To increase sustainable corporate value, we will unify as a Group and work with strong determination.

Hajime Satomi
Chairman and Group CEO (Representative Director)
SEGA SAMMY HOLDINGS INC.
It is time to take a serious look at the issues at hand.

My involvement in the amusement machine sales business began in 1965, in the midst of Japan’s economic development and at a time when people were en route to achieving wealth. I was still a student when I crossed paths with the gaming industry, which was in its infancy then, and I joined the amusement machine sales industry with the belief that, without a doubt, the industry would see major growth. In 1978, however, I experienced many setbacks, including being forced into bankruptcy after suppliers failed to pay their bills. Looking back, I think that even negative situations like this one helped me overcome several obstacles along the way, particularly because I had the support of so many people and the passion to move forward.

Since entering the pachislot and pachinko machines development and manufacturing business in the 1980s, I have always maintained this same passion for craftsmanship. Hit pachislot and pachinko titles like ALADDIN, Beast King, and Hokuto No Ken were major launching points for Sammy’s growth. As I myself tested and exhaustively molded these titles into something that I absolutely knew would sell, I don’t attribute our success to mere coincidence, but instead to “inevitability driven by passion.”

Fiscal year 2019 marked the second consecutive year where we were unable to meet the initial targets for the fiscal year. Each director and employee of the Group needs to take a look within themselves and ask whether they have the passion to create moving experiences, and thereby win the support of our customers.

We are making steady preparations to enter into the integrated resorts (IR) business in Japan.

One cornerstone of “Road to 2020,” which covers the period from fiscal year ended March 2018 to fiscal year ending March 2020, is generating stable profits while improving income margins within our designated core businesses. At the same time, the Company has rolled out a policy to use the cash generated by our core businesses for preferential investment in growth businesses. Within that policy, the Resort Business is the one we are cultivating from a long-term perspective. We are utilizing the know-how built up from our direct involvement, from development to operations, in PARADISE CITY, a joint venture with the South Korea-based PARADISE GROUP and South Korea’s first integrated resort, to realize part of the Group’s long-term growth scenario—the introduction of Japan’s first integrated resort, anticipated around 2025. The facilities had been developed as first-phase, secondary project of PARADISE CITY opened in September 2018 under this scenario, and we also leveraged our knowledge of amusement center operations toward opening an indoor theme park there in March 2019. We are actively promoting measures to attract Japanese customers to these facilities and are producing steady results in this regard. I have a real sense that these efforts serve not only to aid operation of our facilities but to also help us in our future activities.

Looking ahead, we see the Japanese IR business as an ace-in-the-hole for Japan (and its domestic economy) toward becoming a tourism nation. The enactment of the Act on Development of Specified Complex Tourist Facilities Areas has laid the path for relevant government ordinances and ministry ordinances to be established, after which the selection process for operators and potential sites can begin.

In addition to casino operations, I would also like to see us develop and expand into a wide range of other business areas. To this end, we are undertaking multifaceted and proactive preparations that include cultivating human resources, conducting business investigations and analyses, strengthening governance and compliance system, promoting gambling addiction countermeasures, and implementing financial benefits. I am convinced that if we realize the entry into integrated resorts in Japan, they will become a major source of income and serve as a future pillar of the Group, and with this exciting prospect, I feel the utmost passion.

I will address each and every person.

As we task ourselves with reaching this future goal, it is imperative that we devote our full strength toward overcoming the issues at our feet. In keeping with Sammy’s company credo, “Always Proactive, Always Pioneering;” we have always brought forth the winds of change in the industry. As the embodiment of Sega’s company credo, “Creation is Life,” we have carved innovation into the tablets of history. I would like to return now to my original point. I will take the same passion that has driven me and convey it to all Group directors and employees to awaken the spirit of innovation that is embedded in the DNA of both companies. Through these efforts, I believe that the Sega Sammy Group will tackle the issues facing it with sincere passion, and cultivate the “breakthrough power” to overcome them one after the other, and in doing so, increase corporate value sustainably and in the truest sense of the word.

As we embark on these endeavors, we ask for the continued support of our shareholders, investors, and all other stakeholders.

August 2019

Chairman and Group CEO (Representative Director)
SEGA SAMMY HOLDINGS INC.
Taking a long-term perspective, we will tackle issues sincerely and enhance corporate value.

Haruki Satomi
President and Group COO
(Representative Director)
SEGA SAMMY HOLDINGS INC.
Remain Valued and Needed by Society

We will continue implementing sound, far-sighted measures.

In May 2019, the World Health Organization (WHO) officially decided to classify “gaming disorder” as a mental disease. The disorder is a severe addiction to online games and other video games that seriously affects the daily life and health of an individual. Addiction is also recognized as an issue in the pachinko and pachislot machine industry. Nonetheless, my confidence in the power of entertainment to give people vitality in their day-to-day lives remains unchanged.

In addressing addiction and entertainment’s other negative effects on society, we must be sincere and tackle issues head on. At the same time, I believe that if we continue to make positive contributions in the form of moving experiences that outweigh negative aspects, in other words if we keep creating value surpassing customers’ expectations, we can realize the goal of “making life more colorful,” the subtitle of our mission. In short, if we fulfill our mission society will continue to value and need us.

The aforementioned philosophy enhances corporate value continuously by avoiding behavior that meets with society’s disapproval while implementing sound, far-sighted measures in pursuit of long-term profit, even if this means taking a round-about route. To ensure that we progress steadily in accordance this philosophy, we have to realize the true value of our innovative DNA, expressed in the “Always Proactive, Always Pioneering” and “Creation is Life” company credos of Sammy and SEGA. This ambition to realize long-term, sustained development of the Group is epitomized by initiatives in the IR business.

Realize the Group’s Target Profile

As a Japanese company, we will advance measures with a sense of responsibility and readiness.

For more than 10 years, the SEGA SAMMY Group has been advancing initiatives focused on the IR business in Japan. We began by acquiring the shares of PHOENIX RESORT CO., LTD., which operates one of Japan’s premier resort complexes. Aiming to accumulate know-how in the development and operation of casino facilities as early as possible, the Group established PARADISE SEGASAMMY Co., Ltd., dispatched employees to the company, engaged in the operation of an existing casino facility, and began developing PARADISE CITY. In 2017, we opened PARADISE CITY as South Korea’s first full-fledged integrated resort, and with the 2018 opening of phase 1~2, it became a true integrated resort that includes not only a casino and hotels but also a shopping mall, a spa, entertainment facilities, and other attractions. Since it opened, PARADISE CITY has received strong endorsement from numerous guests. We have assigned nearly 60 Japanese personnel to the integrated resort as of the end of March 2019. In the near future, we plan to increase this to a 100. Thus, I believe that we are ahead of other Japanese companies with respect to preparations for launching a commercial IR business in Japan.

The Group has announced its intention to participate in all aspects of IR operations in Japan, including casino operations. I would like to emphasize that as the only Japanese company with competence on a par with that of world-famous casino operators, we are advancing measures with a sense of responsibility and readiness. Our acquisition of licenses for the manufacture and sale of gaming machines in the U.S. State of Nevada in 2017 is testament to this readiness. In gaining recognition of its integrity, the Group not only provided financial and tax information but also disclosed all the assets of officers subject to investigation. Also, we are proactively developing gambling addiction countermeasures. In contrast to the majority of companies, which take an after-the-fact approach focused on recovery from addiction, the Group and Kyoto University are jointly conducting the world’s first
industry–academia research themed on addiction prevention.

Regarding the steps to be followed toward the opening of integrated resorts in Japan, first local governments will issue requests for proposals. We expect once operators have been selected, areas for the establishment of integrated resorts will be approved. To make sure that we convert opportunities into new businesses, we will further enhance the factors that differentiate us, which we have identified through value chain analysis of more than 118 key components.

To ensure the success of these initiatives, which are based on our long-term vision, there is a short-term task that we must tackle—improving the profitability of existing businesses.

The Progress of Road to 2020

Taking issues seriously, we will implement countermeasures.

The Group’s long-term vision positions integrated resorts as a third pillar. Aiming to achieve this vision, in May 2017 we announced Road to 2020, which maps out our direction through fiscal year 2020. In fiscal year 2019, and the strategy’s second year, net sales increased 2% year on year, while operating income declined 26% year on year. For the second consecutive fiscal year, we did not reach initial targets. Much to our regret, we have announced the forecast for fiscal year 2020, the strategy’s final year, that do not meet the management targets of at least 15% for the operating income margin and at least 5% for ROA.

One cause was greater-than-expected changes in the business conditions of the Pachislot and Pachinko Machines Business. In February 2018, regulatory revision was enforced. In the pachinko and pachislot machine market, “approval rates” in prototype testing, which is conducted based on regulations, have a major impact on the unit sales of pachinko and pachislot machine manufacturers because only machines compliant with regulations can be marketed. In fiscal year 2019, the overall market saw low approval rates and it significantly affected both the number of titles brought to market and unit sales.

Another major factor was our lack of hit titles in the Digital Games area. As well as experiencing fiercer competition in the Japanese market, we were unable to create hit titles to replace our current mainstay titles. Moreover, the consequent lengthening of the operation periods of such mainstay titles as PHANTASY STAR ONLINE 2 is causing decline in comparison with their peak performances. In fiscal year 2019, the Digital Games area recorded an operating loss due to a combination of delays in launching new titles and development suspensions.

On the other hand, some of our initiatives produced solid benefits.

### Operating Income Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial management target</th>
<th>Result and adjusted target</th>
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<tr>
<td>2018</td>
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<tr>
<td>2019</td>
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<tr>
<td>2020 (FY)</td>
<td>15.0%</td>
<td>6.9%</td>
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</table>

Main causes:
- Regulatory revision
- Lack of hit digital games
In the Pachislot and Pachinko Machines Business, measures to improve income are steadily bearing fruit.

Initially, the Pachislot and Pachinko Machines Business set out a road map that called for a dramatic rise in the operating income margin to at least 30% in fiscal 2020 through an increase in the benefits of reuse and improvements in the efficiency of development. The regulatory revision that I mentioned undermined the premises of this target. Nonetheless, we did make steady progress in improving the business segment’s profit margin.

One of our priority strategies for improving the profit margin is to increase the benefits of reuse and promote the commonalization of components. Under this strategy, we greatly increased reusable components and in fiscal year 2019 reached our initial target for the number of such components. As for the commonalization of components, we have already surpassed our initial numerical targets for both pachinko and pachislot machines. Also, cost reductions are proceeding as planned thanks to the use of cost indicators to strengthen management, the revision of development schedules, and the transferring of outsourced work to insource. Regarding the establishment of an industry platform, in fiscal 2019 ZEEG Co. Ltd.—the Group’s joint venture with Universal Entertainment Corporation—began joint parts purchasing and introduced common machine cabinets in accordance with plans. Although the need to respond rapidly to regulatory revision means that our efforts to improve development efficiency did not reach the initial targets, measures aimed at improving the profit margin are advancing steadily.

Through such cost improvement measures, we were able to improve the operating income margin despite challenging business conditions. I believe that we have prepared the ground for a dramatic increase in income once we have overcome the uncertain environment that the current shift to new regulations has created.

In the Entertainment Contents Business, with the exception of the Digital Games area, profitability improved. The Packaged Games area saw a significant improvement in profitability in fiscal year 2019, with the operating income margin increasing 3.6 percentage points year on year, to 15.0%. The main driver of this improvement was sales growth overseas. The ratings of review websites tend to have a marked influence on the packaged games market, and our Metacritic ranking is trending upward overall. Thus, the enhanced quality of our offerings is earning favorable evaluations. Further, our measures to step up sales through the STEAM distribution platform for PC games are lengthening sales opportunities, thereby contributing significantly to increases in repeat sales and improvement in profitability. Studios that we previously acquired in North America and Europe, such as The Creative Assembly Limited, are underpinning the Group’s revenues.

Further, in the amusement center operations area, existing domestic amusement centers achieved year-on-year sales growth for the fifth consecutive fiscal year. This performance reflects the tailwind provided by the 2016 revision of the Act on Control and Improvement of Amusement Business, etc., as well as the steadily emerging benefits of expanded areas for prize game machines and strengthened operations. We take pride in the fact that comparisons with peers in the amusement center operations area show the high level of our operational capabilities. In the amusement machine sales area, we are successfully expanding our customer base by introducing popular external IP, such as KanColle Arcade and Fate/Grand Order Arcade. Similarly, effective structural reform of the animation and toys area, which used to have extremely unstable business results, has firmly entrenched a structure that generates income stably.

Main Measures of Road to 2020 (Pachislot and Pachinko Machines Business)

- Increasing of reuse benefits
- Promotion of commonalization of components
- Cost reduction
- Establishment of an industry platform
- Improvement of development efficiency
- Reduction of common fixed expenses, etc.

For details on priority measures, please see P.43.
Tasks in Fiscal Year 2020

We must develop pachislot and pachinko machines that increase approval ratio and gain player endorsement.

In fiscal year ending March 2020, the final year of Road to 2020, we are targeting higher net sales and operating income year on year.

One key to the achievement of this target is the unit sales of the Pachislot and Pachinko Machines Business. Replacement demand for machines conforming to the new regulation is expected to increase as the machines conforming to previous regulation that are currently installed steadily approach their deadlines for removal. In particular, we are setting our sights on capturing concentrated demand in the third quarter, when approximately 182,000 pachislot machines conforming to the previous regulation (No. 5 models) will reach their removal deadlines. Marketing major titles to coincide with this period will be critical. If we grow unit sales as planned, we expect that the benefits of the profitability improvement measures taken to date will enable us to increase the operating income margin from 13.0% to 24.0%, a significant year-on-year improvement.

These strategies are premised on improvement in our approval ratio. Given the particularly low approval ratio for pachislot machines conforming to the new regulation (No. 6 models), the uncertainty of the short-term situation cannot be denied. Through the applications for testing that it has submitted, the Group is acquiring knowledge on testing. Going forward, we intend to heighten our approval ratio by applying for multiple specifications and other measures.

Although it restricts gambling elements, the latest regulatory revision enables the development of pachinko machines with a high jackpot continuous ratio and other specifications that the Group is particularly well qualified to realize. As for pachislot machines, changes in voluntary regulations introduced at the same time as the regulatory revision have substantially broadened the scope for gameplay.

It has become possible to develop pachislot machines that can be enjoyed in around two hours. As a result, in terms of time required, we can now compete on an equal footing with rival forms of entertainment, such as karaoke and movies. I believe that this change gives us scope for expanding our player base. Unfortunately, the Group has yet to create a hit title. However, the market is seeing the emergence of pachislot machines with very high levels of utilization. For this reason, we expect No. 6 model machines to earn solid support among players going forward. Since its launch in June 2018, Sammy’s Pachislot DISC UP No. 5.9 model machine has become a hit, remaining near the top of pachinko halls’ utilization ratio rankings and shipping more than 30,000 units. We feel this pachislot machine has garnered endorsement because to a great extent players’ skill levels determine gameplay outcomes. Thus, Pachislot DISC UP, which has been able to realize the potential of pachislot machines by providing players with new experiential value, has been a touchstone for us.

Pachislot Machine Approval Ratio

Source: Security Electronics and Communications Technology Association
We have to set our pride aside and rigorously improve product quality.

I feel that a lack of hit titles is a Groupwide issue. Given that we have still not brought to market the hit titles hoped for, we need to improve product quality rigorously and thereby gain player support.

In the Pachislot and Pachinko Machines Business, while seeking a higher approval rate we will also follow a management philosophy that gives priority to long-term income and implements sound, far-sighted measures. Until we can produce titles that players endorse, we will forge ahead with these measures unwaveringly. We must face the fact that the No. 6 model machines we marketed in fiscal year 2019 met with a less than ideal reception. In the era of No. 5 model machines, after a process of trial and error, we rolled out the hit pachislot machine *Pachislot Psalms of Planets Eureka Seven.*

In the same way, by rigorously improving product quality, we try to meet the expectations of players and pachinko halls and drive market revitalization.

Similarly, in the Digital Games area we have been unable to create hit titles due to complacency in relation to product quality. As the number of titles under development and in operation increases, our preparations are not thoroughgoing enough with respect to determining the best genre and other aspects of marketing for each title or with regard to establishing operation systems that make players want to continue playing over the long term. In these respects, our commitment to product quality is insufficient, particularly in the initial phase of development. Further, the Packaged Games area has issues. Our system for heightening profitability by giving each development project responsibility for income has taken root. In addition, digital downloads are providing a tailwind for growth. In comparison with industry peers in Japan and overseas, however, we cannot say we are producing world-class hit titles. Due to insufficiently focused market analysis at the planning stage, we are squandering industry-leading technological capabilities on genres with weak marketability. As a consequence, I feel that we are not taking full advantage of our potential. Admittedly, the SEGA brand is known worldwide. But rather than brand power, this is nothing more than the legacy of past hit titles. We need to set aside pride in our brand and cultivate a sense of crisis because if we do not create new hit titles we will be forgotten by the coming generation.
Strategies in the Entertainment Contents Business

We will concentrate resources on areas of strength.

We have dramatically revamped our organization and strategies to overcome issues related to competitiveness in product creation. When we announced Road to 2020, one of our basic strategies was to focus investment on mobile games in Japan, which was a particularly promising growth area among the Digital Games area. However, given the current intensification of competition that is accompanying softer growth, beginning from fiscal year 2020 we will switch to a portfolio strategy that concentrates resources on areas where we can exploit our advantages. Aiming to create titles that are global hits, we will shift the focus of management resources to packaged games and downloadable PC games—which are continuing to grow robustly centered on North America, Europe, and Asia—and strengthen collaborations with studios in respective countries.

The reorganization that we implemented in January 2019 was part of this strategy. We integrated organizations that, with a view to rapid business development in each area, had been separated based on devices and classified according to such areas as “Digital Games” and “Packaged Games.” While encouraging the sharing of personnel and expertise in management of development, we will step up IP-oriented rollouts. We will apportion responsibility to each manager based not on titles, as we have been doing, but on IP. As a result, these managers will put effort on maximizing the value of IP from broad viewpoints encompassing the whole world and all platforms. In step with this reorganization, we have also introduced a new management accounting system that is conducive to Groupwide optimization.

Under this new organization, we will steadily invest in such existing IP as Sonic the Hedgehog, revived IP, including Sakura Wars; external IP that have generated significant income in recent years, with Fate/Grand Order being a representative example; and the creation of new IP. In anticipation of the beginning of 5G services, various companies have stated an intention to enter the cloud games area. We view reaching this new market as a way of increasing our business opportunities.

Revision of Priority Areas

Announcement of Road to 2020

Revision of Priority Areas

Currently

Digital and packaged games performing robustly

Asia, North America, and Europe

Four Categories

Existing IP

Revived IP

New IP

External IP

Toward Stronger, More Efficient Group Management

We will approach business management based on the same viewpoint as that of shareholders.

The Group is also implementing reorganization aimed at strengthening and increasing the efficiency of its business management to ensure the steady advancement of strategies. Our consolidation of Group companies’ head office functions in 2018 was part of this reorganization.

We consolidated accounting, personal administration, finance, general affairs, IT solutions, and other management functions that had belonged to the holding company or to
specific operating companies, thereby increasing the efficiency of decision-making processes and eliminating overlapping functions. We have also integrated functions for licensing in and out, which will give our IP strategies further support. Also, we have newly established the Resort Business Division, which manages existing resorts cohesively.

Further, we will strengthen corporate governance. We have bolstered the governance of the Group by consolidating internal audit and control functions at the holding company. At the same time, we have implemented an overall revision of the system for the compensation of directors with the aim of ensuring transparency and heightening incentives in relation to corporate value enhancement. As well as increasing the transparency of fixed compensation, the new system ensures that performance-linked compensation is strictly based on valuations of results. This system, together with the introduction of a stock compensation plan with restriction of transfer, will give senior management the same viewpoint as that of shareholders as it advances measures to enhance corporate value.

To Realize Both Social and Economic Value

The Group will convert society’s expectations into opportunities.

Although we have been delayed in reaching the management targets set out in Road to 2020, we still view them as targets that we must meet eventually. At present, we are conducting analysis with a view to preparing our next medium-term management plan. At this juncture, one point that has become clear is that we not only have to be even more aware of economic value but also of social value.

The Group is steadily moving forward with efforts to reduce any adverse impact its businesses have on society. For example, we are conducting supply chain management in accordance with such principles as the elimination of child labor and forced labor and rigorous management of products containing potentially hazardous chemicals. Reuse initiatives in the Pachislot and Pachinko Machines Business exemplify the Group’s efforts to simultaneously realize social and economic value. Meanwhile, the responsibilities of entertainment corporate groups are becoming onerous due to such factors as the international recognition of “gaming disorder” as an addiction. In ensuring that society continues to value and need us, I believe there may be occasions when we have to sacrifice short-term income. Turning to opportunities, however, we can help cope will the emergence of a super-aging society and other social issues through our mainstay businesses. In our efforts to sustain growth going forward, we will view society’s expectations in relation to such areas as the United Nation’s Sustainable Development Goals (SDGs) as growth opportunities and include concrete measures in our plans accordingly.

The SEGA SAMMY Group aims to continue implementing sound, far-sighted measures and providing moving experiences to society. To these ends, each employee will take issues seriously and tackle them with a sense of urgency.

As we move forward, we would like to ask our stakeholders for their continued support.

August 2019

President and Group COO (Representative Director)
SEGA SAMMY HOLDINGS INC.
We will create a management strategy geared toward clear realization of our long-term vision, driven by strong financial backing.

Koichi Fukazawa
Executive Vice President and Group CFO
(Director of the Board)
SEGA SAMMY HOLDINGS INC.

To Achieve Our Long-Term Vision

We recognize the pressing need to strengthen our existing businesses.

Looking back on the two-year period since the start of the Road to 2020 medium-term business strategy, the Pachislot and Pachinko Machines Business declined due to the effect of an external factor, namely, regulatory revision in February 2018. Further, performance remained sluggish in the digital games area, which the Group had identified as a driver of its growth and invested in accordingly. As a result, we missed our originally announced performance targets for two consecutive fiscal years. As for our forecast for fiscal year 2020, the final fiscal year of Road to 2020, we have already announced a forecast that falls short of initial targets.

As our existing businesses grapple with this situation, we find ourselves getting closer and closer to our entry into the IR business in Japan, positioned as a pillar of future growth, and thus a major event for the Group. To make a successful entry we need to clear three hurdles: first, we need to be selected at a local government’s request for proposal (RFP); second, we need to work with that local government to acquire regional
certification; and third, we need to acquire a gaming license from the Casino Administration Committee. In actuality, it may take six to seven years before we can open an integrated resort, but to ensure that all the steps required go as planned, that we are able to make a proper entry into the domestic IR business, and that we can achieve our long-term vision, I believe we need to build the profit structure of our existing businesses into something larger and stronger.

### Process for Opening an Integrated Resort

1. **STEP 1**
   - RFP (Public offering and selection) (Local government)
2. **STEP 2**
   - Regional certification (Minister of Land, Infrastructure, Transport and Tourism)
3. **STEP 3**
   - Acquisition of gaming license (Casino Administration Committee)

### Keeping Aware of Return on Investments

**We will enhance the earning power of our businesses.**

In fiscal year 2019, net cash decreased ¥17.7 billion year on year, to ¥71.8 billion, mainly due to relocation expenses associated with consolidation of head office functions. To date, the Group has put a high priority on maintaining and expanding its net cash position. This has been a necessary move, made to ensure that we have the financial base to be able to assume any business or financial model required as the only domestic company trying to stand the equivalent position with worldwide casino operators that have announced their entry into the domestic IR business.

However, as I have mentioned earlier, while we will be looking at things in terms of entering the domestic IR business moving forward, there is a need to shift toward increasing earning power, not only in new businesses but in existing business areas as well. It is therefore necessary to be strongly conscious of capital cost further when strengthening existing businesses and investing in new businesses. Considering our portfolio, which is formed by various businesses with different characteristics and financial situations, if we take utilization of return on invested capital (ROIC) and other performance indicators into account, while also incorporating management indicators such as cash conversion cycles into the activities of each respective business, we will be able to at once maintain control over an appropriately sized balance sheet for our existing businesses as well as making it possible to actively and effectively pursue forward-looking investments. I believe that this will in turn lead to an improved return on equity (ROE).

To strengthen the earning power of our existing businesses, we revised our management strategy for fiscal year 2020. In the Entertainment Contents Business, we will optimize the number of titles under development and operation in the digital games area. We plan to increase earning power by investing in areas where we expect to see market growth and also areas where we have strength in such that North American
and European packaged games and PC games.

While regulatory revisions have changed the market conditions of the Pachislot and Pachinko Machines Business, we plan to expand revenue by obtaining the approval of machines that conform to the new regulation and releasing machines that can gain support from users while also leveraging the measures that we have implemented to improve profits to date.

**Pachislot and Pachinko Machines Business: Operating Income Margin**

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**Digital Games Area: Operating Income (Losses)**

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<th>Billions of yen</th>
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<th>'17</th>
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<td>(Forecast)</td>
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*Return to profitability by optimizing titles under development and operation*

**Maintaining a Strong Sense of Caution**

**We are analyzing the past 15 years from a financial perspective to identify Company issues.**

It has been 15 years since the management integration in October 2004. Over this 15-year period, market capitalization has fallen one quarter, a fact which I feel is my responsibility as CFO. We are currently running a financial analysis of the last 15 years, looking at various measures we have implemented in that time, including measures to improve profitability in existing businesses, post-merger integration (PMI), and entries into new businesses. As we move forward, I maintain a strong sense of caution and awareness of the issues facing us. At the same time, I intend to fulfill my obligation to keep improving the corporate value of the Group by driving its growth strategy on one side of the coin, and its financial strategy on the other.

**Market Capitalization and Adjusted EV / EBITDA**

<table>
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<tr>
<th>Billions of yen</th>
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<td>(FY)</td>
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*Market capitalization | Adjusted EV / EBITDA
* Calculated as of the end of March in respective years