

2Q results for Fiscal Year ending March 2021

Major Questions in Conference Briefing about Results for Analysts and Institutional Investors

November 16, 2020

SEGA SAMMY HOLDINGS INC.

IR Department, Finance and Accounting Division

■ Date: Friday, November 6, 2020, 13:00-

■ Respondents:

Haruki Satomi (President and Group COO, Representative Director of SEGA SAMMY HOLDINGS INC.)

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

Pachislot and Pachinko Machines Business

Q: What are the medium to long term direction of Pachislot and Pachinko Machines Business and the level of incomes that you hope to maintain even in the current harsh marketing environment?

A: In the medium to long term, we intend to reform the structure that can produce a ordinary income of about 25-30 billion (about 25-30%) with the sales of 100 billion yen.

Sammy Co., Ltd., which holds a large share of the pachinko and pachislot machine industry, is holding about 1,400 employees on a consolidated basis. This is a larger number of employees compares to other companies, and in order to change this business to continue to generate incomes in the future, we believes it is necessary to change a scale of employees on par with that of other companies in the industry. As cost for molds and R&D expenses per title is not different significantly, we will optimize the number of titles to develop and focus on those with large sales volumes going forward.

We will also promote the implementation of new sales methods, such as e-commerce sales, which we have already started. As there are inquiries for e-commerce sales from medium-sized manufacturers and others who believe it is difficult to maintain a nationwide sales network, we would like to consider offering e-commerce sales support and other services to such manufacturers.

Q: While demand for pachislot's new regulation machines continues to be sluggish, some hit titles appeared in pachinko's new regulation machines, and I think that the recovery in pachinko demand may continue to precede to pachislot for a while. Please tell us your thought about market forecast from this perspective.

A: In the short term, we believe that the trend toward shifting to pachinko will continue for some time, such as the flow of pachislot users to pachinko. The new regulation pachislot 6.1 model, which will be launch to the market in near future, has the potential to realize model designs that are acceptable in the market, so we would like to work to resolve the issue of declining demand for pachislot.

Q: Please tell us about the changes of the market environment from three months ago (at the time of 1Q).

A: We think the most significant change of the market is the acceptance of new pachinko specs such as "Yu-Time" by users evidenced by the emergency of higher utilization models such as our "P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO" and models from other manufactures. However, there have been no major changes in utilization status of pachinko halls as a whole, and some customers have not yet returned to pachinko halls.

Q: I think "P Shin Hokuto Muso Chapter 3" is exceeding initial forecast, and I would like to ask you about the present forecasted number of units.

A: At present, we received more orders than we forecasted, and we look forward to future growth. However, firstly, we would like to ship the portion that can be shipped within the end of the year properly. We believe that if they will be accepted well, we can expect additional orders after the beginning of the next year.

Entertainment Contents Business

Q: Non-operating income of Entertainment Contents Business for the second half in the revised forecast is 1.8 billion yen. Can we understand that the majority of this is allocated revenue of the movie, "Sonic the Hedgehog"?

A: For "Sonic the Hedgehog" movie, we assume that recording of most of the allocated revenue will occur in the next fiscal year, and do not expect to record significant revenues during the second half of the current fiscal year.

Other

Q: Regarding the effect of structural reform, I would like to ask whether I can understand that the target of reducing fixed expenses by 15 billion yen from the current fiscal year to the next fiscal year has been achieved.

A: Owing to the transfer of consolidated subsidiaries related to amusement facility business, we have changed our target to "15 billion yen of profit improvement" instead of "15 billion yen of reduction in fixed expenses." However, we believe that we can almost achieve a 15 billion yen of profit improvement as the results of announcement this time, including a 10 billion yen reduction in fixed expenses through the call for voluntary retirement of employees and a 5 billion yen improvement through the exclusion of Amusement Center Operations area from consolidation.

Q: I would like to ask you if there are any additional items for structural reform in the future.

A: We think there is still room to consider in the review of BS which targeting on non-business properties. We will continue to review them and work to reduce the losses in this fiscal year.

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