

SEGA SAMMY Management Meeting 2023

Dec. 12 and 13, 2023

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Presentation

Speaker

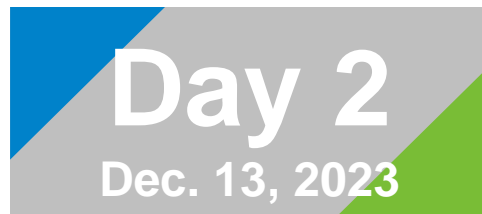


- Overview of the Group
- Overview of Entertainment Contents Business
- Growth Strategy for the Consumer Area
- Q&A

Haruki Satomi
Koichi Fukazawa

Yukio Sugino

Shuji Utsumi



- Overview of Pachislot and Pachinko Machines Business
- Growth Strategy for Pachislot and Pachinko Machines Business
- Q&A
- Financial Strategy, Investment in Growth
- Q&A

Haruki Satomi

Ayumu Hoshino

Koichi Fukazawa

Day 1

Dec. 12, 2023

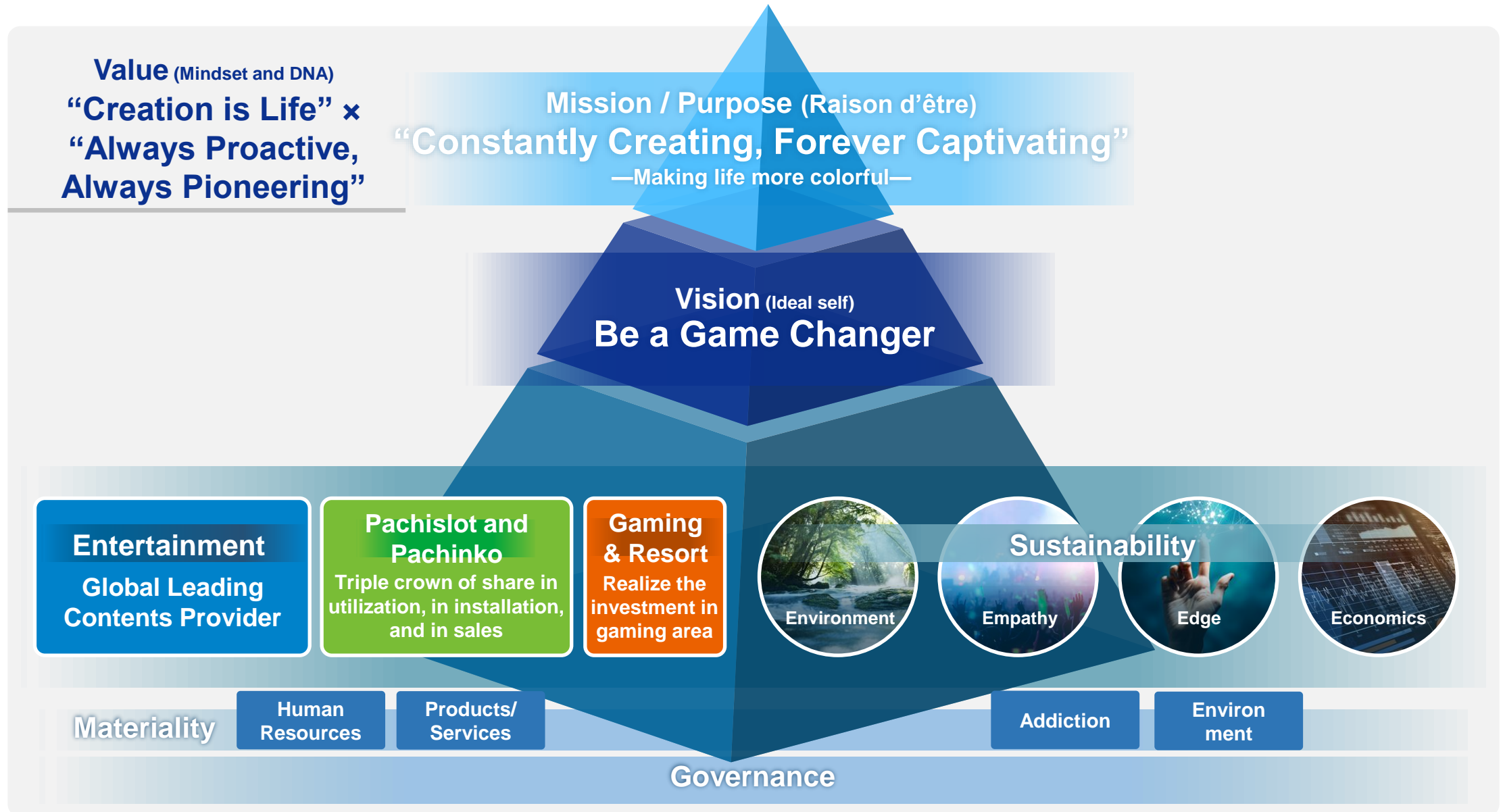
Overview of the Group

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

Haruki Satomi

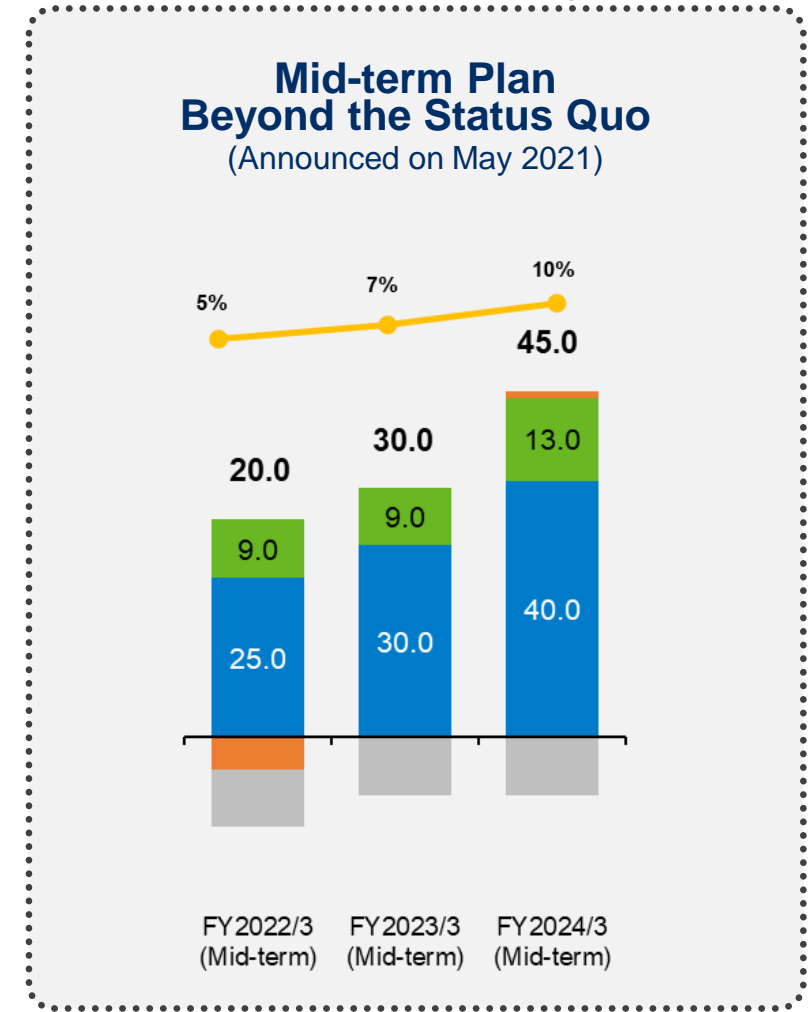
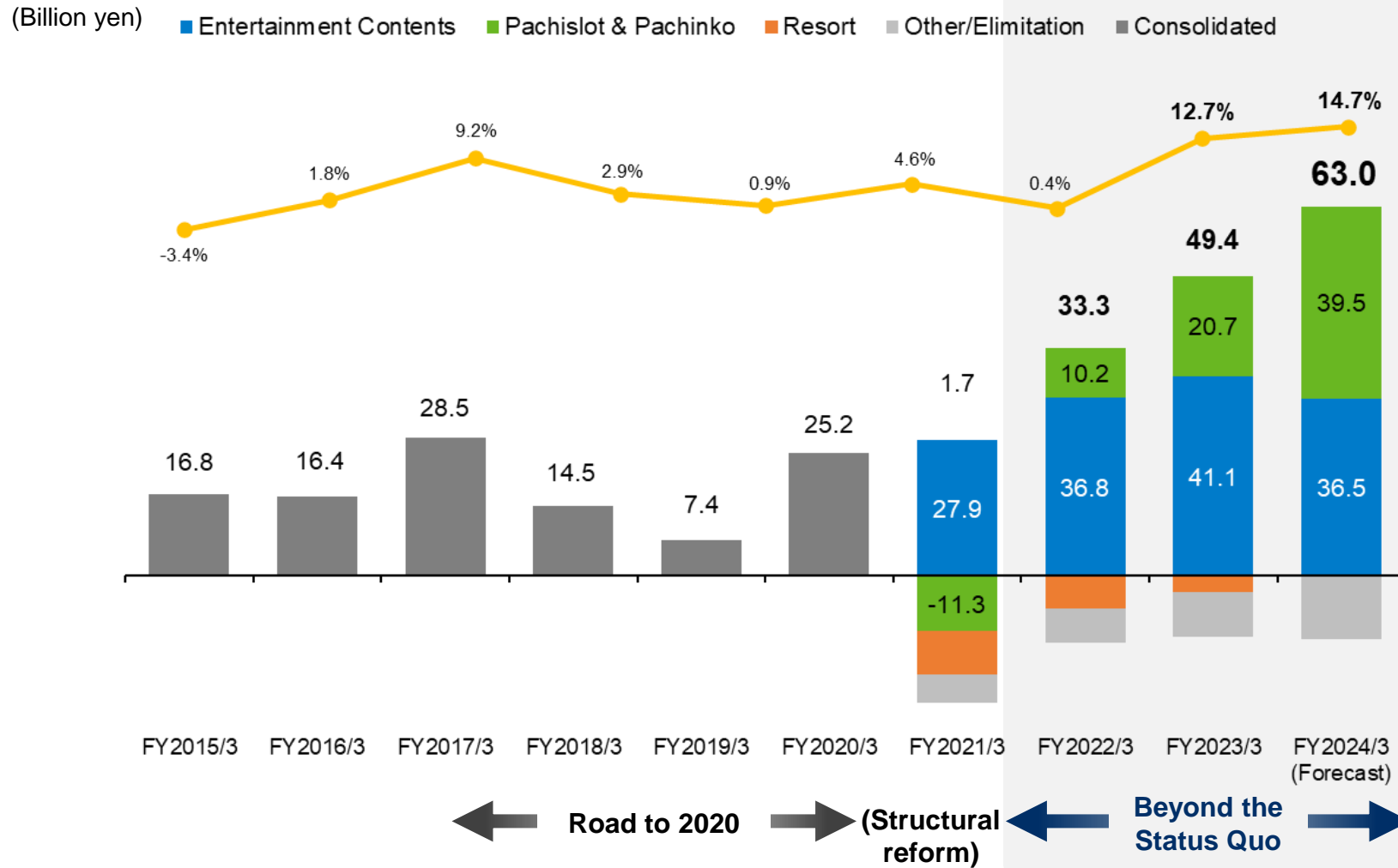
Senior Executive Vice President and Group CFO

Koichi Fukazawa



Medium-Term Plan: Ordinary Income Trend (FY2015/3-FY2024/3)

Entertainment Contents business drives growth, Pachislot and Pachinko Machines business sees significant V-shaped recovery



Entertainment Contents Business (Consumer area)

- Achieved steady profit growth
- Issues arise in Europe
- IPs managed by Japan studios become strong

Pachislot and Pachinko Machines Business

- Recovered to stable cash cow business
- Pachislot drives earnings recovery
- Creation of hit in Smart Pachinko remains a challenge

Group-wide

- Executed the investments in growth (Rovio, GAN)
- Executed the steady shareholder return in accordance with the shareholder return policy

Day 1

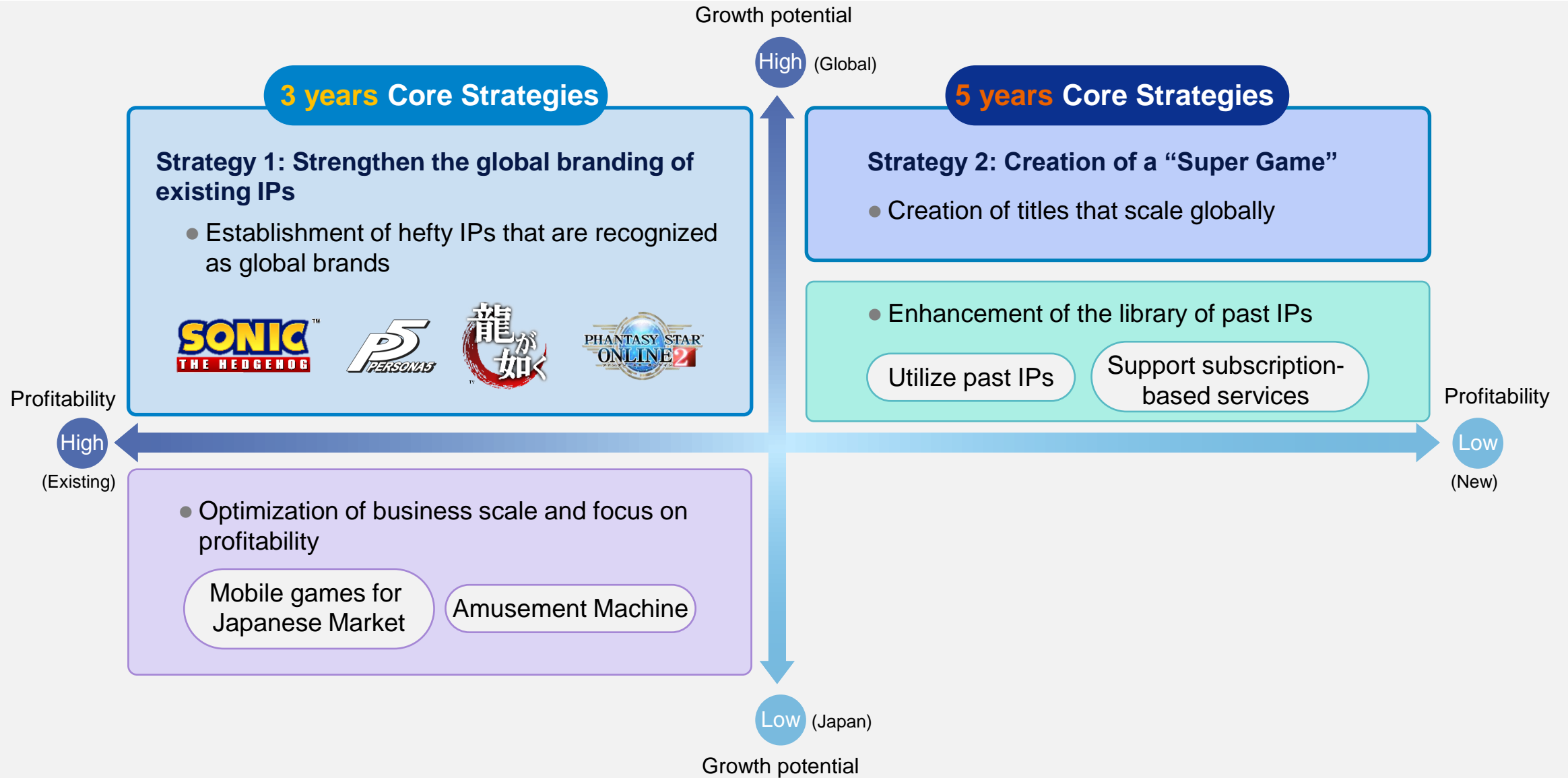
Dec. 12, 2023

SEGASammy

Overview of Entertainment Contents Business Summary of the Current Medium-term Plan

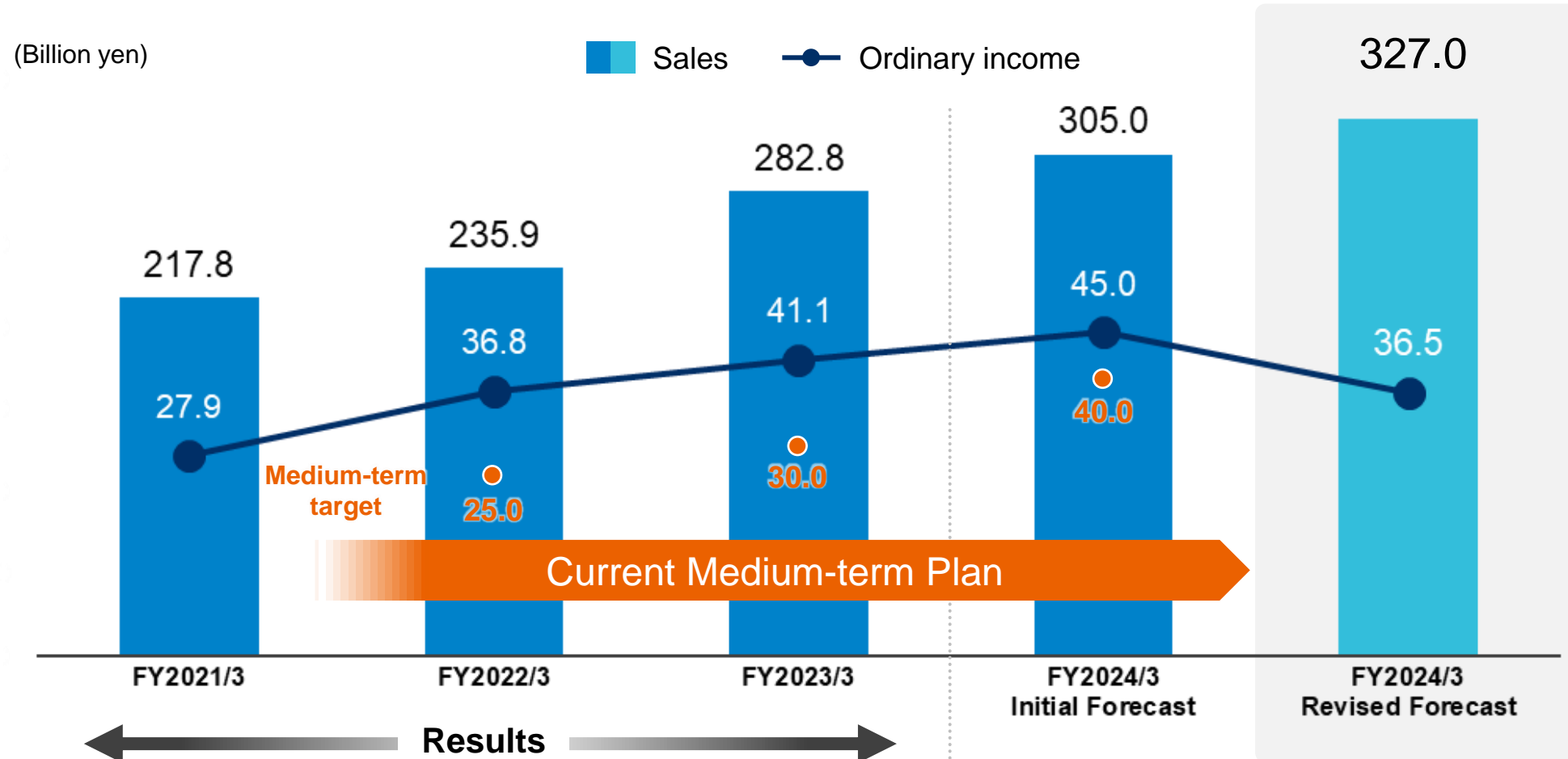
SEGA CORPORATION
President and COO, Representative Director

Yukio Sugino



Performance Trend of the Entertainment Contents Business

**Steady growth in sales and profit in the first and second years of the current medium-term plan
Planned further growth for the third year**

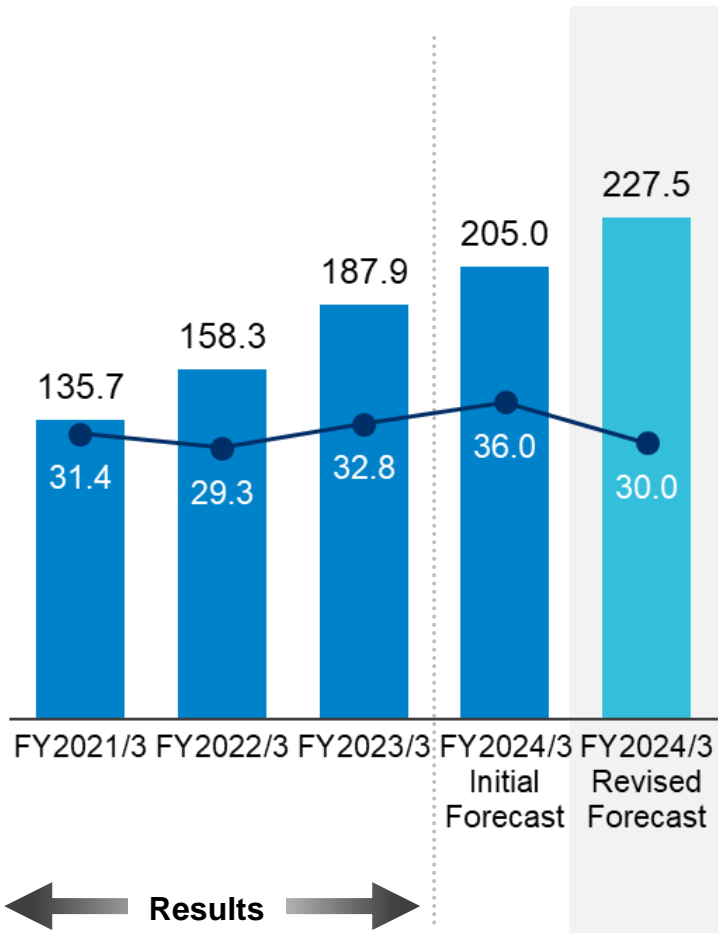


Performance Trend by Sub-segment

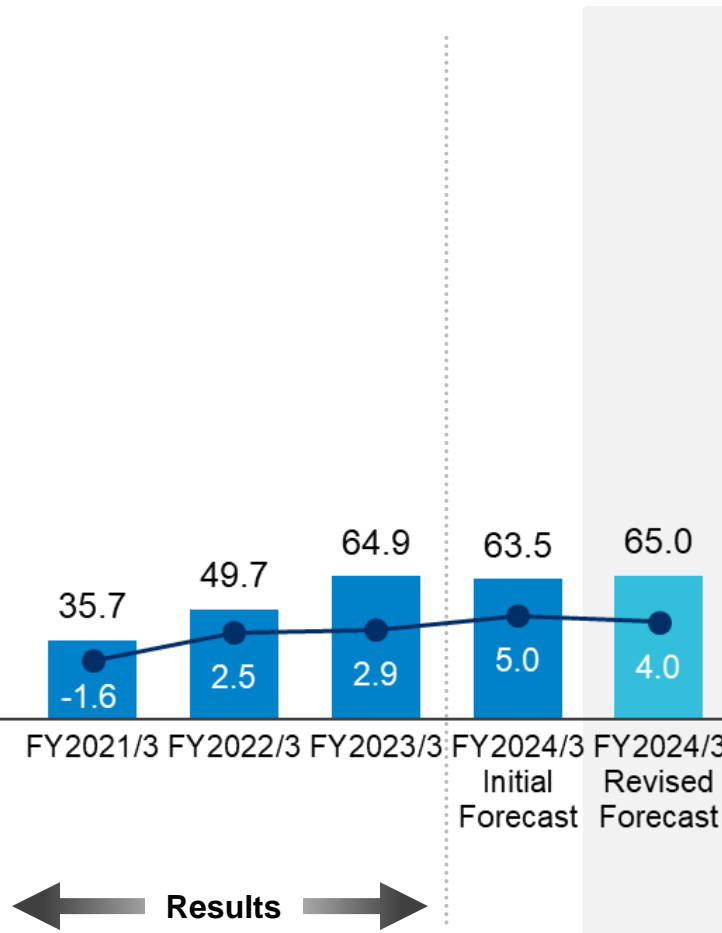
■ Sales ● Operating income

(Billion yen)

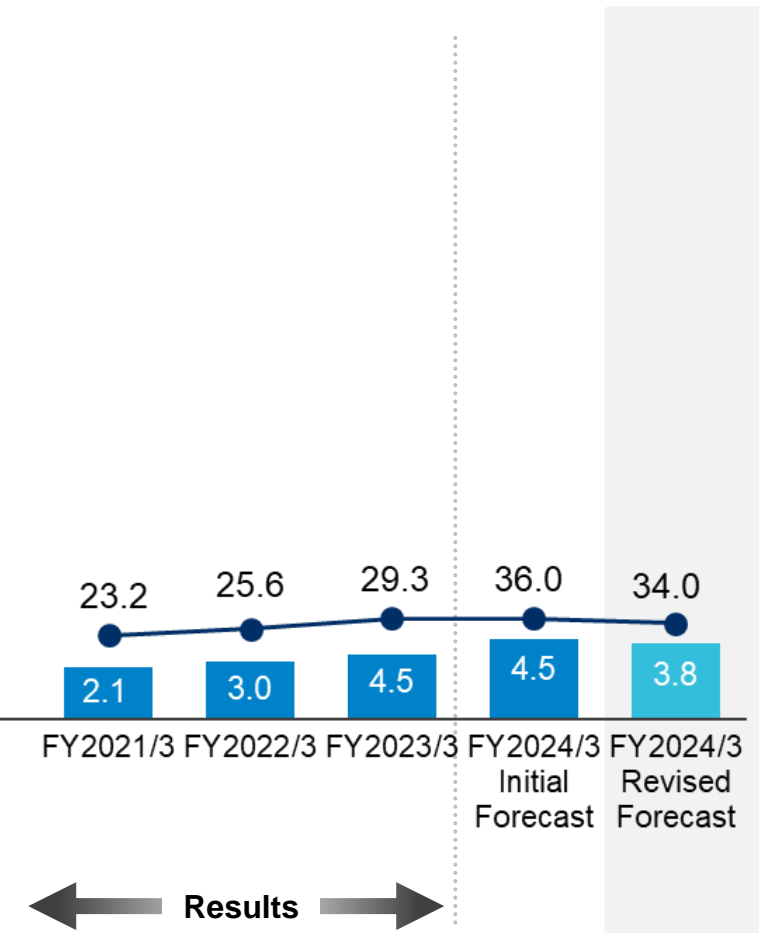
Consumer



Amusement Machine

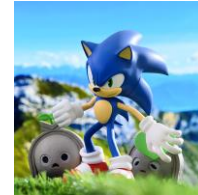
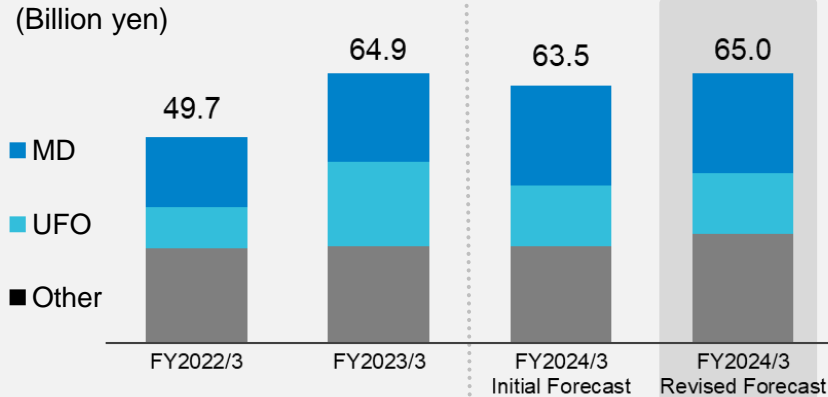


Animation / Toy



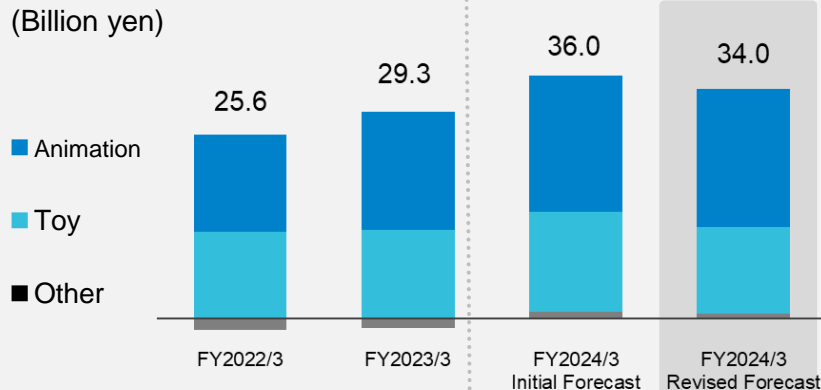
Amusement Machine Area, Animation / Toy Area

Amusement Machine

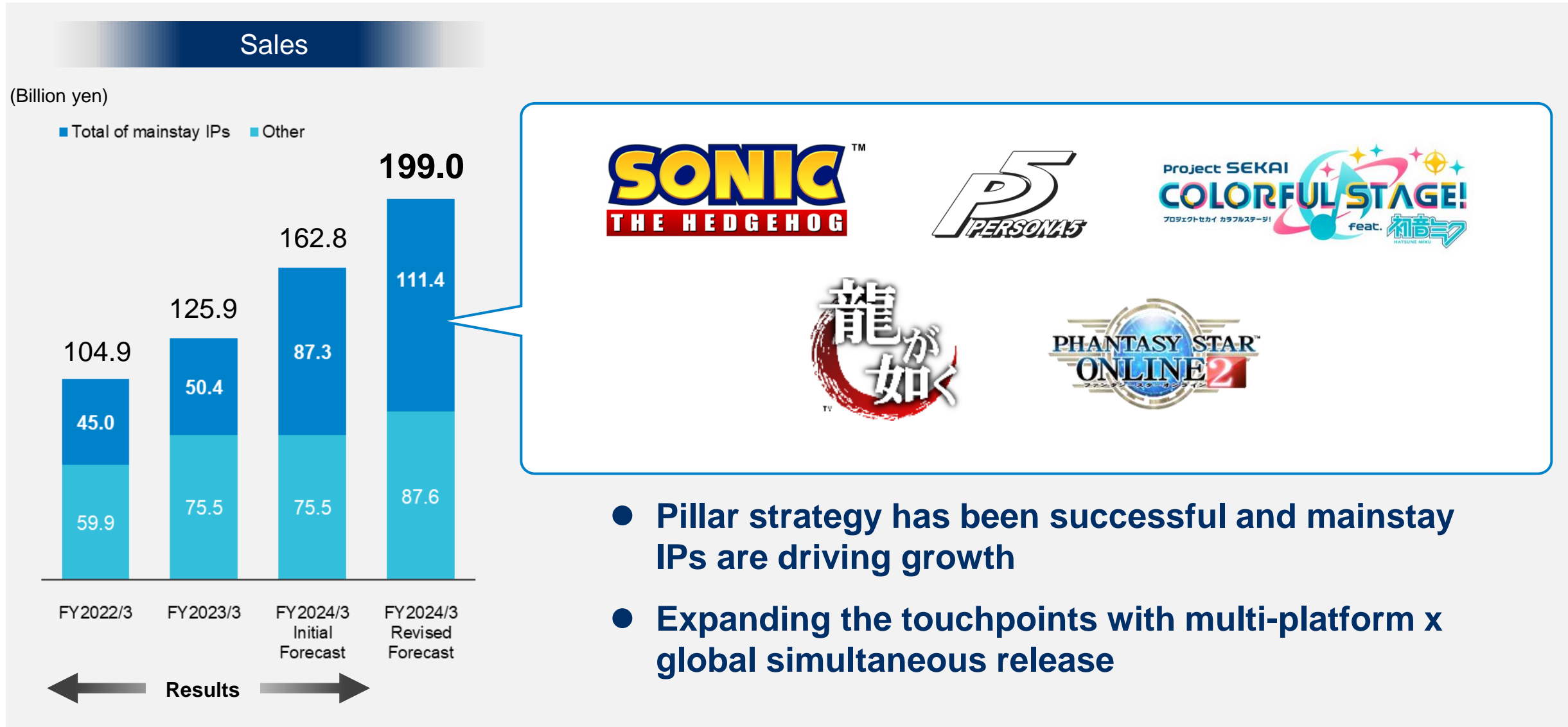


- Recovery trend from the COVID-19 and seeing steady performance due to favorable conditions in the prizes market
- UFO Catcher (crane game machine), which has the top market share in the industry, and merchandising (MD) deployment with a variety of IPs are the strength of this area

Animation / Toy



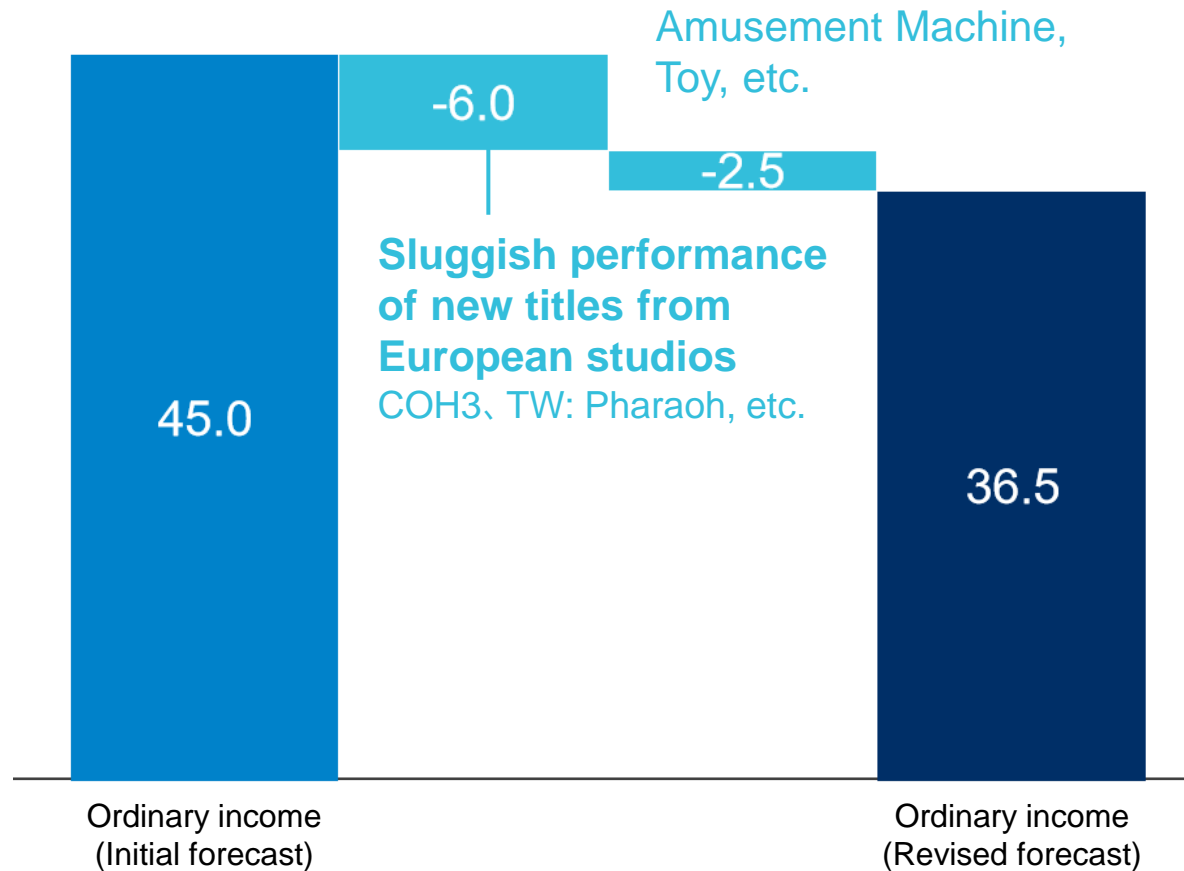
- In the Animation area, the DETECTIVE CONAN film recorded the highest box-office revenue ever in this fiscal year
Animation of Hanma Baki recorded global No. 1 on Netflix
- Licensing business is expanding



*Approximate calculation

Revised the operating results forecast downward mainly due to the slow down of performance in European business

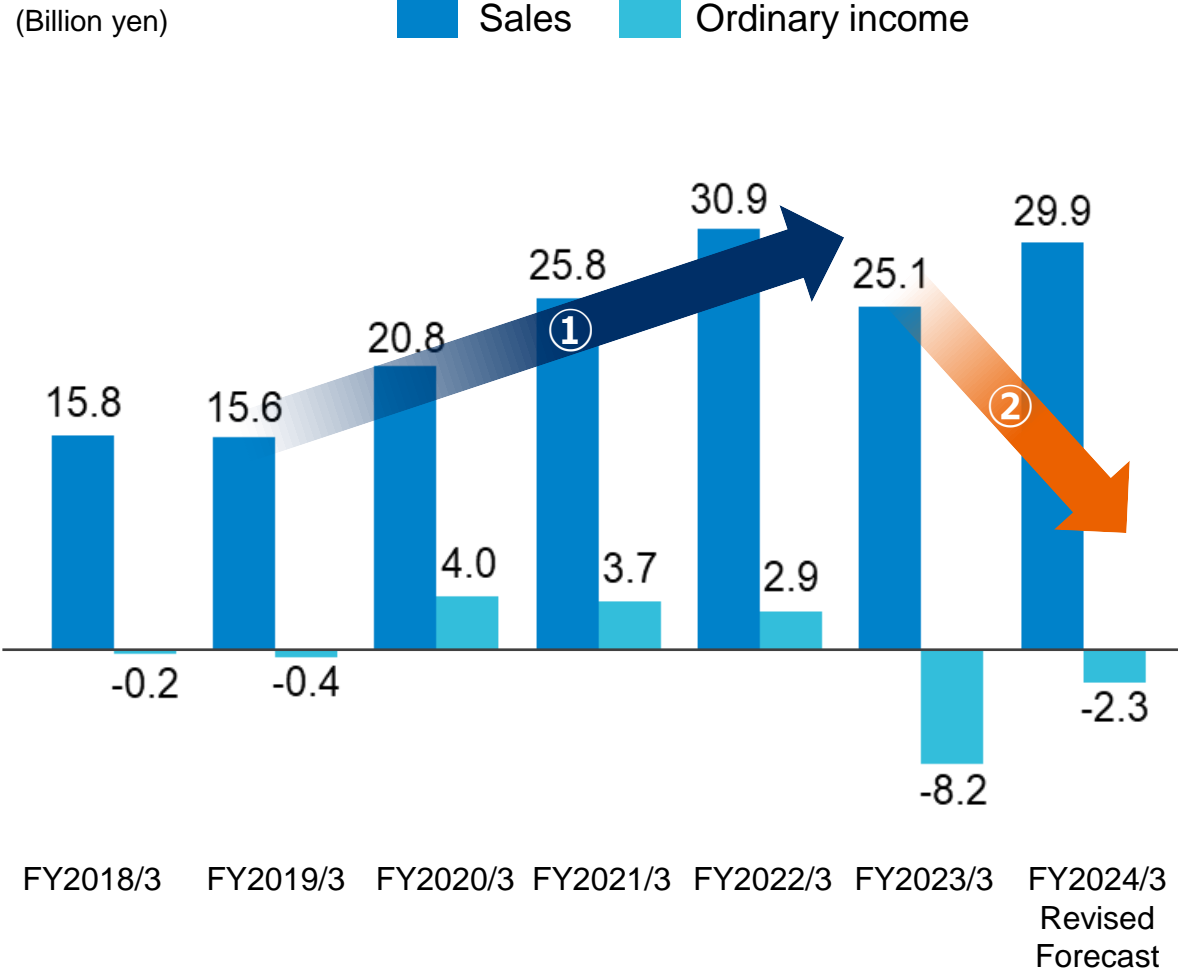
(Billion yen)



- Lower ordinary income by 8.5 billion yen due to sluggish performance of new titles from European studios, etc.
- Factored 12.9 billion yen in the extraordinary losses

Consumer Area - Factors behind the underperformance in Europe

Performance trend of European Business



*Approximate calculation

Management emphasizing the authority of each studio



1) Earnings expansion phase

- Challenge to expand portfolio (mainly in PC)
- Each studio strengthened its structure
- Development schedule delayed due in part to COVID-19

Deterioration of business environment

(2) Slow down of performance

- Sluggish sales
- Bloated cost

1

**Review of
Medium-term
Lineup**

- Re-evaluate market value of all titles and cancel some titles
- Focus on key European titles and proceed their multiplatform support

2

**Optimization of
fixed expenses/
Improve
investment efficiency**

- Streamlining them to an appropriate size for the scale of business

3

**Review of
development/sales
structure and
management
system**

- Establishment of "Chief Revenue Officer"
- Enhancement of development process (quality and marketability assessment with objectivity)
- Comprehensive review of organizational structure

Development of the soil for healthy discussion

Developing a structure to promote healthy discussion, from the perspective centered on studio to include the publishing perspective, and to develop a better business plan

Enhancement of governance

Conduct quality and marketability assessment with objectivity at each milestone in the development process

Make quick decisions to discontinue projects based on the result of these assessments

Proactive Growth Investment

(additional investments of up to 100.0 billion yen over 5 years)



**Strengthen
global mobile area**



Creation of Super Game



Under Development

*Japan studio

- ▶ Several **management issues** raised at Europe, but we will use this as a major source of reflection in the future
- ▶ **Pillar strategy having Japanese studios in center has been successful** and realized significant growth
- ▶ Proactive growth investments led to **acquisition of Rovio**
- ▶ Creation of Super Game cannot be achieved such quickly, but **we now have the structure which allow us to develop it taking enough time** (in other word, we now have stable portfolio in Entertainment Contents business overall)

Day 1

Dec. 12, 2023



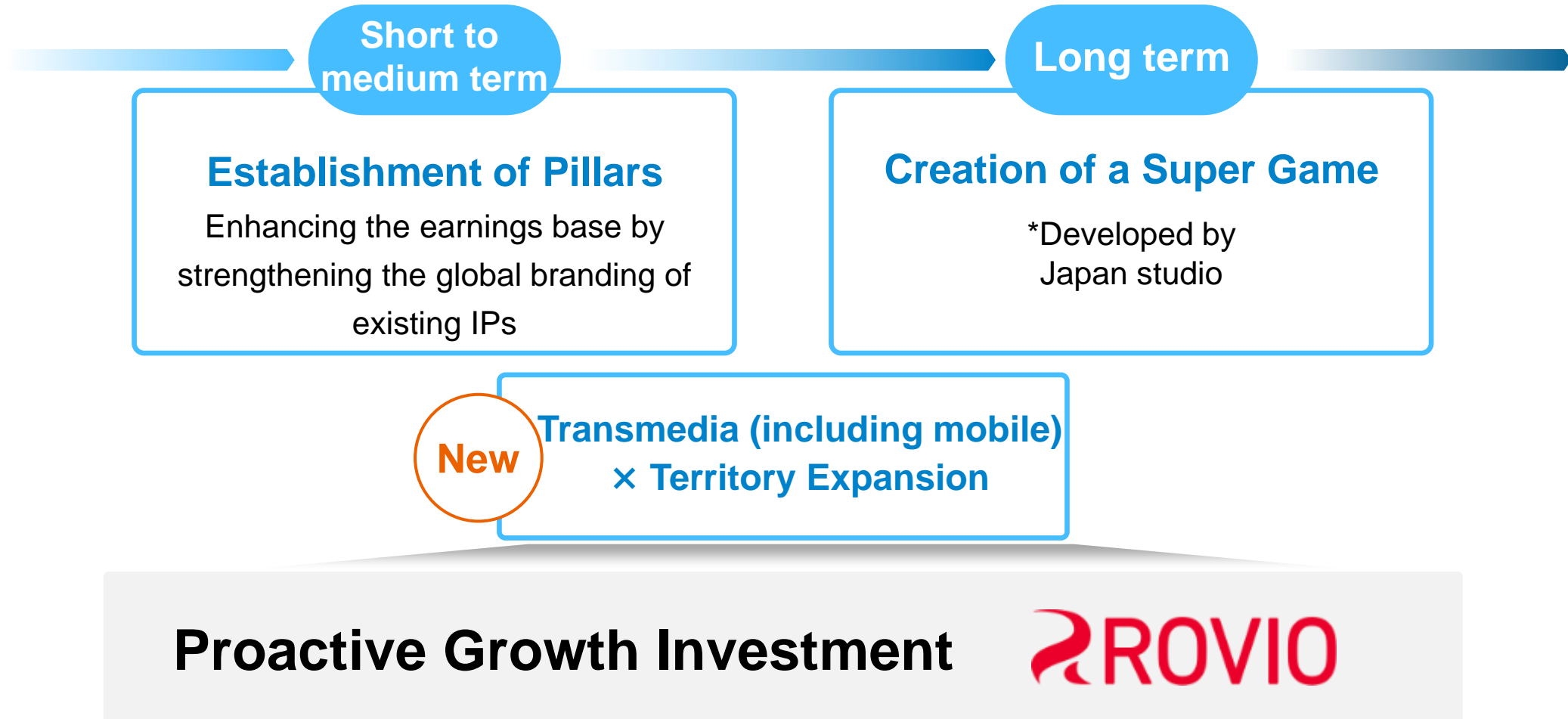
Growth Strategy for the Consumer Area

SEGA CORPORATION

Co COO, President of Consumer Game and Transmedia

Shuji Utsumi

Becoming a Global Leading Contents Provider



We have grown our "Mainstay IPs" into a global brand



1

Expanding touchpoints

- Multiplatform support
- Territory Expansion
- Multilingual support

2

Prolonging product life cycles

- Utilization of IP assets
- Strengthening digital sales
- Multichannel monetization

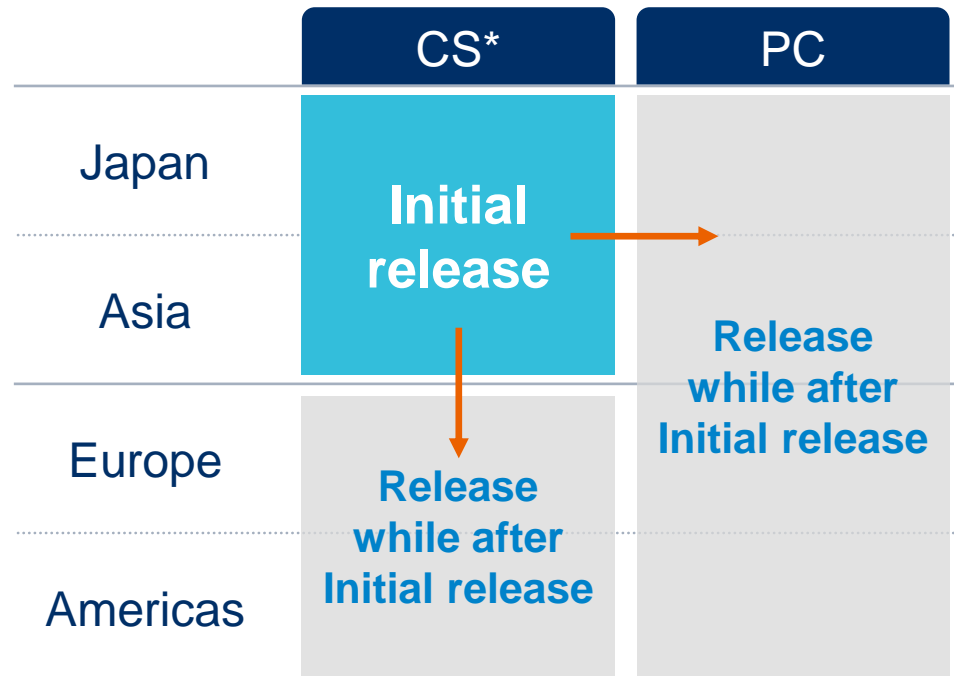
3

Strengthening user engagement

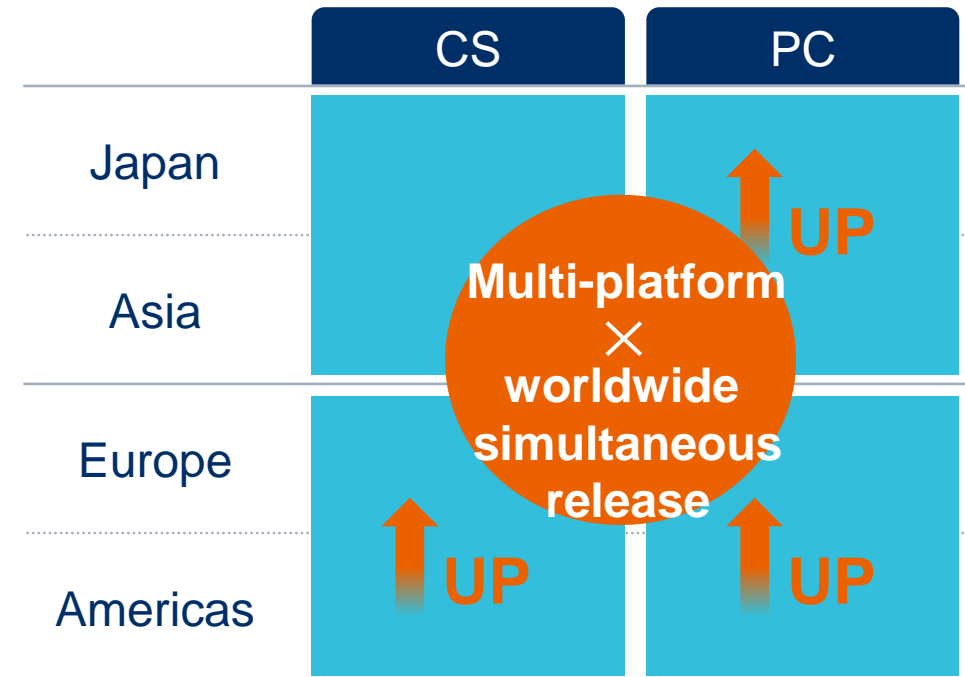
- Community management
- Strengthening mix of media

Enlarging the roll-out make it possible to foster buzz

In the past



Current



*CS = Console video game

Significant growth in European, American and Asian markets

- ▶ Focus on PCs to strengthen sales, **especially in Asia**
- ▶ Enhancement of **publishing system**
- ▶ Enhancement of **multilingual support**
- ▶ Improvement of **global value chain**

(Reference) Expansion of each IP - Sales Trends

Steady growth in mainstay IPs



*Approximate calculation

Number of Global Game Players

Reaching mobile players and players in emerging countries is key to reach 3.0 billion gamers worldwide

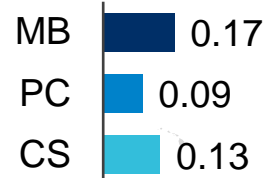
The Chinese market also still has tremendous explosive impact when the title becomes a hit

Global 3.38

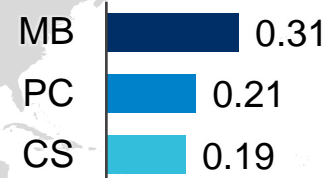
(Billion people)



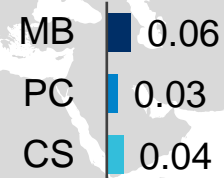
North America 0.24



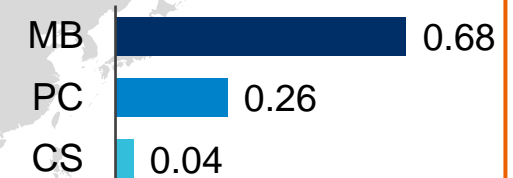
Europe 0.45



Japan 0.07



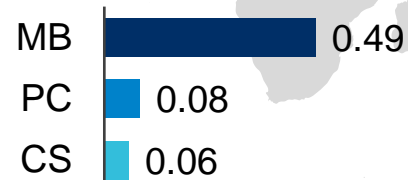
China 0.73



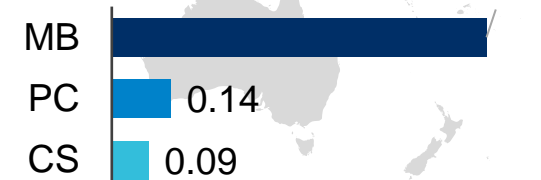
Latin America 0.34



Middle East & Africa 0.57



Asia 0.99



Data source "Newzoo-Global-Games-Market-Data-July-2023" *Asia is the Asia-Pacific region excluding Japan and China. Game players are all those who played games within the past 6 months.

*MB: Mobile, CS: Console video game

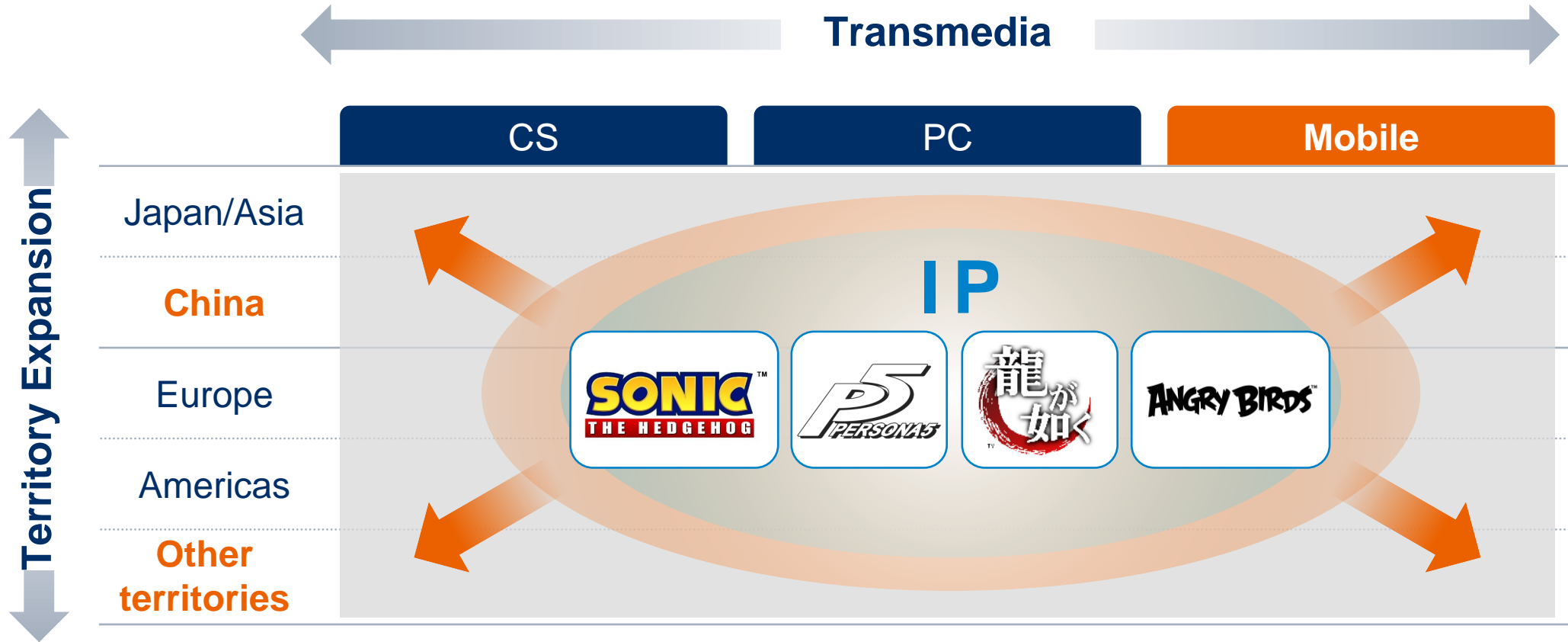
- ▶ Global mobile gaming market **continues to expand**
- ▶ Acceleration of global roll-out expansion of **Chinese capital**
- ▶ Establishment and expansion of **subscription services led by U.S. capital** (animation ↔ games, etc.)
- ▶ Service innovation through **new technologies** (AI, cloud gaming, metaverse, etc.)
- ▶ Continuing cross-border **industry restructuring** through large-scale M&A



Our Growth Opportunities

Mobile / China / Transmedia

“Transmedia” × “Territory Expansion” to further expand touchpoints





Introduction of Beacon



Expansion of SEGA IPs

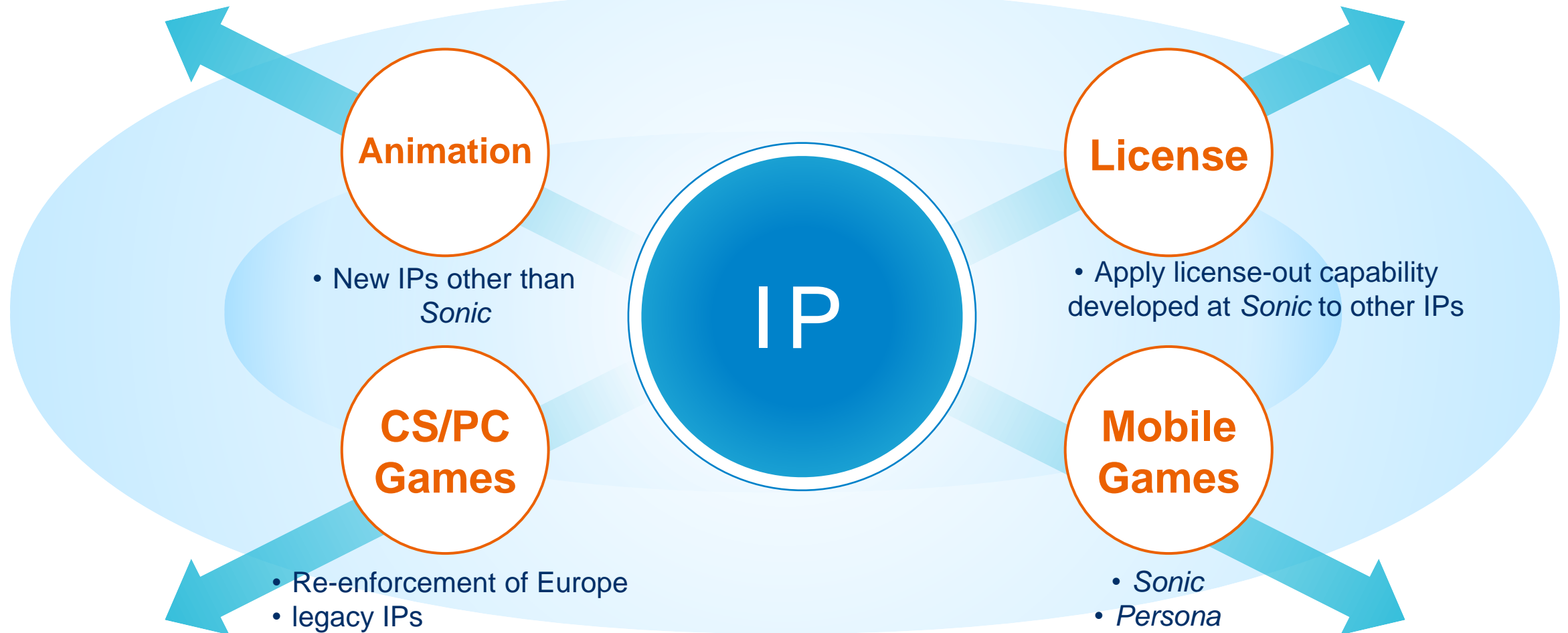
- Several new *Sonic* titles for mobile are under development



Expansion of Rovio IPs

- PC/Console deployment of Angry Birds IP
- Mutual collaboration/promotion in new and existing titles

“Expansion of touchpoints” x “Enhancement of Engagement with Fans”
+ Licensing revenue





Expanding Global Presence in CS/PC

Strengthen brand marketing to expand users across *Persona* brands

Persona 5 series:
Cumulative sales exceed
10 million units



New

Remake



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Remaster





Persona 5: The Phantom X (P5X)

*Launch timing: To be determined

Large scale mobile title in collaboration
with Perfect World Co., Ltd in China

Strategic significance of *P5X*

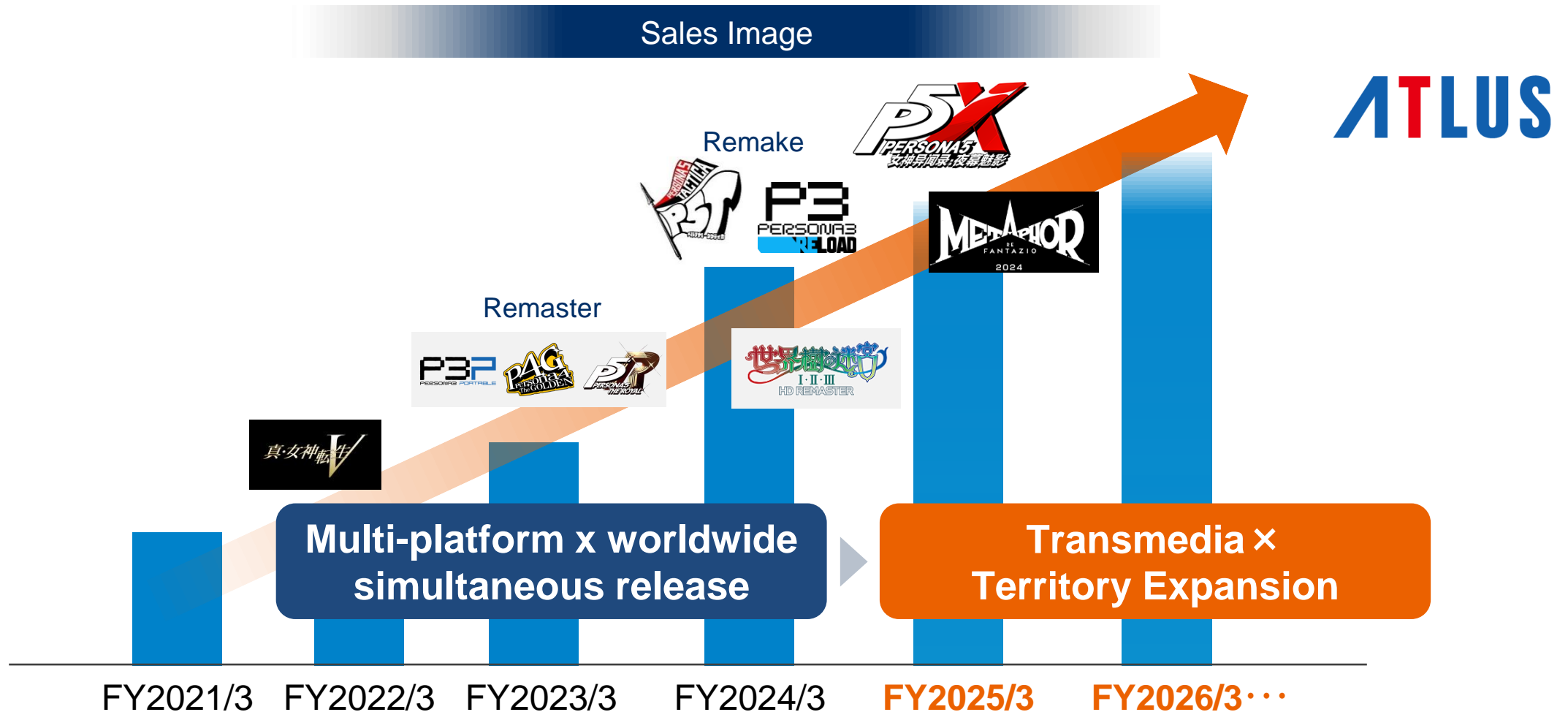
- Entering the Chinese market through partnership with Chinese company
- Plan to launch Chinese version



- **Launch of new brand by developer of Persona 3, 4 and 5**
- **Multi-platform x worldwide simultaneous launch planned for fall 2024**

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Aim for further revenue increase along with IP expansion



Future Roll-out of Like a Dragon

While keep utilizing the setting in Japan which is core of the series, transmedia roll-out is also under consideration toward expansion of the IP globally



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Initial release: Japan CS
Later release: Overseas, PC

Worldwide...1.8 million units

Japan ... 0.4 million units
Overseas...1.4 million units



©SEGA

Multi-platform x worldwide simultaneous release

A title connecting the latest mainstream title and *Yakuza: Like a Dragon*, which was the turning point of the series



©SEGA

Multi-platform x worldwide simultaneous release

The stage moves to "Hawaii"

Lore & Innovation



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