

SEGA SAMMY Management Meeting 2023

Dec. 12 and 13, 2023

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Day 1

Dec. 12, 2023

Presentation

Speaker

- Overview of the Group
- Overview of Entertainment Contents Business
- Growth Strategy for the Consumer Area
- Q&A

Haruki Satomi

Yukio Sugino

Shuji Utsumi



Day 2

Dec. 13, 2023

- Overview of Pachislot and Pachinko Machines Business
- Growth Strategy for Pachislot and Pachinko Machines Business
- Q&A

Haruki Satomi
Ayumu Hoshino

- Financial Strategy, Investment in Growth
- Q&A

Koichi Fukazawa

Day 2

Dec. 13, 2023

Overview of Pachislot and Pachinko Machines Business

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

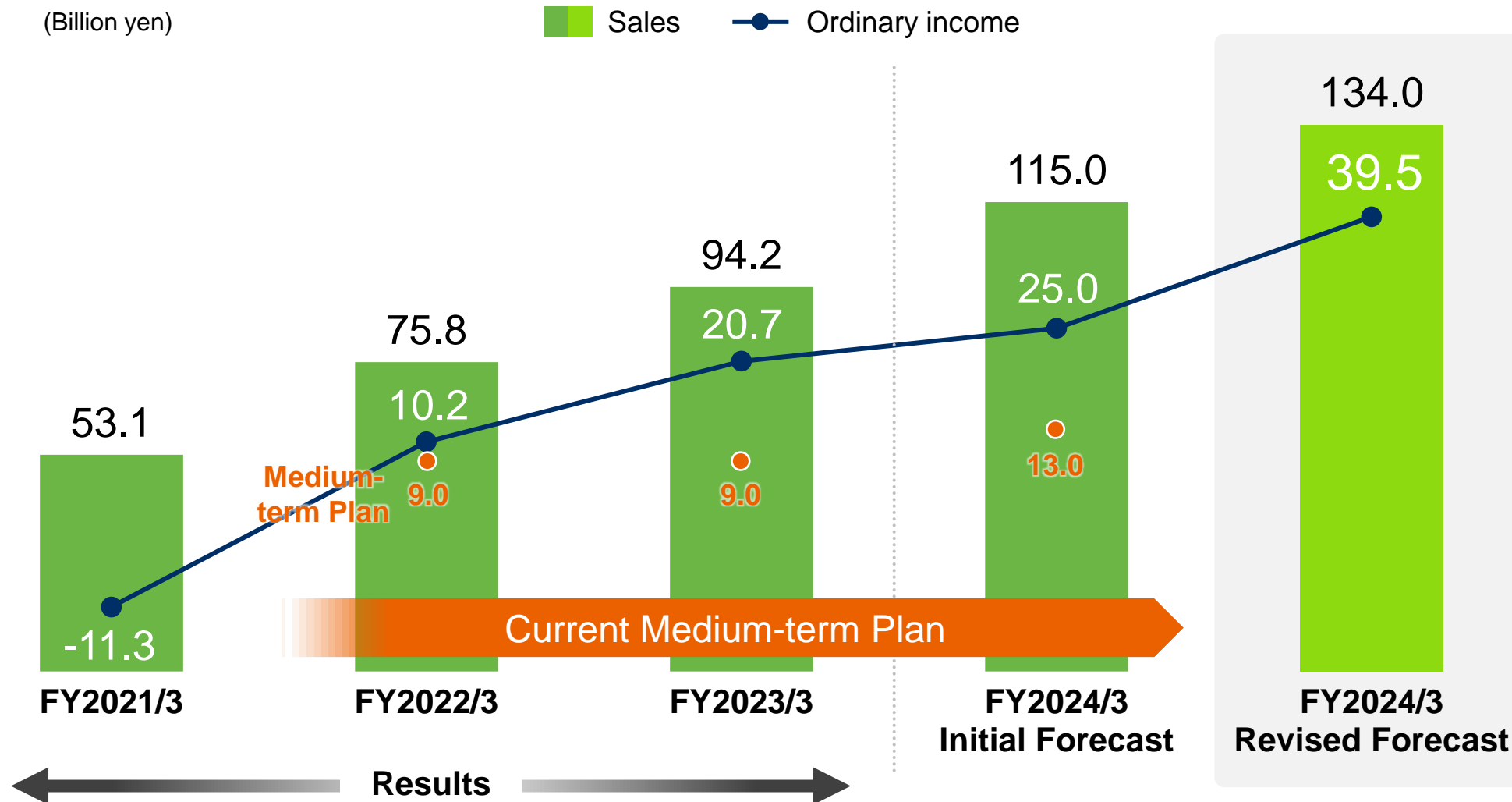
President and CEO, Representative Director of Sammy Corporation

Haruki Satomi

Senior Executive Vice President and COO of Sammy Corporation

Ayumu Hoshino

Earnings are in improving trend



Hit titles in Pachislot (No. 6.5 Model and Smart Pachislot) drives our performance



Pachislot Kabaneri of the Iron Fortress

©Kabaneri Committee ©Sammy



Smart Pachislot Hokuto no Ken

©Buronson & Tetsuo Hara / COAMIX 1983,
©COAMIX 2007 Approved No.YRA-114
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Pachislot Kabaneri of the Iron Fortress

Installation
Jul. 2022

- No. 6.5 model
- Cumulative installed units: Over 50 thousand
(As of end of Nov. 2023)
- Contributed weeks in utilization*: 74 weeks (still contributing)

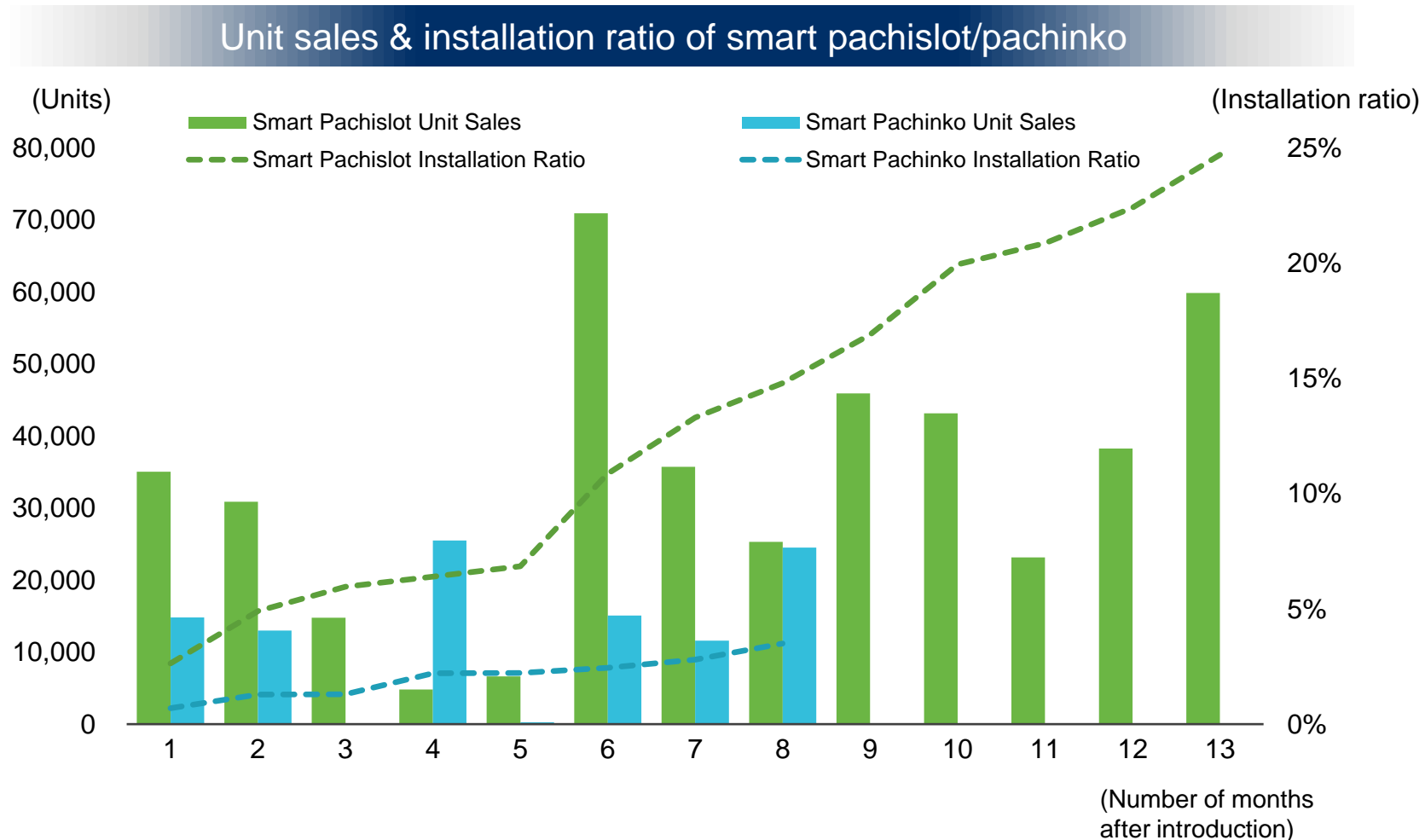
Smart Pachislot Hokuto no Ken

Installation
Apr. 2023

- Smart Pachislot
- Cumulative installed units: Over 80 thousand
(As of end of Nov. 2023)
- Contributed weeks in utilization: 35 weeks (still contributing)

Market Trends: Penetration of Smart Machines

While smart pachislot is becoming more widespread, smart pachinko is still weak



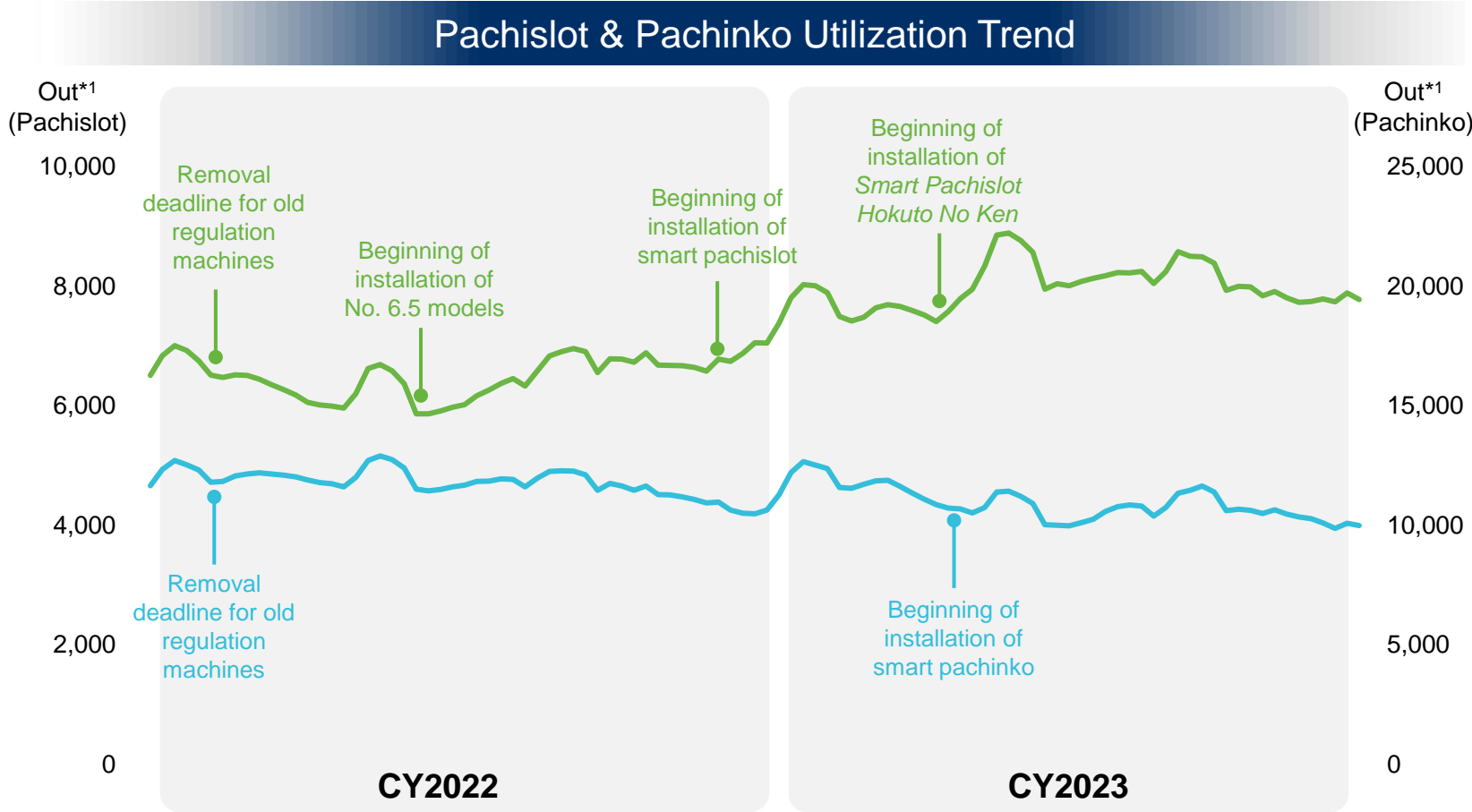
The penetration of smart pachinko has been weak, but the appearance of hit title is expected to increase momentum for its installation

*Results for Smart Pachislot is from Nov. 2022 to Nov. 2023; Smart Pachinko is from Apr. to Nov. 2023

*Installation ratio in the whole market (as of the end of each month)

*In-house estimation

Utilization level of pachislot recovered partly due to contributions of smart pachislot



Pachislot

Utilization level is recovering due to the appearance of high-profile models centered on smart pachislot, including Smart Pachislot Hokuto No Ken

Pachinko

Although utilization level has remained sluggish, hit title is appearing in smart pachislot recently

Our Policies for FY2025/3:

Pachislot: Shift to lineup centered on smart pachislot

Pachinko: Launch smart pachinko using mainstay IP

*1 Out = Used as an indicator to represent utilization of pachislot and pachinko machines (Pachislot: Average number of inserted medals in a day for each title, Pachinko: Average number of shot balls in a day for each title). When Daikoku Denki Co., Ltd convert Out to time of utilization, each of them are converted by Pachislot: 1hour = 2,000 medals, Pachinko: 1 hour = 5,000 balls.

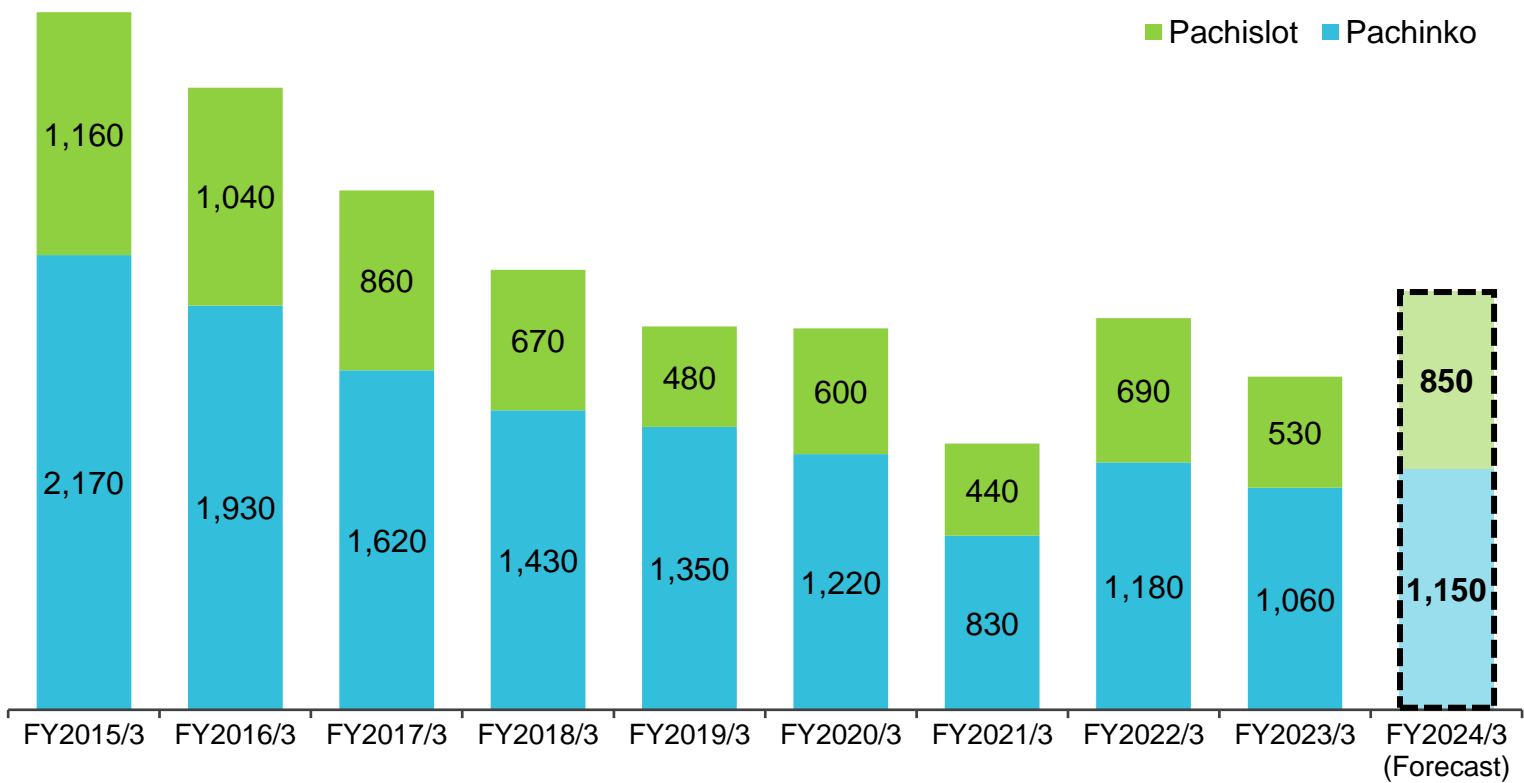
*4 weeks moving average

*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

Unit sales in the market are expected to recover

Unit sales trend

(Thousand units)



Apr. – Nov., 2023 Results

- Pachislot: Approx. 540 thousand units
- Pachinko: Approx. 610 thousand units

Forecast for FY2025/3 and beyond

(Potential positive factor)

- Increase in demand for smart machine due to the appearance of hit titles

(Concerned factor)

- Decrease in investment capacity of pachinko halls due to introduction of peripheral equipment, etc.

Day 2

Dec. 13, 2023

Growth Strategy for Pachislot and Pachinko Machines Business

Senior Executive Vice President and COO of Sammy Corporation

Ayumu Hoshino

**Winning a “Triple Crown”
- Top Share in Utilization,
Installation, and Sales**

**Building a Stable
Earnings Structure**



FY2024/3

**No. 1 in “total utilization”
of pachislot and pachinko**

Creation of Hits

Maintain stable earning

**Improvement of
Business Efficiency**

1

Review of product lineup

- Optimization of the product lineup (centered on series machines)
- Careful selection and narrowing-down of new IPs
- Revivals of past IPs

2

Increase the profitability of hits

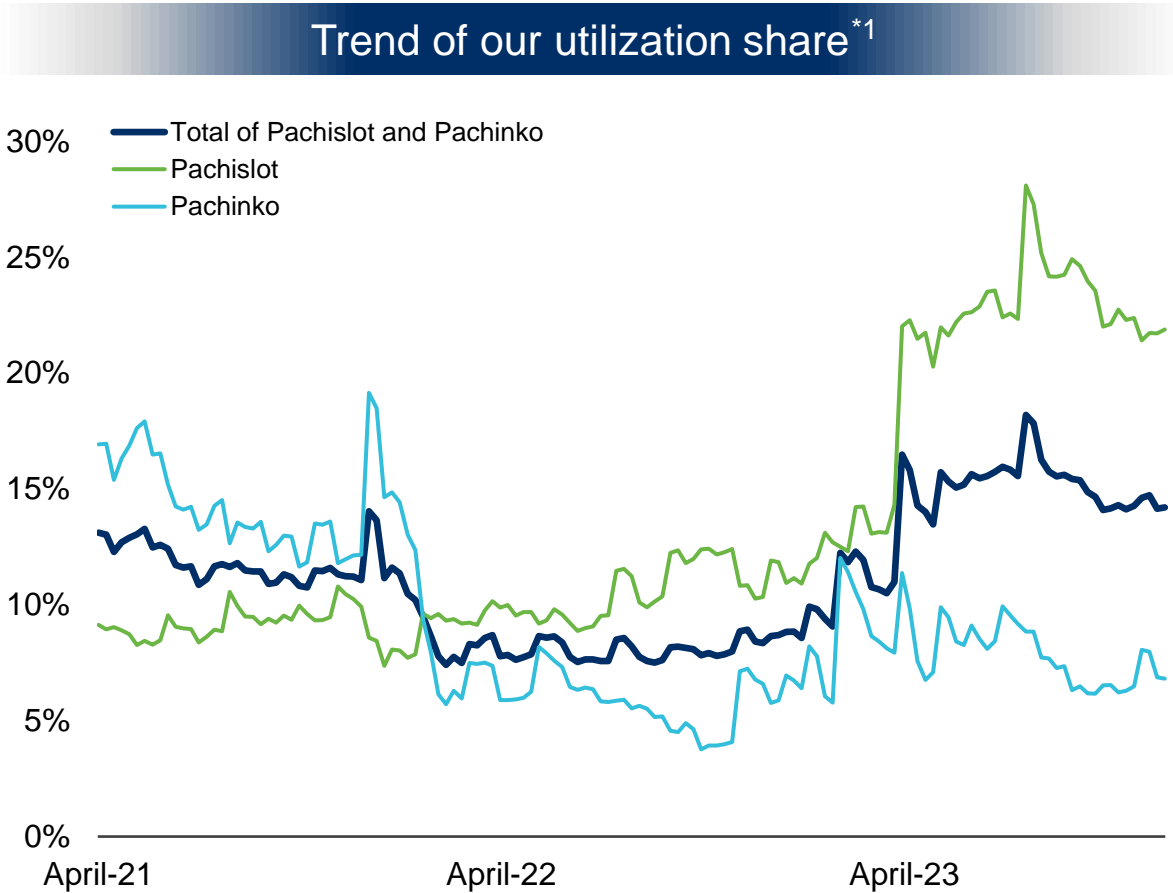
- Manufacturing from a user-centric perspective
- Deeper user analysis by attribute

3

Strengthening media functions

- Expanding user communication through digital media

Our total utilization share is increasing, driven by pachislot



Total utilization share ranking					
FY2021/3 ^{*2}			FY2024/3 ^{*3}		
1	Company S	19%	1	Company S	21%
2	Company K	17%	2	Sammy	15%
3	Sammy	13%	3	Company K	15%
4	Company U	12%	4	Company S	13%

^{*1}: Utilization share = Ratio of Sammy machine's utilization out of total number of installed machine for each title × utilization of each title (Pachislot: Numbers of inserted medals, Pachinko: Numbers of shot balls)
^{*2}: Calculated by average of the fiscal year (Excluded the week striding over fiscal years)
^{*3}: Calculated by average from Apr. 2023 to beginning of Dec. 2023 (Excluded the week striding over fiscal years)
^{*}In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

Aim to create a hit title with new IP that follows *Pachislot Kabaneri of the Iron Fortress*



Pachislot Kabaneri of the Iron Fortress

©Kabaneri Committee ©Sammy

Pachislot Kabaneri of the Iron Fortress

Installation
Jul. 2022

- Initial installation: over 10 thousand
→ Cumulative installed units: over 50 thousand
(Implemented 3 times of additional sales)
- Won the first place in Pachislot category* with “P-WORLD Pachinko & Pachislot Award 2022”
- Make the most use of regulatory revision of No. 6.5 models

Carefully select the IPs to acquire in terms of whether it is suitable for making pachislot or pachinko machines and try to make them into our mainstay series

Creation of Hits: Revivals of Past IPs (Pachislot)



Revival of past IPs are gaining strong sales and utilization
There are still many IPs that are possible for revival



*Contributed weeks in utilization is in-house estimation

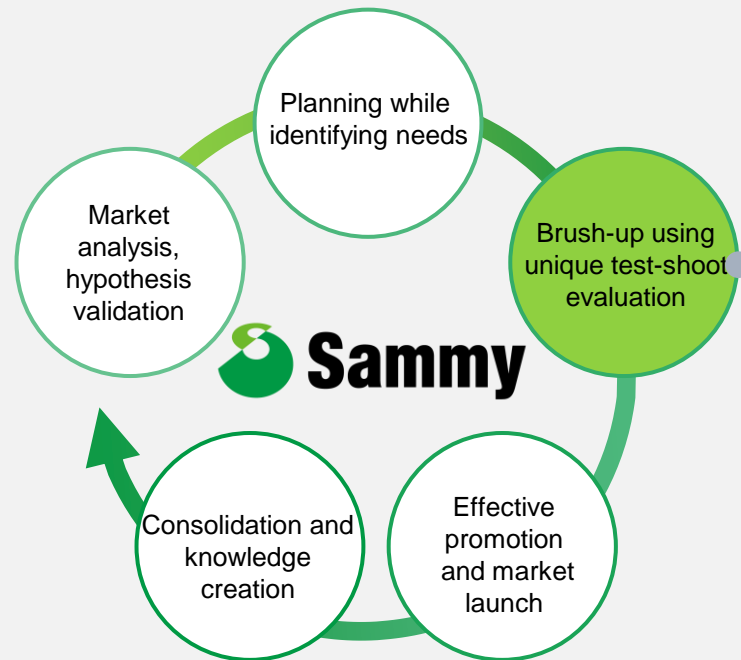
Launched machines that have been supported by users in pachinko as well



*Contributed weeks in utilization is in-house estimation

Conducted a review of internal development processes

- User-oriented development process
- Brush-up through highly unique test-shoot evaluation



- Large-scale test-shoot evaluation system with 100 people scale
- Preparation of mock hall environment
- Combination of detailed attribute data and product evaluation

Reliable and useful test-shoot evaluation

Creation of hits

1

Improvement of development efficiency

- Use common visual images for pachislot and pachinko
- Rationalization of video production
- Expansion of derivative titles, such as spec change titles

2

Cost reduction

- Promote introduction of standardized parts between pachislot and pachinko
- Hold down excess inventory by optimizing first-lot production
(medium to long-term target: zero excess inventory)

3

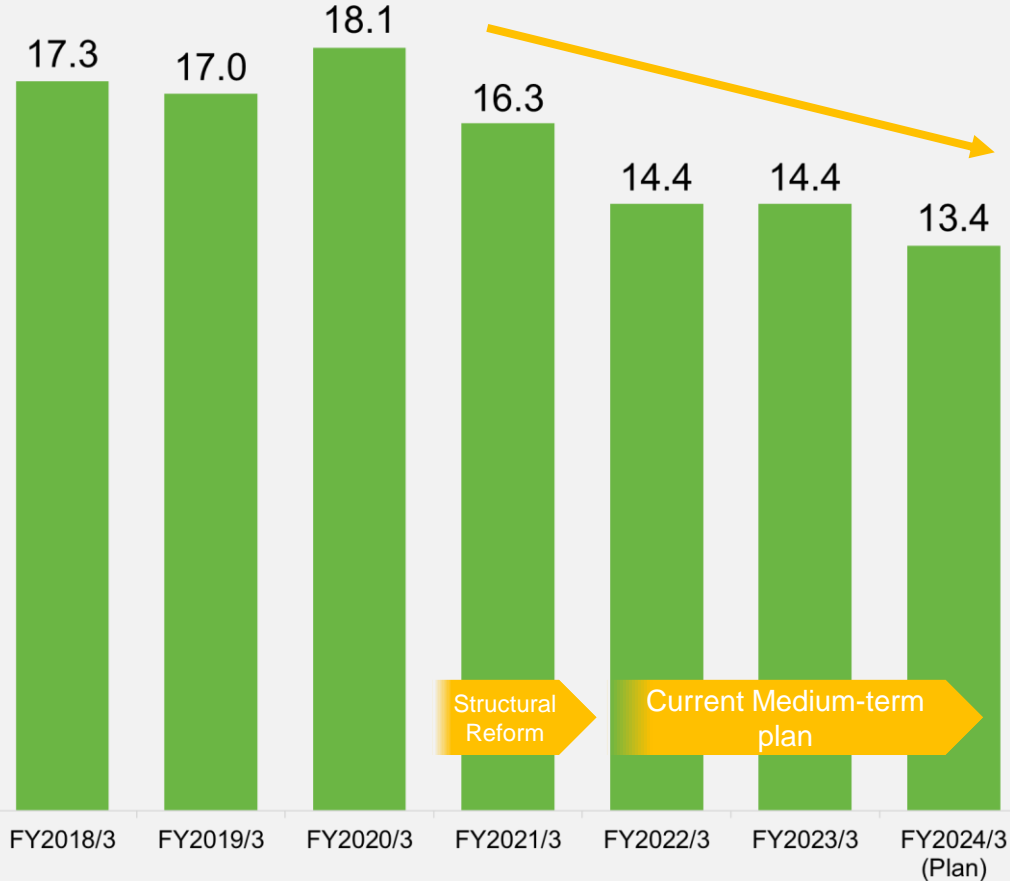
Promotion of e-commerce

- Transition to e-commerce sale in pachinko following pachislot

R&D expenses is reducing due to various initiatives

Trend of R&D and content production expenses

(Billion yen)



► Use of common visual image

- Reuse of visual materials between Pachislot and Pachinko of the same IP (Develop on the premise of common use even from the initial phase)
- Reuse of CG animation (e.g., *Hokuto No Ken* series)

► Rationalization of video production

- Optimize the number of newly drawn cuts
- Utilize past video assets and animation movie materials

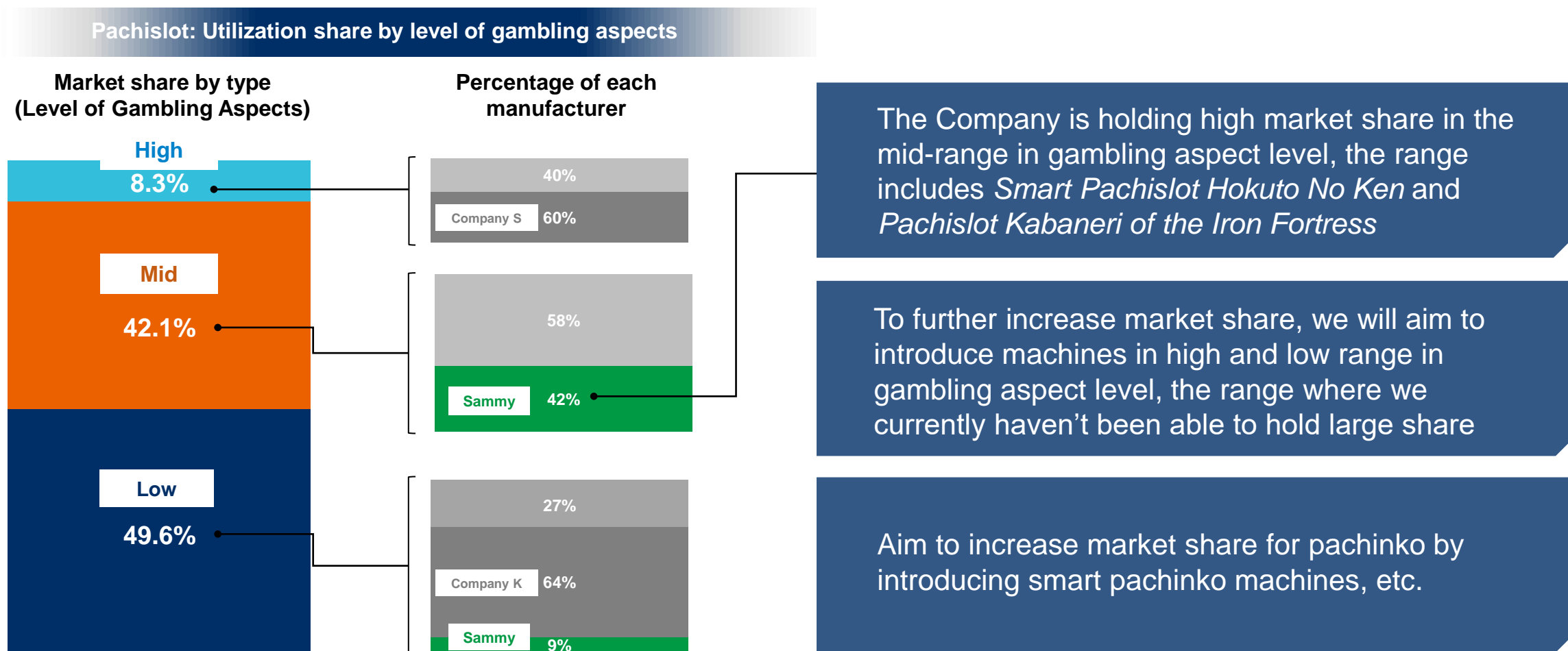
► Expansion of derivative titles and utilization of past IPs

► Other measures

- Divert the mechanism of machine gimmicks
- Streamline the debugging process

Future strategy: Developing a lineup for all directions

Aiming to further increase market share by expanding product portfolio



*Calculation based on utilization data for the week of Nov. 27 – Dec. 3, 2023

*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

Proceed with various considerations toward vitalization of the industry

► Our initiatives

- Offering of attractive products and implementation of promotion targeting for user expansion
- Initiatives aiming for cost reduction in both manufacturers and pachinko halls

Measures to support utilization in year-end and New Year

Implementation of TV commercials



*Image is for illustrative purposes only

Digital advertising

- Youtube
- X (Formerly Twitter)

Physical advertising

- Signage advertisement
- Advertisement at large electronics store, etc.

Ongoing post-sales promotion to support utilization

Roll-out promotion on the three main promotional methods that were highly effective in *Smart Pachislot Hokuto No Ken*

Take measures based on TV, digital and physical promotion to boost year-end and New Year utilization

Proceed with various considerations toward vitalization of the industry

► Initiatives of manufactures' association

- Hold discussion to improve pachislot and pachinko industry's efficiency and user convenience
- ⇒ Some of them are already close to the realization

Potential for
improvement in
efficiency and
convenience

(Benefits by each player)

*Under discussion

Digitization of various documents
and operations

Manufacturer

Hall

Diversification of pachinko hall
layouts

Hall

Electronic payment support

Hall

User

Bluetooth Earphones connection

User

Communication between pachislot
and pachinko machines

Manufacturer

User

Machines that can download and replace
software

Manufacturer

Hall

User

Day 2

Dec. 13, 2023

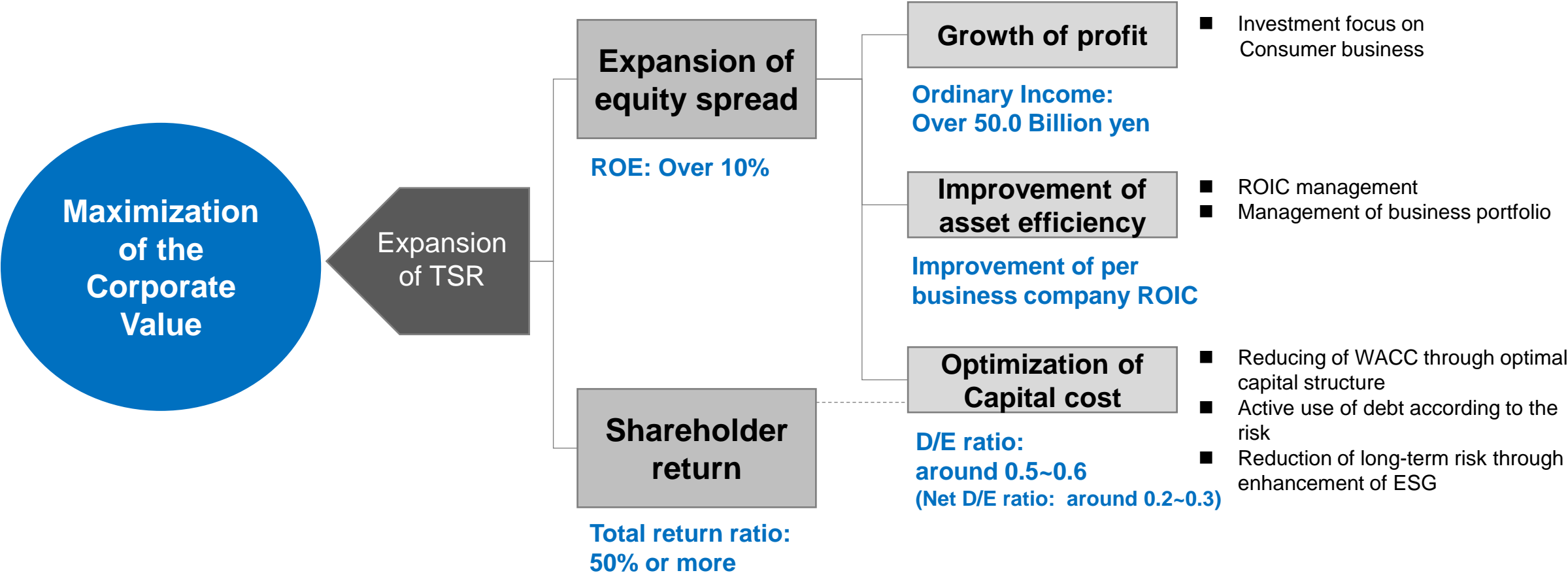
Financial Strategy, Investment in Growth

SEGA SAMMY HOLDINGS INC.

Senior Executive Vice President and Group CFO

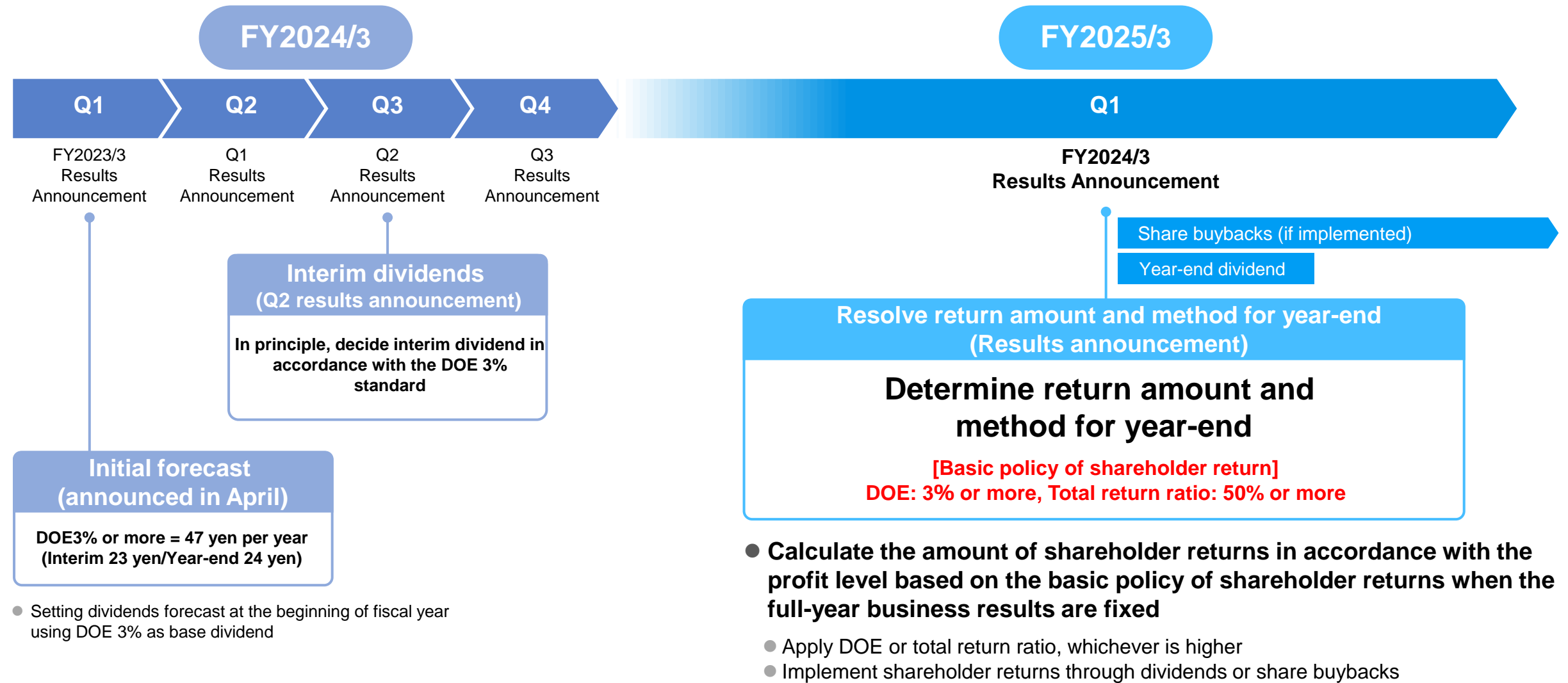
Koichi Fukazawa

Shift to the management focusing on capital efficiency



Shareholder Returns

(Process of Determining the Amount of Return and Methods)

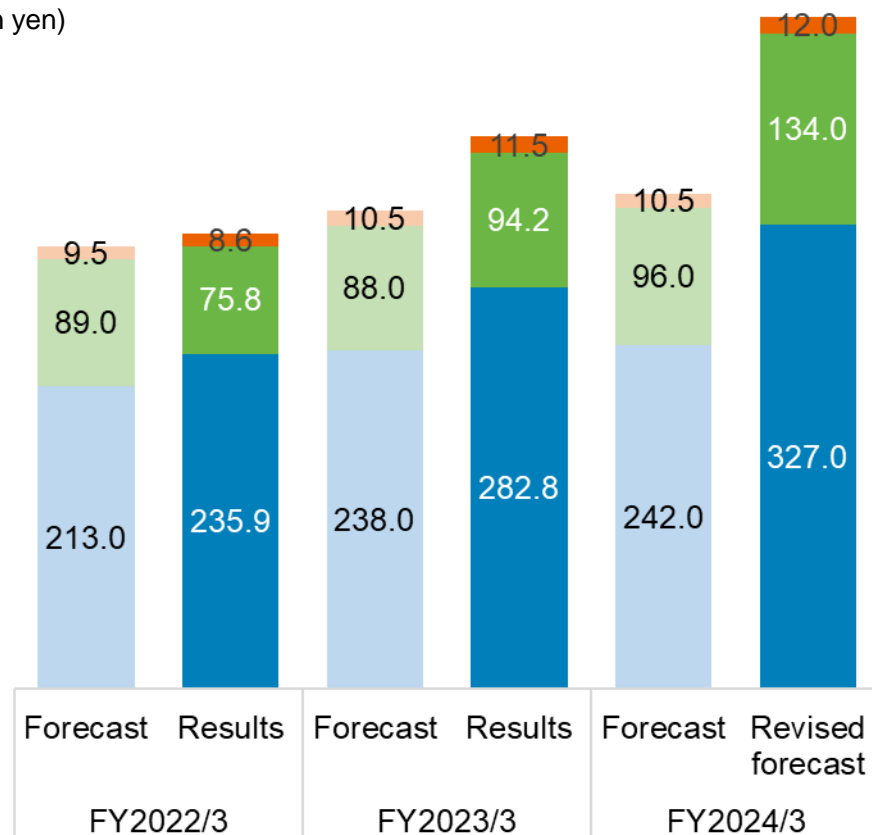


Comparison of Medium-term Plan and Results

Achieved medium-term plan target ahead of schedule, backed by growth in the Consumer area
On the other hand, “Turnaround of Europe” emerged as the urgent task for the Consumer area

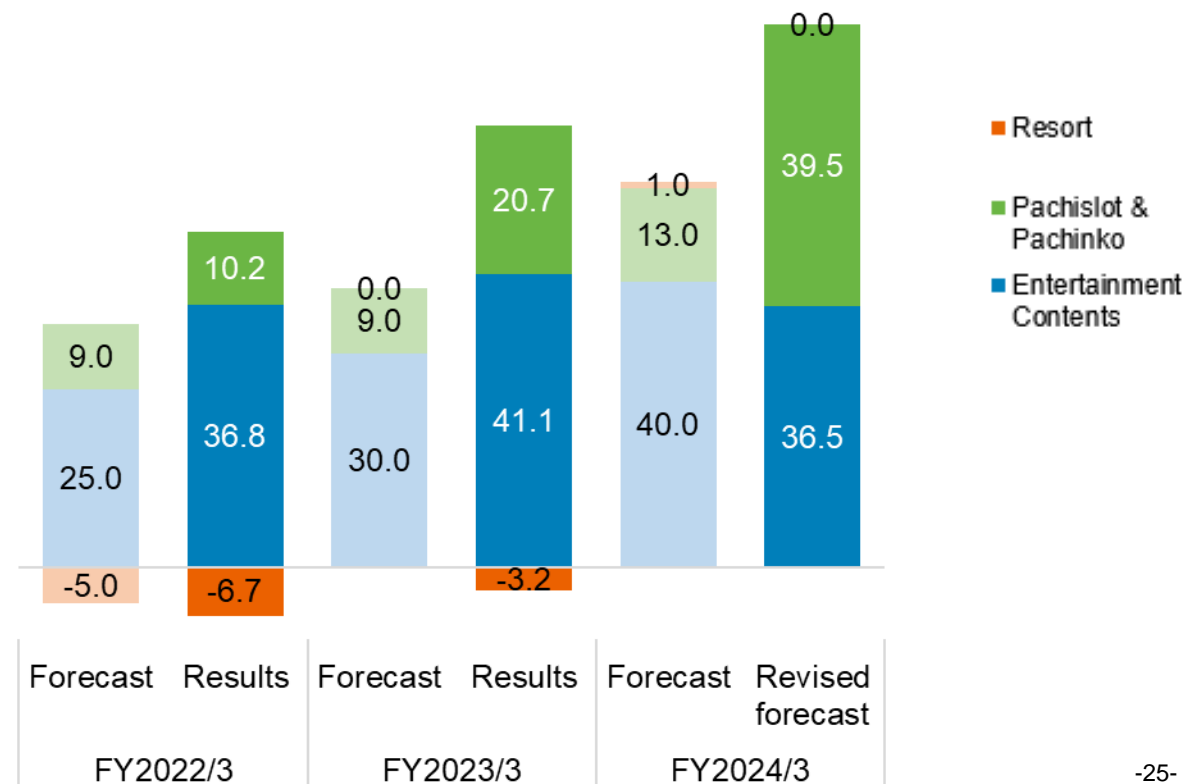
Sales

(Billion yen)



Ordinary income

(Billion yen)



*Figures in forecast of all FYs are as at the time of announcement of medium-term plan

Concept of Investment in Growth (～FY2026/3)

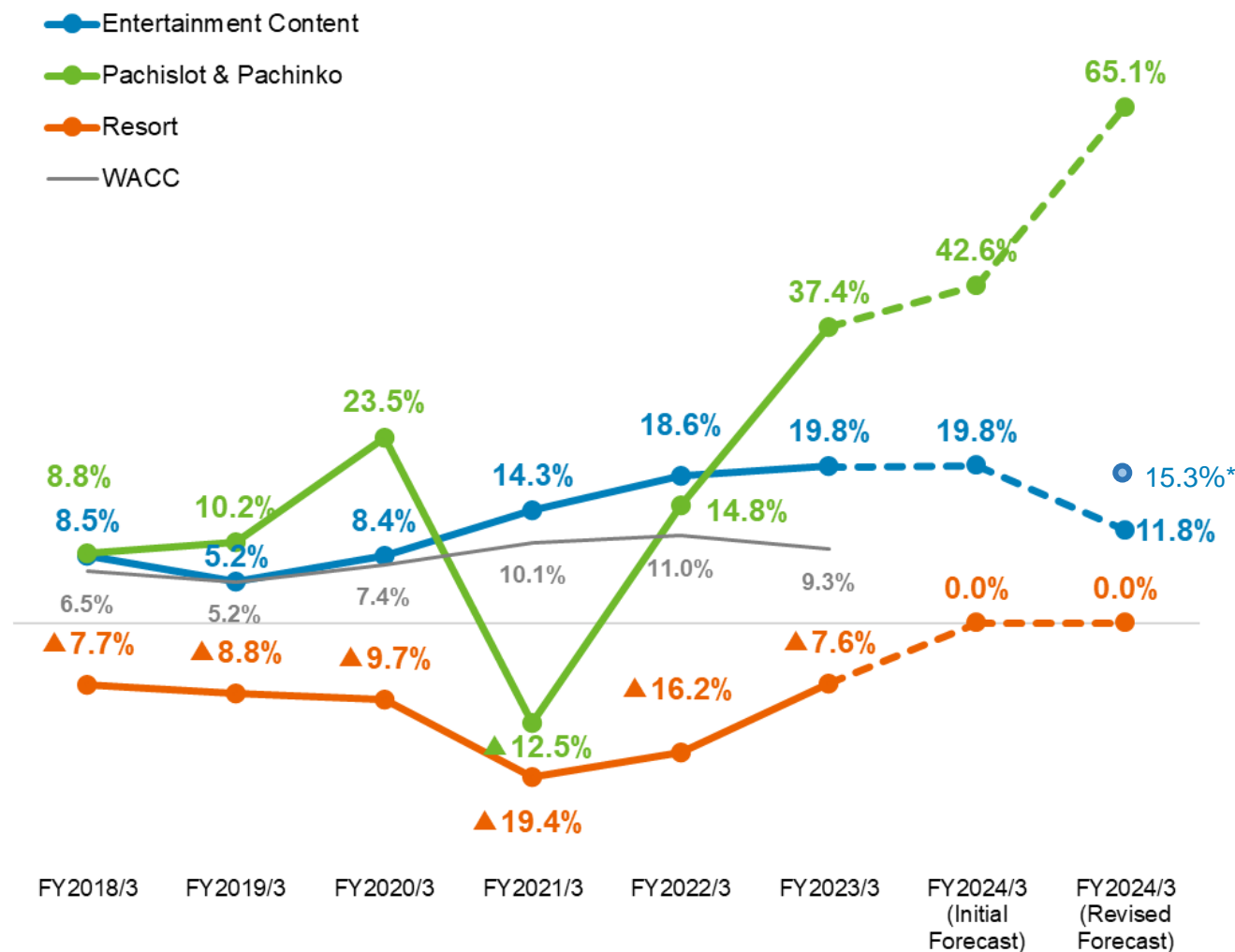
Implemented investment in the following growth area

	Area of consideration for investment	Progress
Consumer Area Approx. ¥100.0 billion	Strengthen development resources <ul style="list-style-type: none"> Expansion of organic development pipeline Strengthen global mobile and online games 	<ul style="list-style-type: none"> Establishment of SEGA Sapporo Studio TOB of Rovio completed (Aug. 25, 2023) -> Implemented investment of approx. 105.0 billion yen in total
	Investment in new ecosystem <ul style="list-style-type: none"> Strengthen CRM functions to revitalize user communities Investment in newly emerging business areas 	
Gaming Area Approx. ¥100.0 billion	Careful assessment of investment opportunities in the gaming area <ul style="list-style-type: none"> Online casino and sports betting overseas Land-based casinos overseas Both domestic and overseas IR 	<ul style="list-style-type: none"> Step off from domestic and overseas IR Considering investment in online gaming area -> Announced the acquisition of GAN Limited Plan to implement investment of approx. 16.15 billion yen
Other Approx. ¥50.0 billion	Expand CVC investment limit (Total limit: ¥15.0 billion) <ul style="list-style-type: none"> Strengthen open innovation activities, including investment in start-up companies 	<ul style="list-style-type: none"> Implement 19 new investments, approx. ¥3.4 billion Exit from existing investment x 5 Establishment of joint venture with PAPYLESS CO., LTD. “GAPOLI” service released
	Creation of new business, acquisition of IPs, etc.	

Total ¥250.0 billion

(Reference) Per Business ROIC

Per business ROIC trend



Entertainment Contents Business

ROIC decreased in the revised forecast due to the inclusion of goodwill impacts from the consolidation of Rovio

*15.3% if Rovio impact is not taken into account

Pachislot and Pachinko Machines Business

Significant profit growth due to strong pachislot performance has led to a dramatic increase in ROIC in the revised forecast.

Resort Business

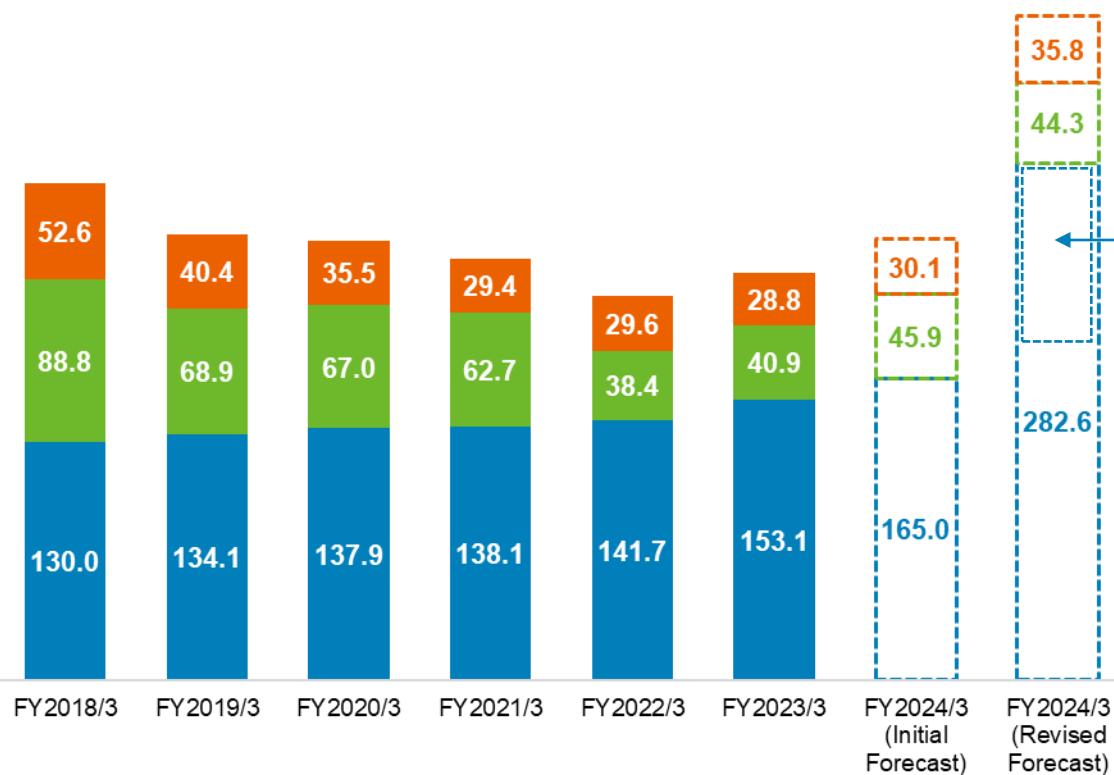
ROIC is improving due to the impact of improved utilization at each facility

(Reference) Invested Capital/Adjusted Profits per Business

Invested capital trend per business

- Entertainment Content
- Pachislot & Pachinko
- Resort

(Billion yen)

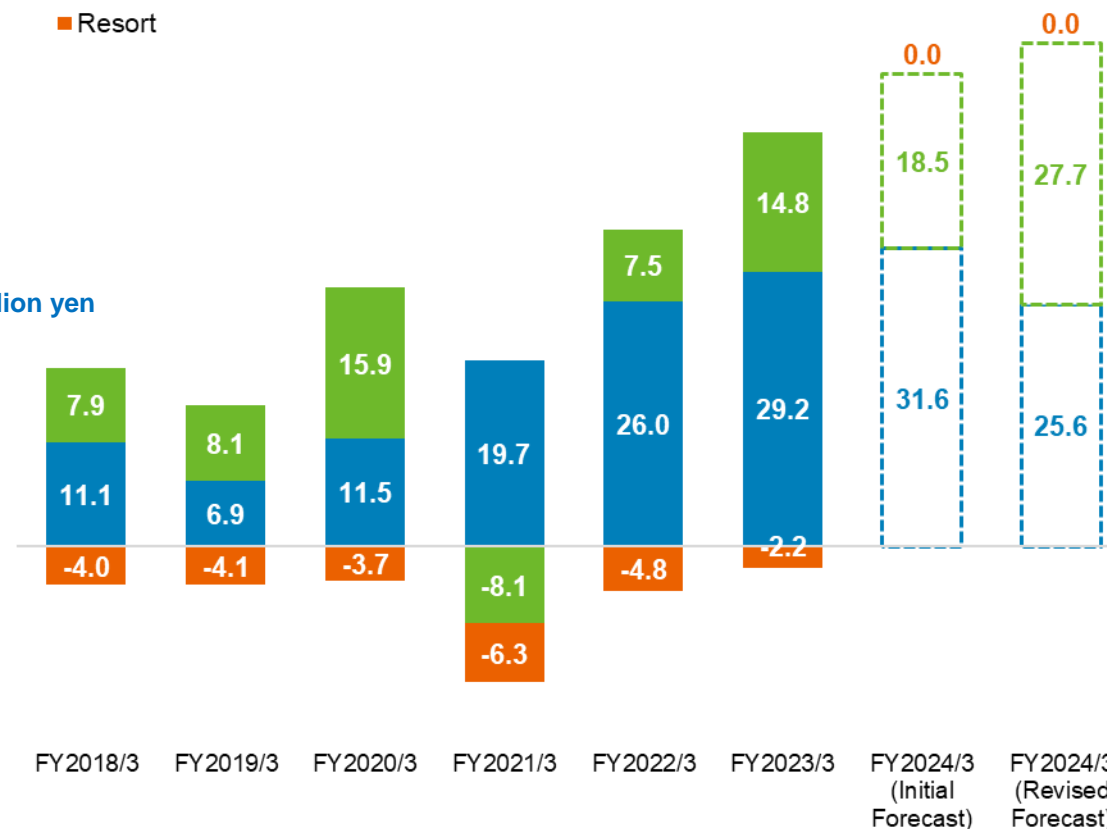


Rovio
102.0 billion yen

Adjusted profits trend per business

- Entertainment Content
- Pachislot & Pachinko
- Resort

(Billion yen)



*Invested Capital per business: invested capital at the end of each business period (total assets-current liabilities excluding interest-bearing debt)-CMS deposits

*Adjusted profits per business: ordinary income after-tax and before-interest (Tax rate for the each business is set to 30% for simplicity)



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

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