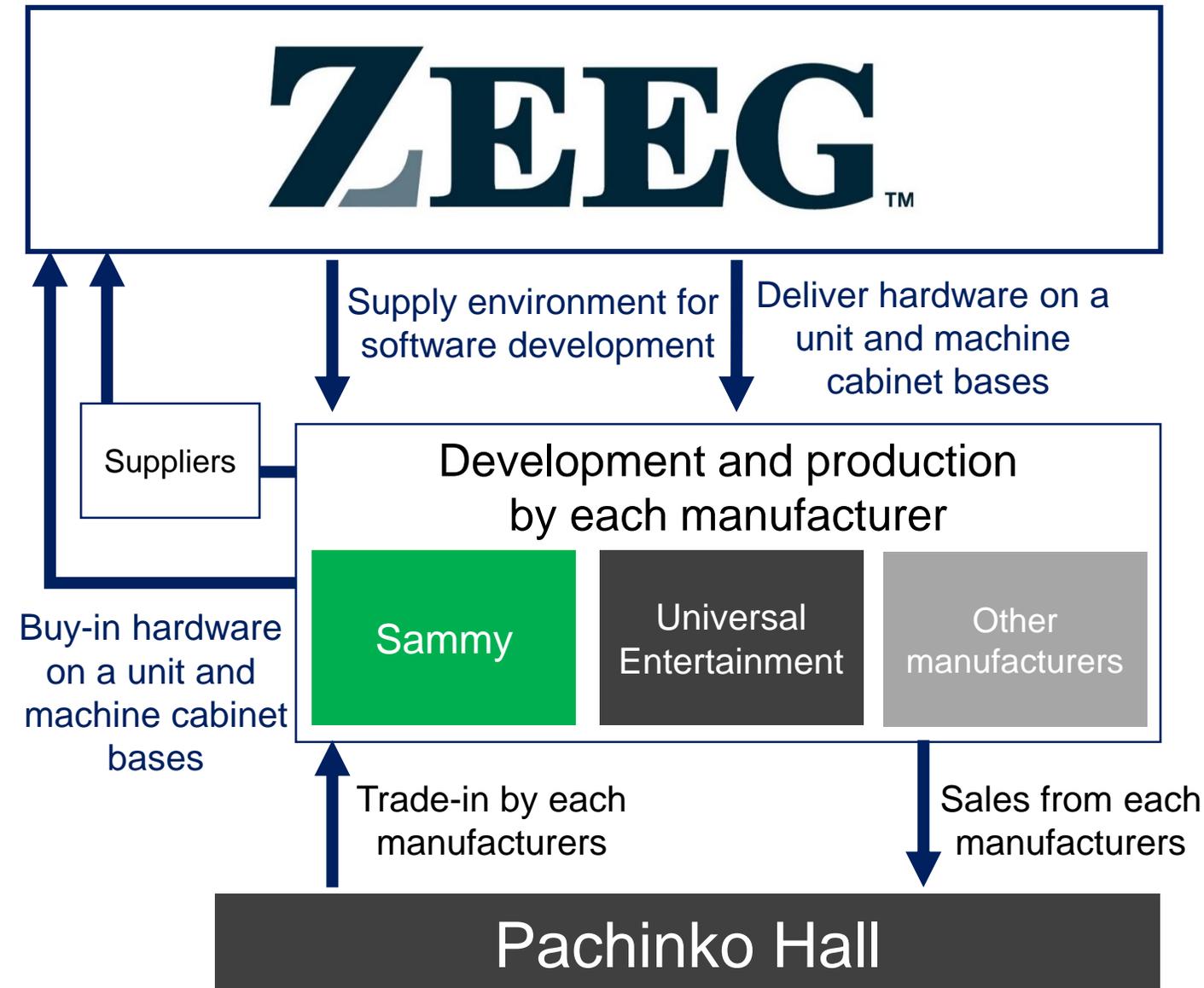
More than 400
development staffs

Top-class scale
among the industry

Source: "Trend and Market share of Pachinko manufacturers 2018"
from Yano Research Institute Ltd.

ZIEEG®

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

※ZSDK: ZEEG amusement machine Software Development Kit

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”

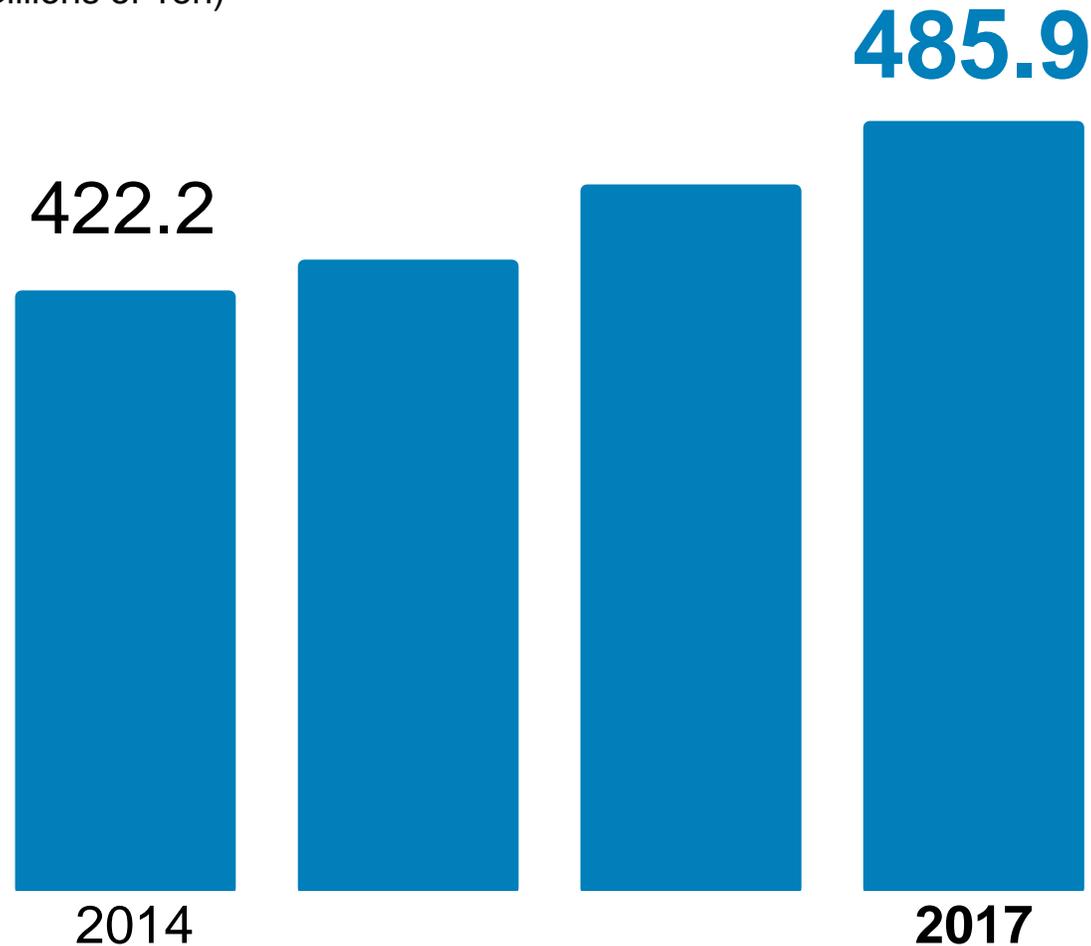
Entertainment Contents Business

Amusement Machines Sales and Amusement Center Operations

Transition of market scale of Amusement center operation

Transition of sales by operators

(Billions of Yen)



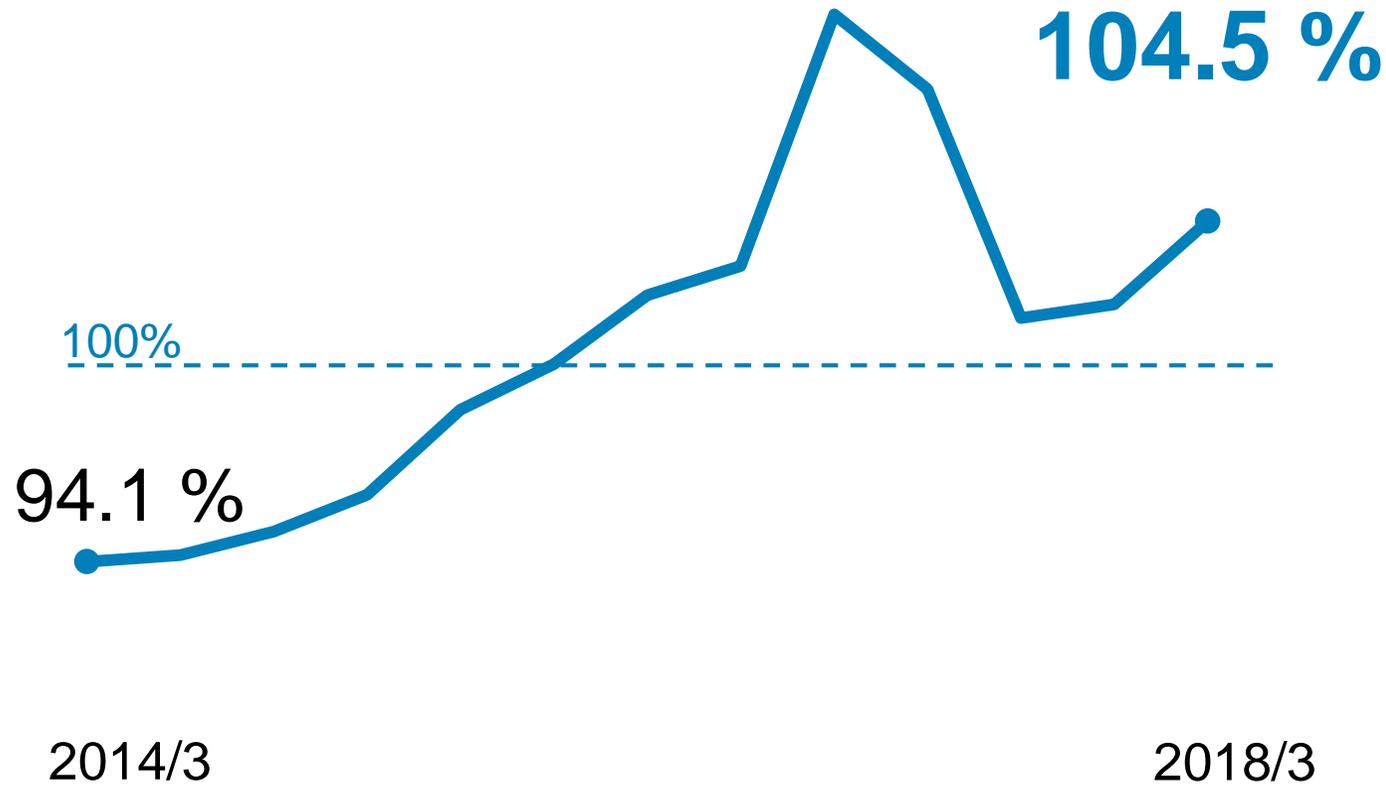
Sales of operators tend to recover after 2014

- 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



Common symbol



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

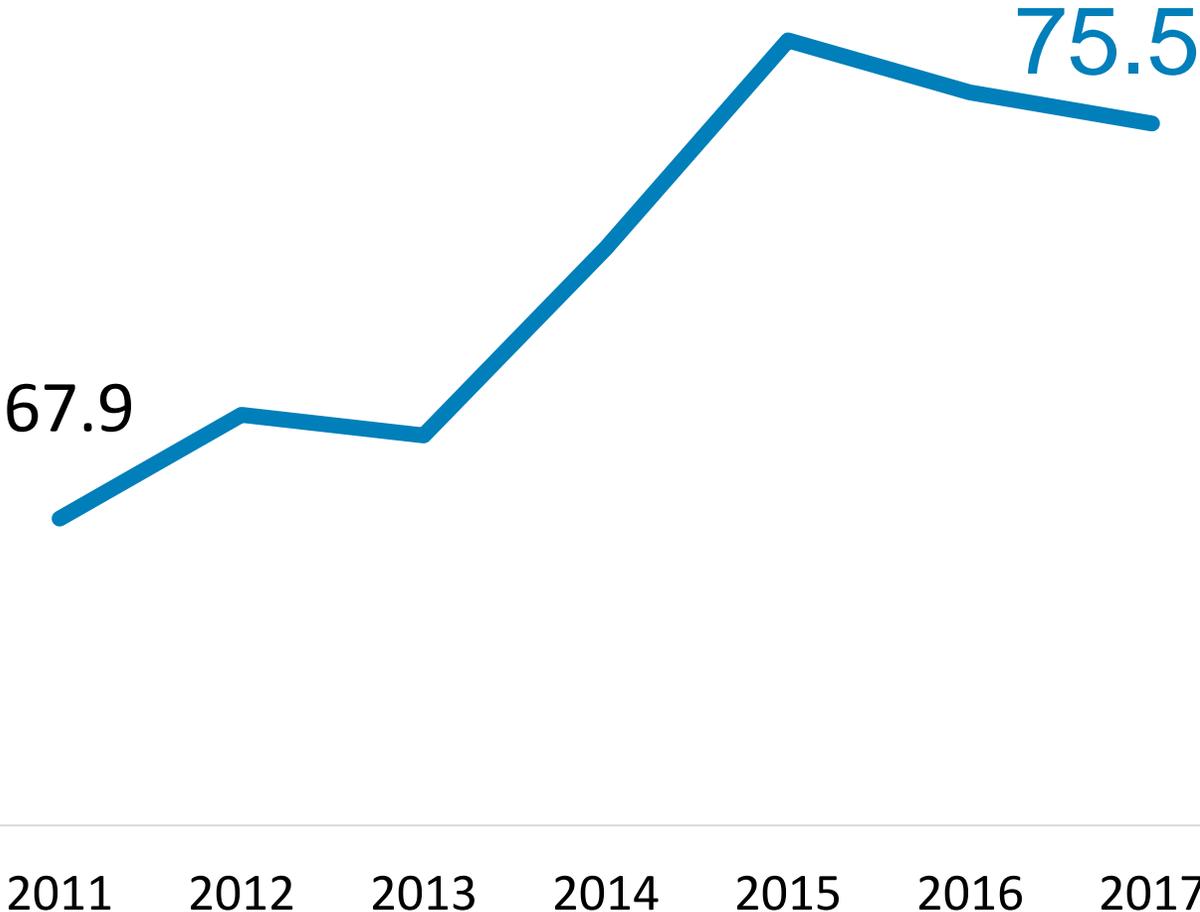
Utilization of external IP

- KanColle Arcade
- Fate/Grand Order Arcade

Packaged Games

Improve and maintain product quality

Transition of average score in external review site



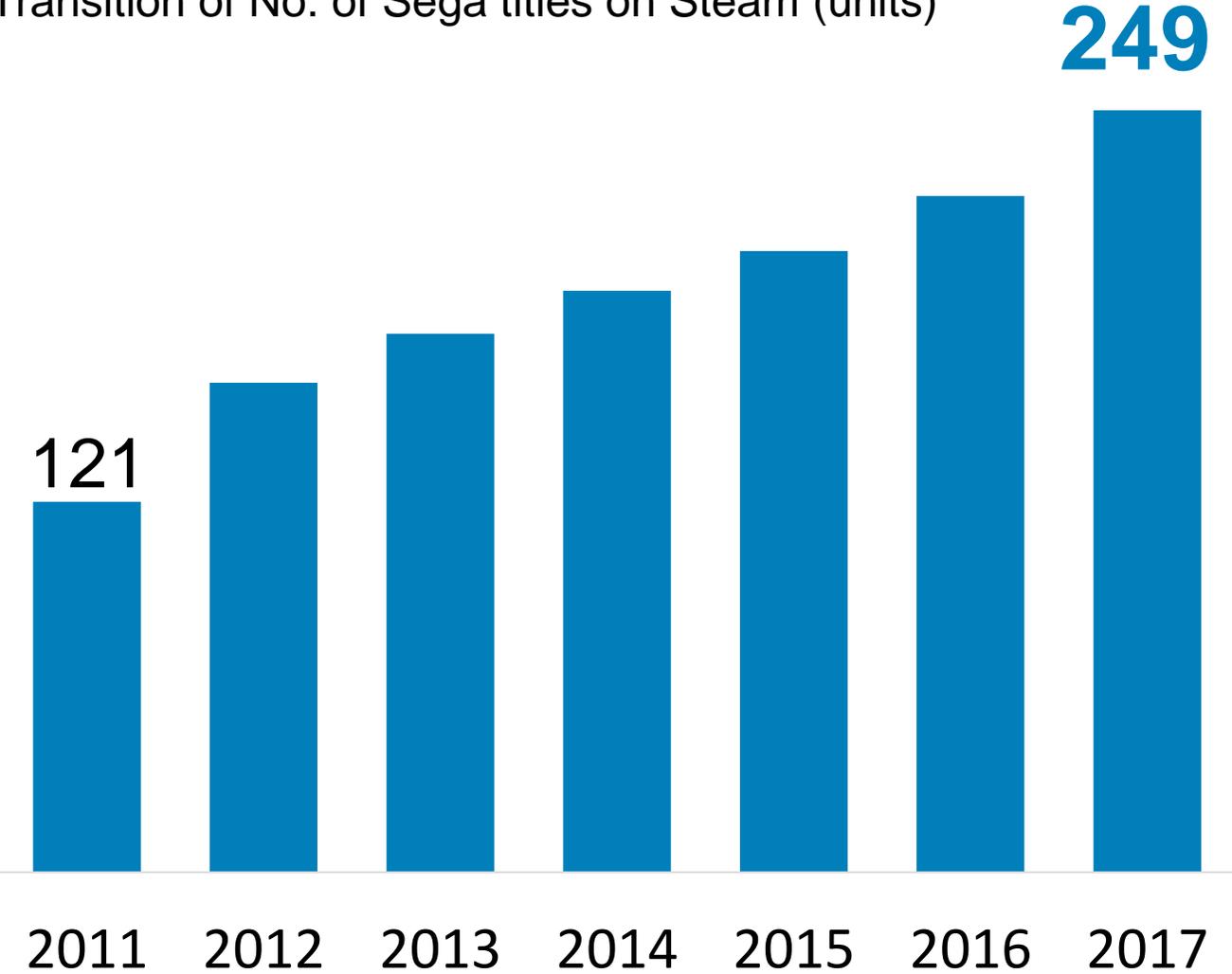
Rated more than 70.0 for average of all titles consecutively from 2014

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

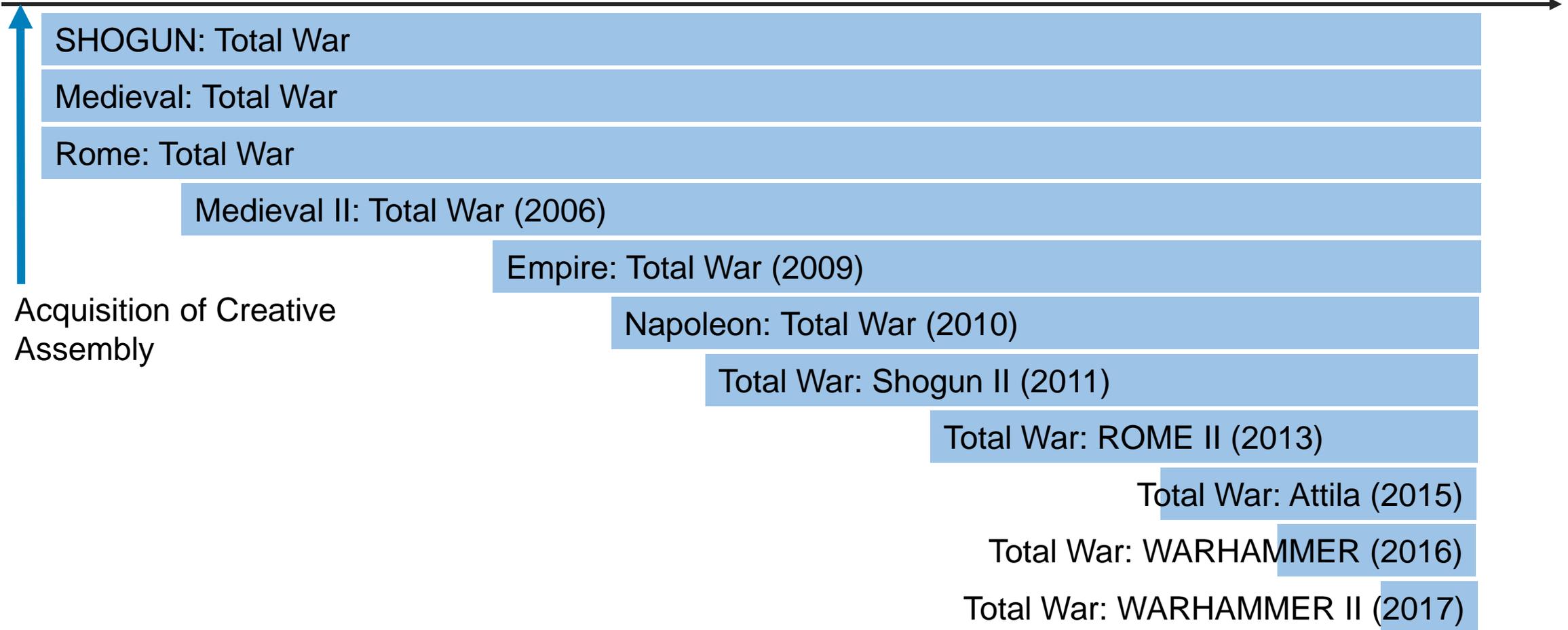
Distribution of old titles (Example)

Realize long tail sales with continuous distribution via Steam

Chronicle of Total War series sales

2005

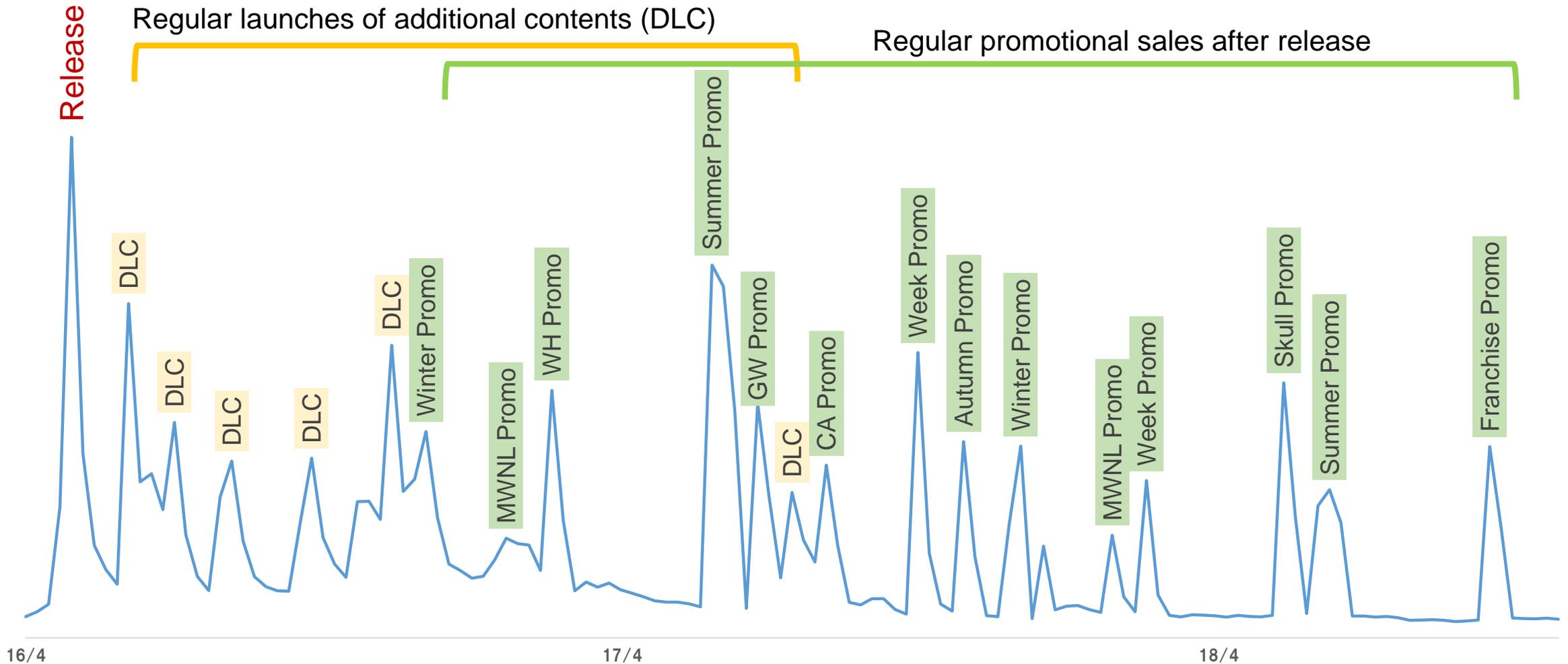
2018



Acquisition of Creative Assembly

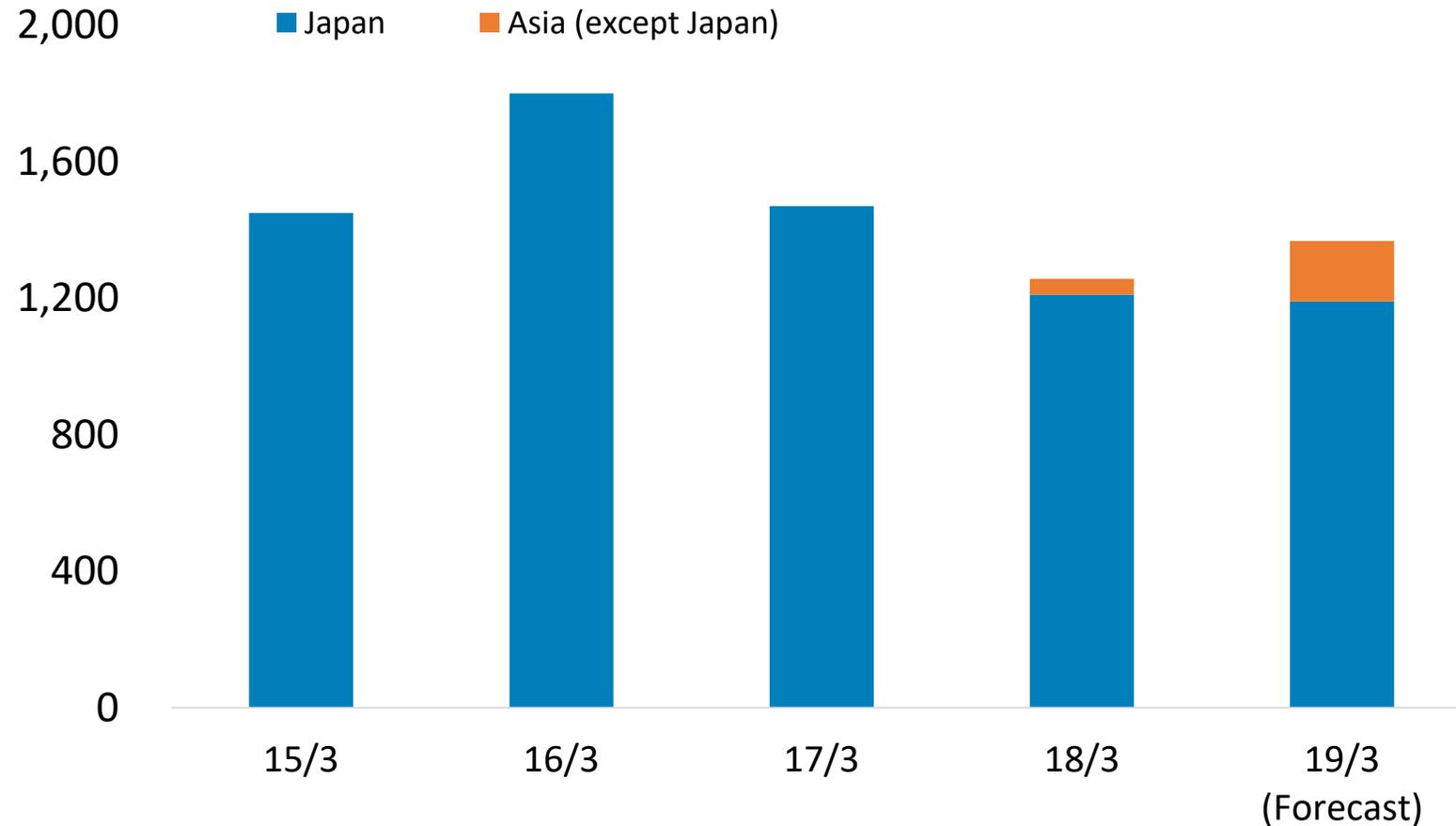
Strategy for raising profit from long term sales (example)

Transition of sales number of Total War: WARHAMMER in Steam



Sales of 3rd party titles and licensing in titles

(Thousands of units)



Support earnings with the sales of 3rd party titles

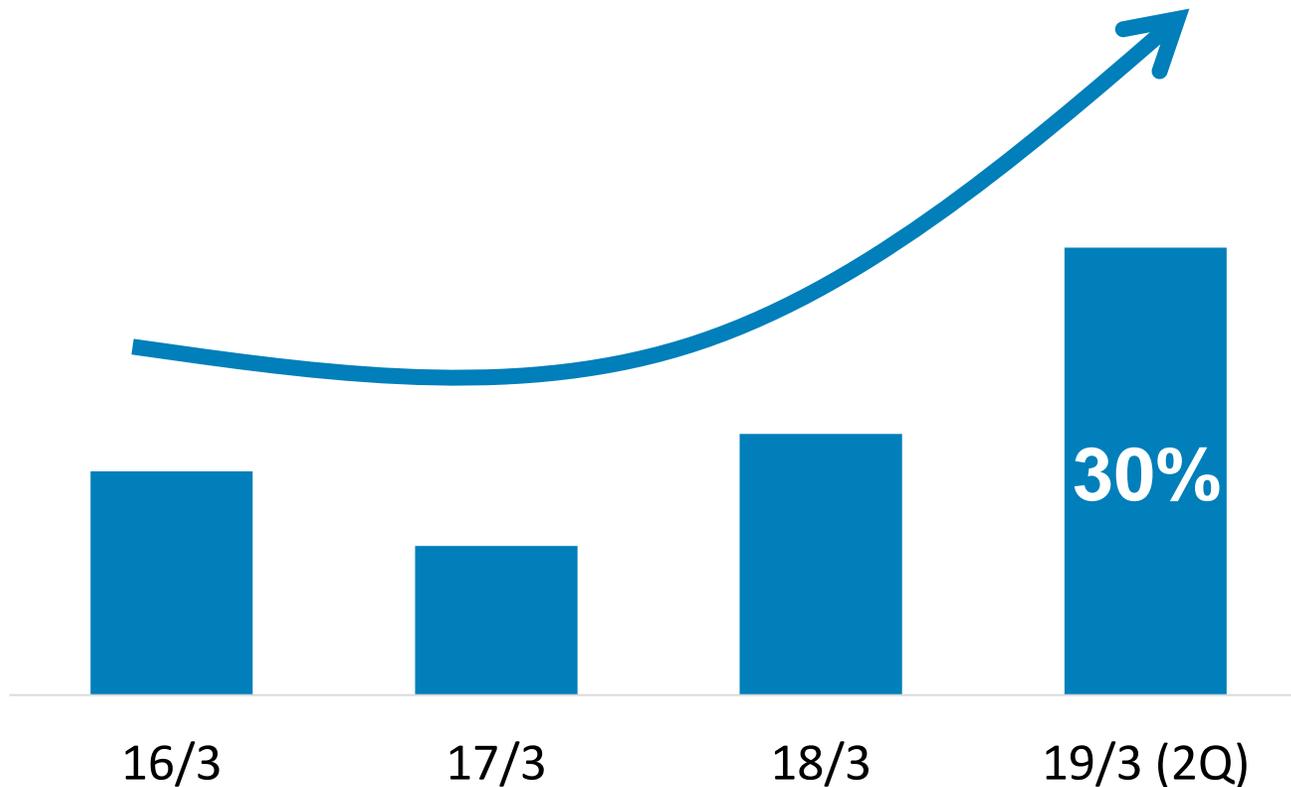
Commenced self-distribution in Asia from March 2017

※3rd 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

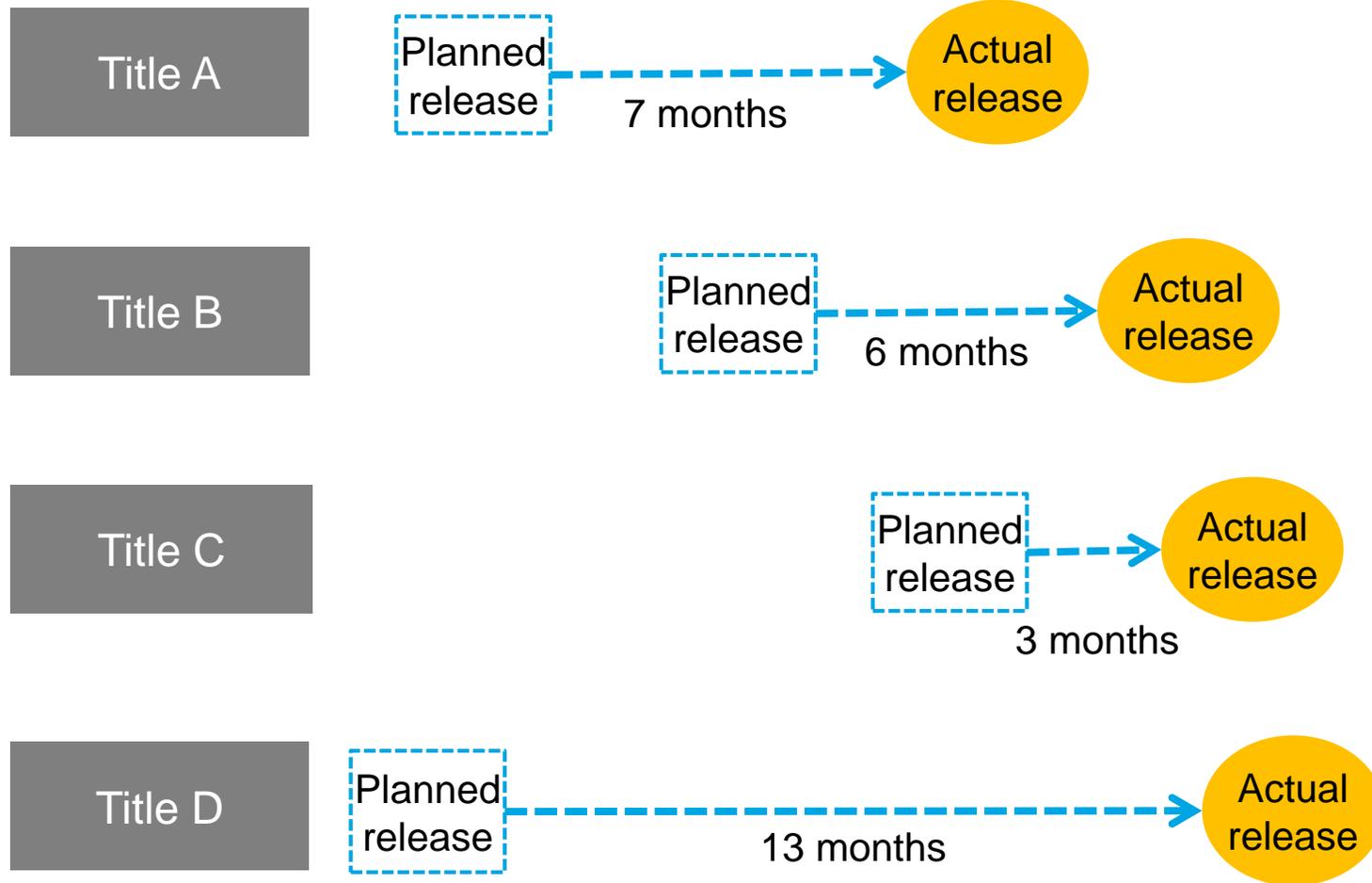
Present issues in Digital Games Area

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 st |
| Puyo puyo!! Quest | Apr, 2013 | 2 nd | 3 rd | 3 rd | 3 rd | | 2 | 2 | 3 rd | 3 rd | 3 rd |
| CHAIN CHRONICLE 3 | Jul, 2013 | | | | 2 | 3 rd | | | | | |
| Hortensia Saga | Apr, 2015 | 3 rd | 2 nd | 2 nd | | 2 nd | 3 rd | 3 rd | | | |
| SHIN MEGAMI TENSEI Liberation Dx2 | Jan, 2018 | — | — | — | — | — | — | — | 2 nd | | |
| SEGA Pocket Club Manager | Apr, 2018 | — | — | — | — | — | — | — | — | 2 nd | |
| BORDER BREAK | Aug, 2018 | — | — | — | — | — | — | — | — | — | 2 nd |
| ※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

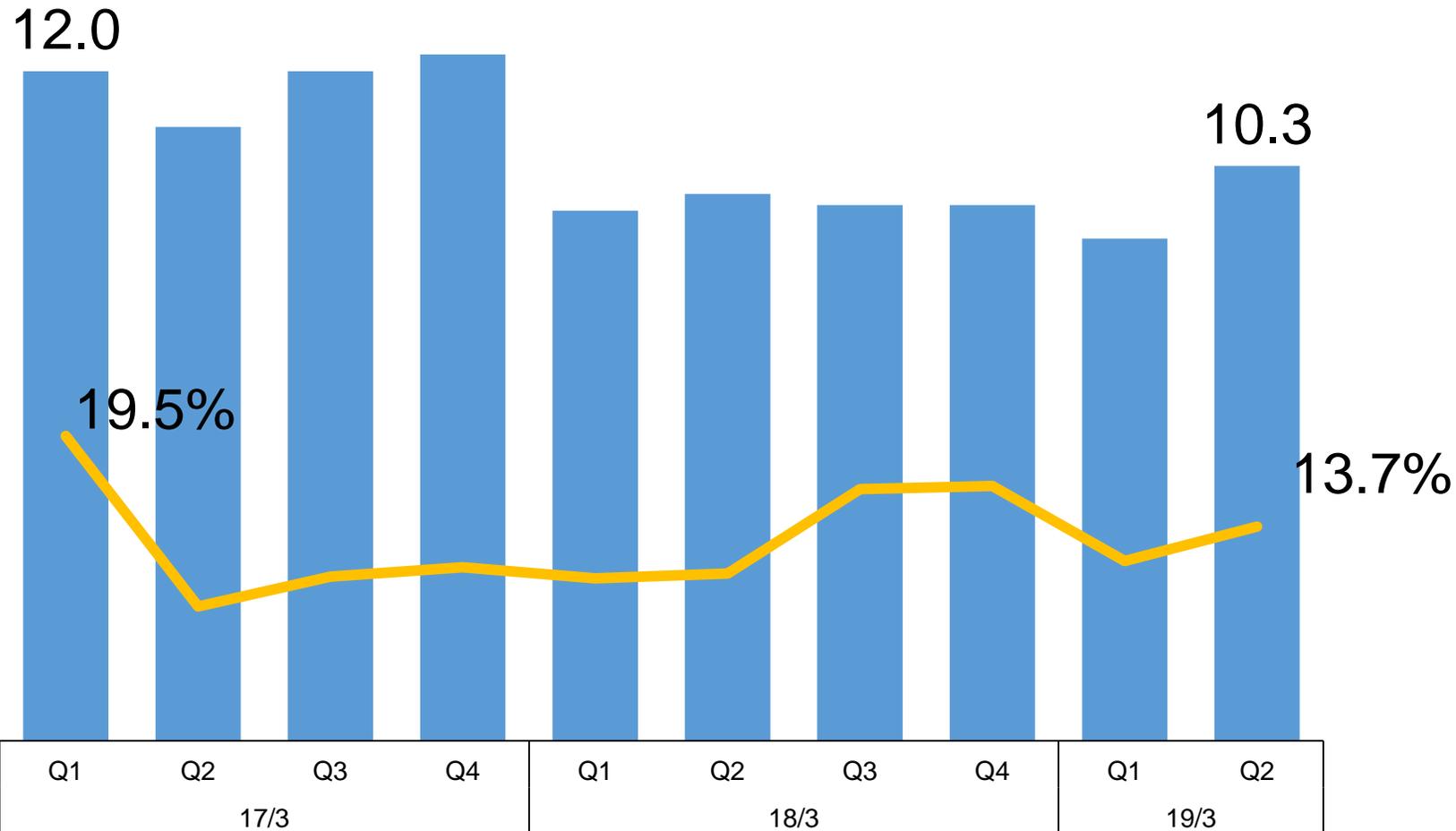


Launch of new titles
Tends to delay
chronically

Transition of overseas sales ratio (Digital Games)

— Sales (Billions Yen)

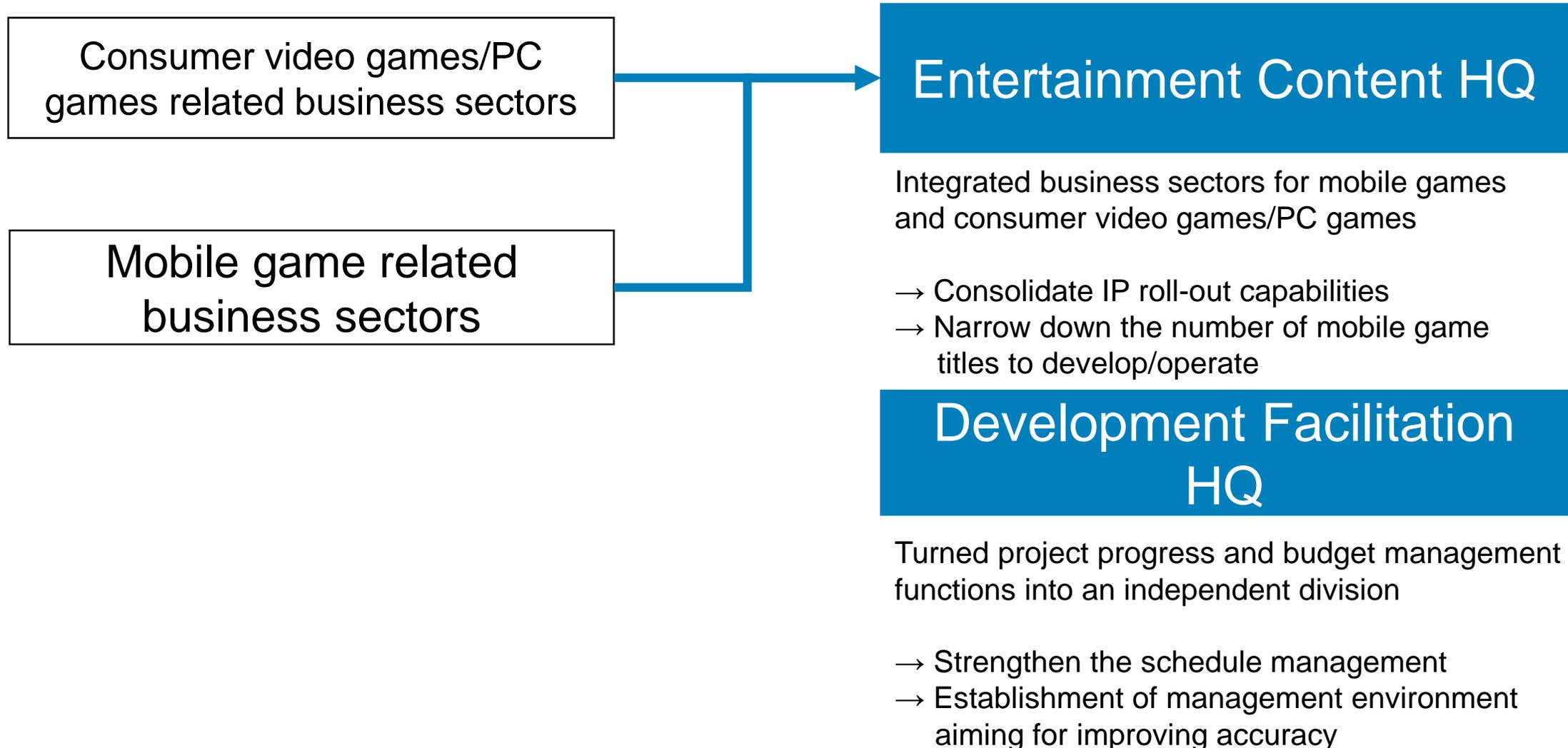
— Composition ratio of overseas sales



Overseas sales transitions at low level

Reorganization of SEGA Games (Summary)

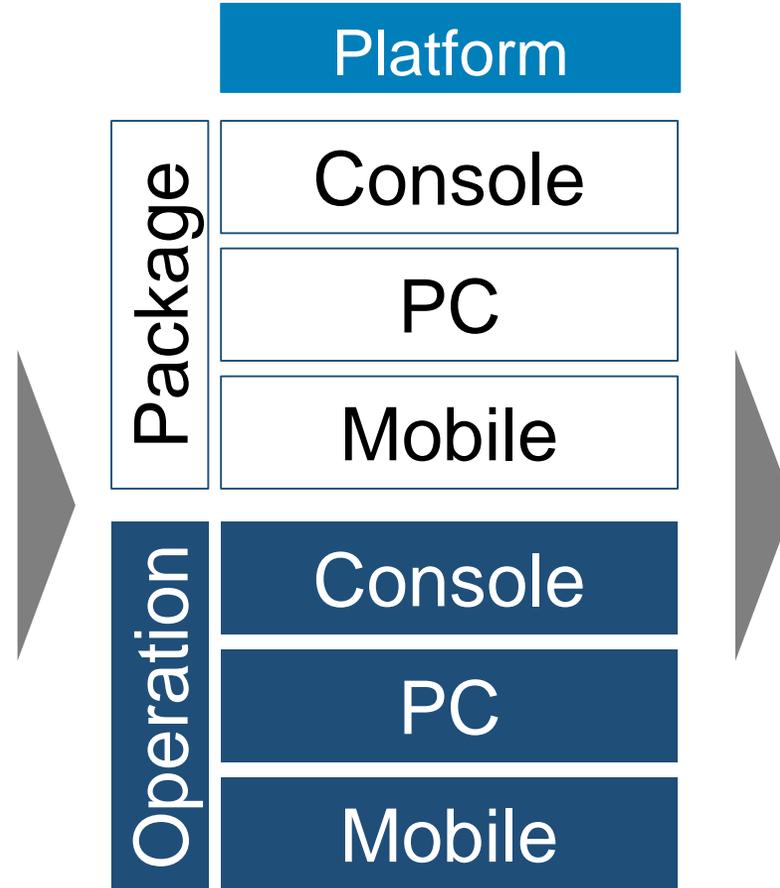
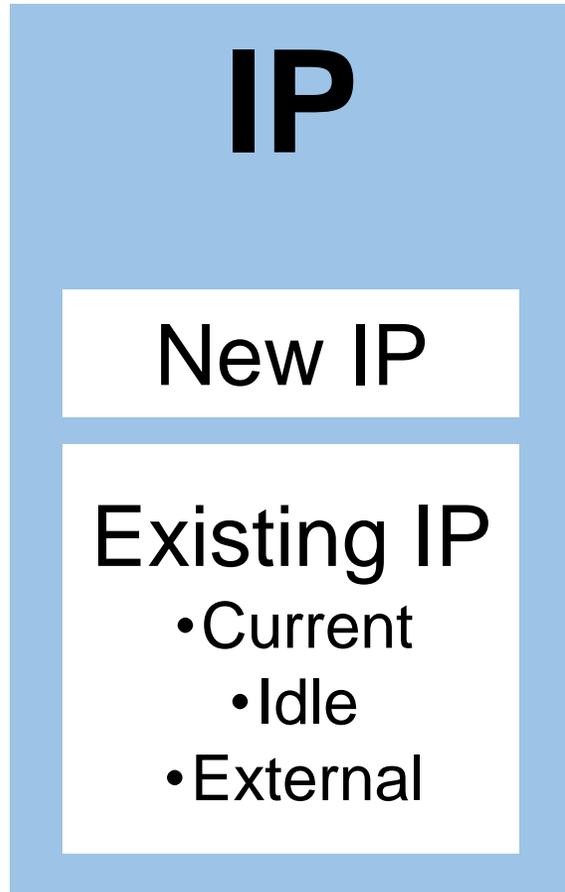
Fundamental reorganization



Progress IP-centric strategy

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

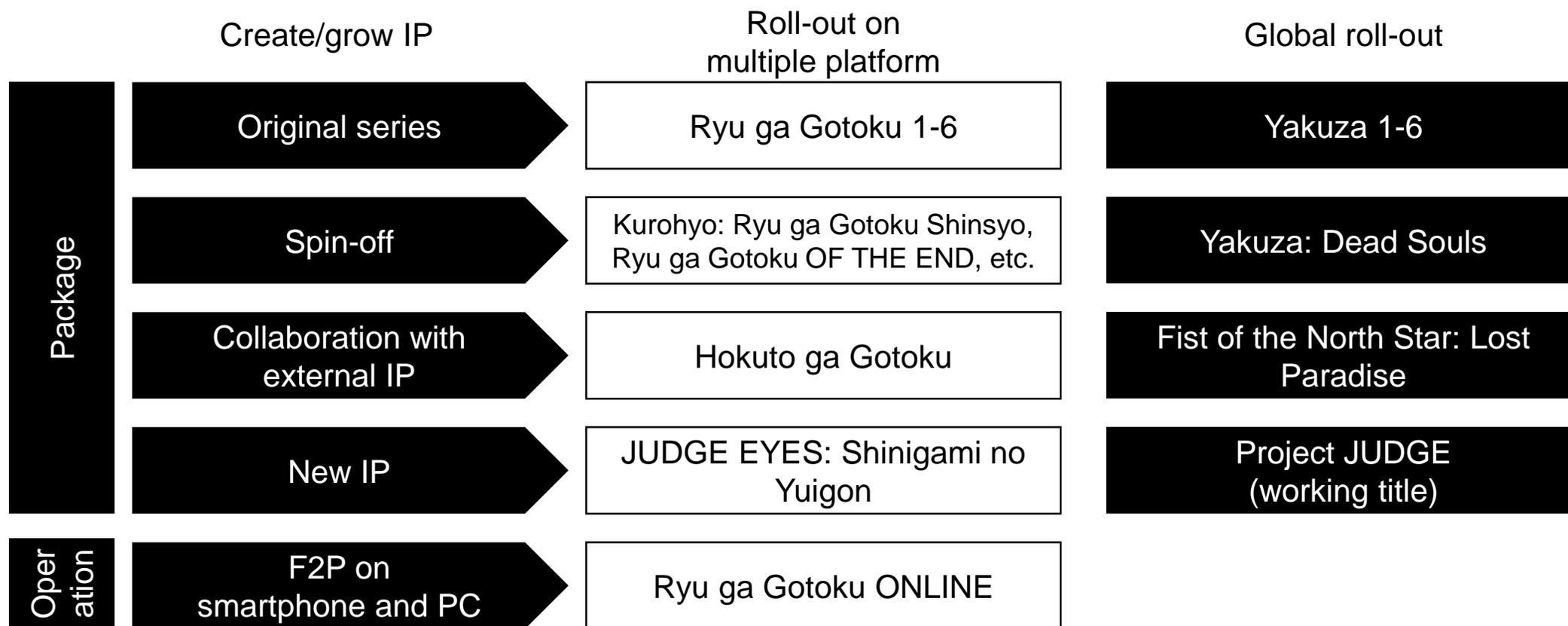
Global roll-out



| Japan | Asia | Americas | EMEA |
|-------|------|----------|------|
| | | | |
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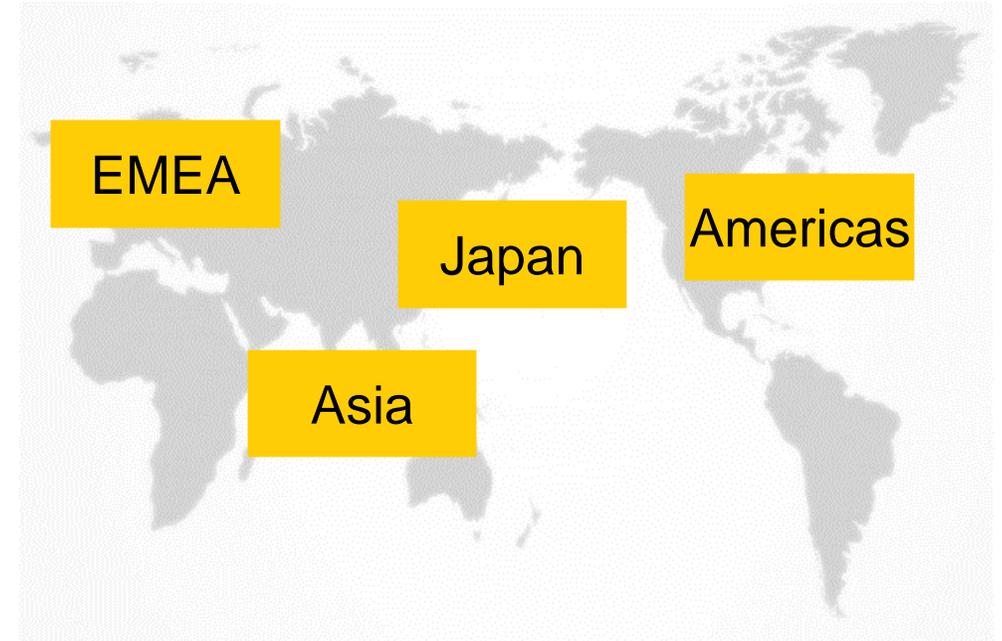
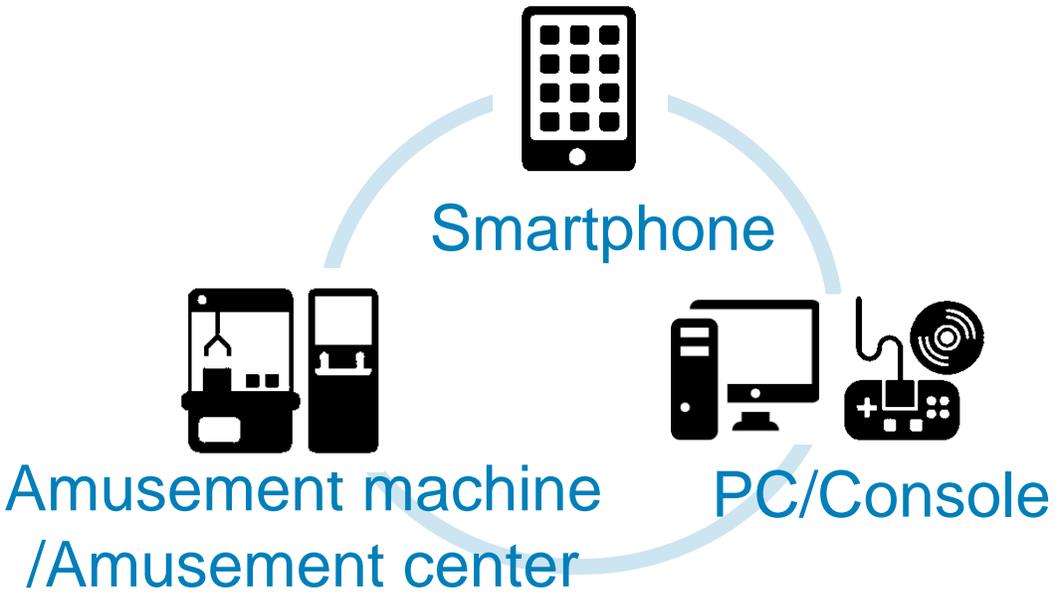
神室町天下一通り

Example: Titles from Ryu ga Gotoku studio



※ 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

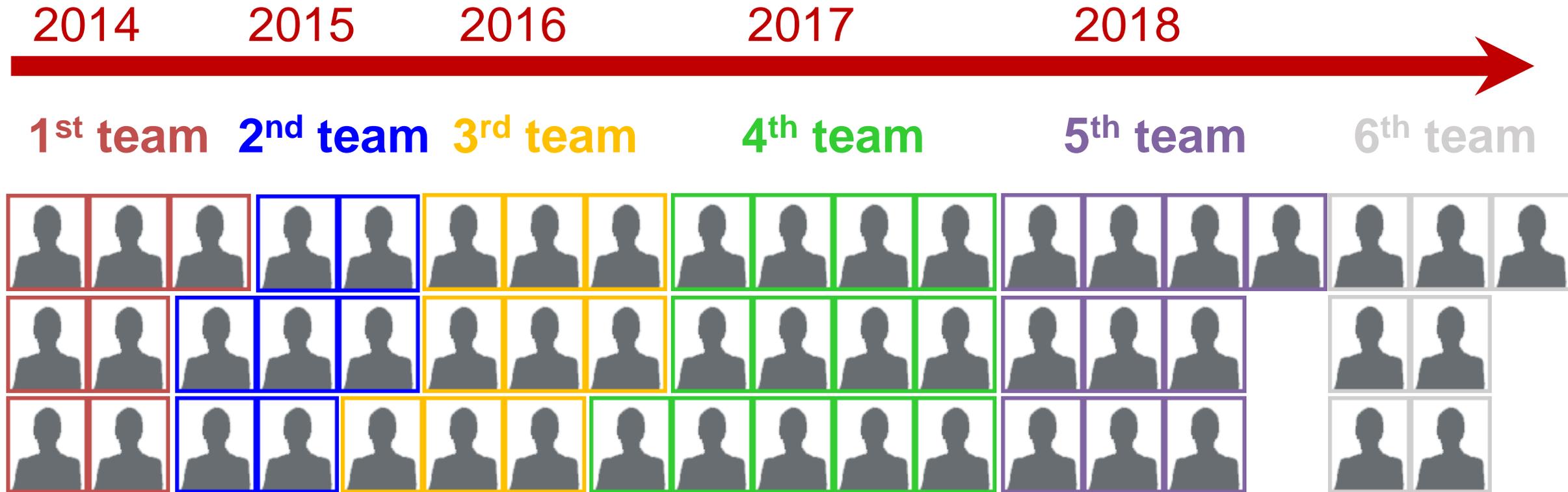
Resort Business



**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

Renewal of
Logo

A large, bold version of the SEGA Sammy logo. The text "SEGA" is in a very thick, black, sans-serif font, and "Sammy" is in a slightly thinner, black, sans-serif font. Below the text is a horizontal bar that is blue on the left and green on the right.

Reorganization

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

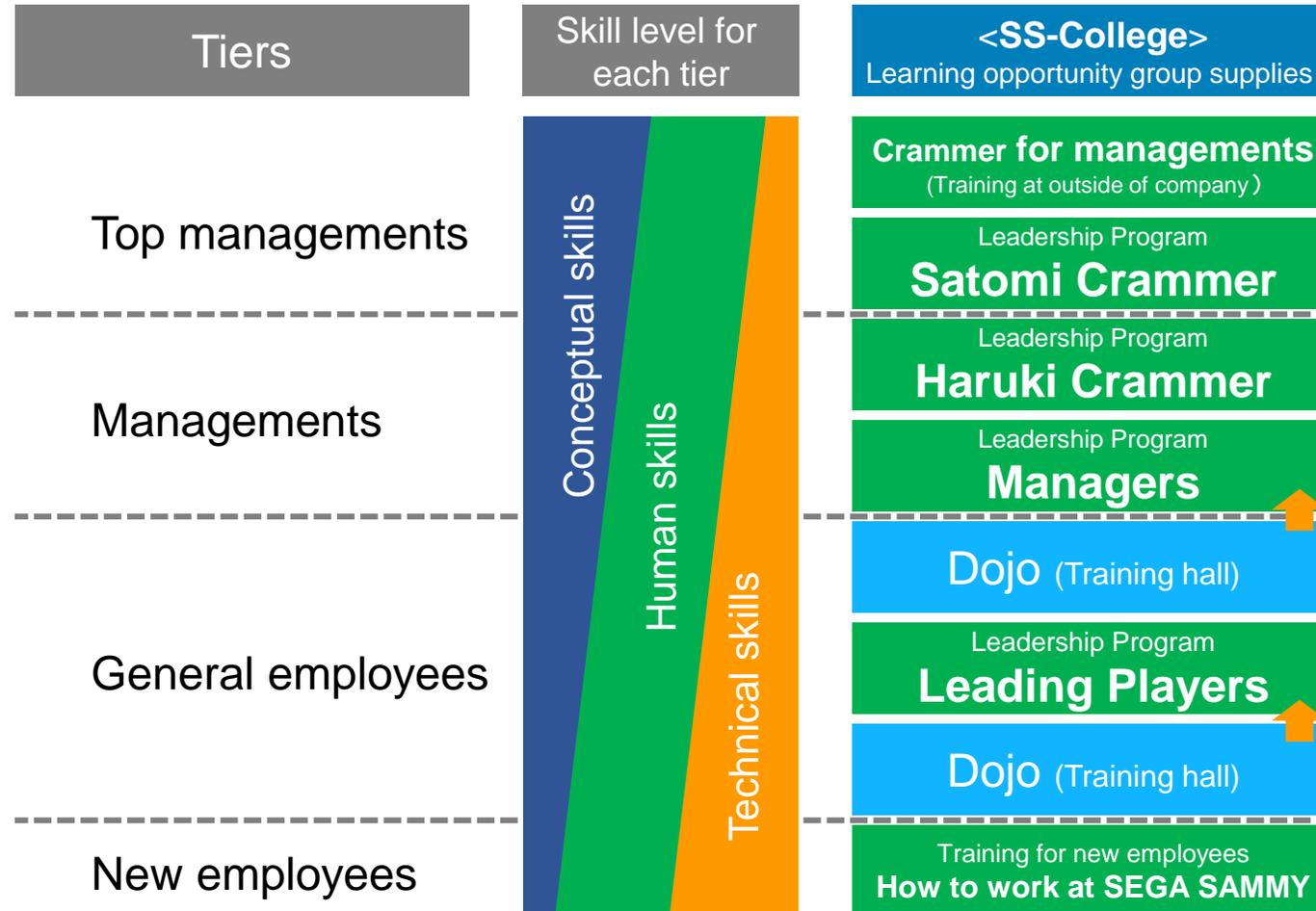


Nursery

“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



Consolidation of office

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

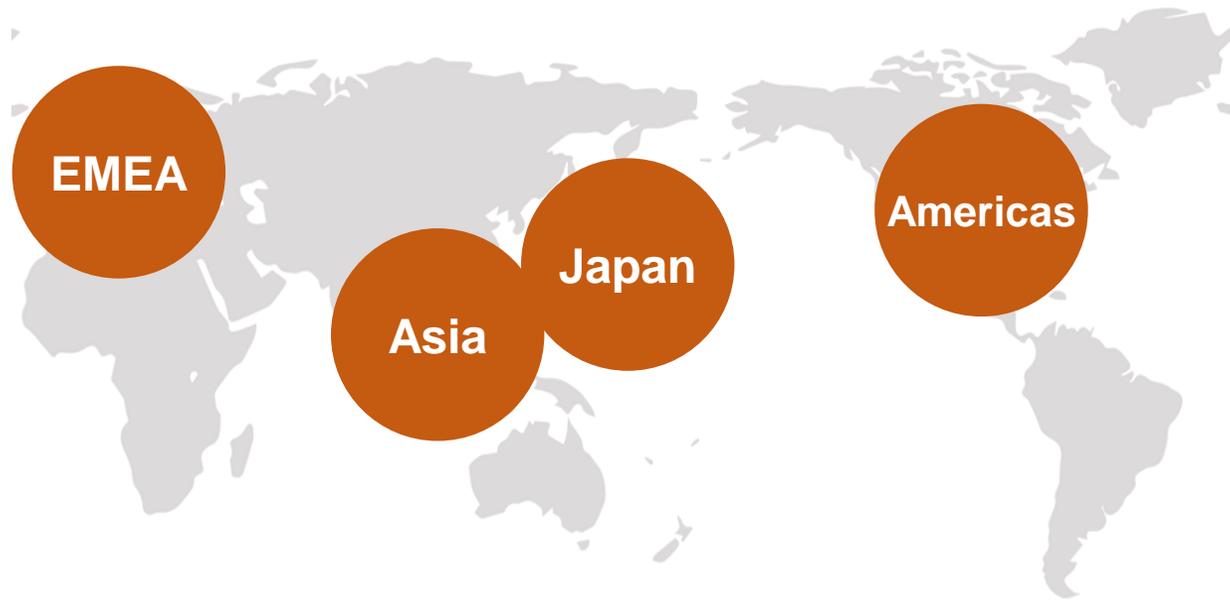


Create a “SEGA SAMMY Group culture”



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

SEGASammy X



TUNNEL TOKYO
A PLACE FOR GAME CHANGERS

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/>

[Disclaimer]

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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