

Major Questions Regarding the 1Q Financial Results for the Fiscal Year Ending March 2019

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SEGA SAMMY HOLDINGS INC.

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■ Pachislot and Pachinko Machines

Q: What are your thoughts on the Pachislot New-Type (No. 6) and what titles are planned for it?

Moreover, what do you see in the future of No. 6 and what is your opinion on the possibility of stricter regulations?

A: At present, we are developing No. 6 machine in multiple specs, and as our title passed the test, we realized that we will be able to provide new forms of entertainment. I believe other companies are also developing a number of titles and submitting them for inspection, but which ones are received well by the market and what titles will be coming out in the future is something can be seen gradually in this fiscal year and the next. We have high expectation for No. 6 and we believe that the expectation for the market expansion on No. 6 will continue to become bigger. We have the plan to launch our main titles in the second half of this fiscal year.

We were a bit late compared to other companies when it came to adapting to Pachislot No. 6, but that was a consequence of refining the machines to produce good products and it is our aspiration to continue to provide products that are appreciated by the market.

Q: What are your thoughts on gambling addiction in the context of Pachislot and Pachinko machines?

A: There now exists legislation on gambling addiction and we are ready to fully deal with the matter as a challenge that is faced by the whole industry. We also want to do the testing applications for No. 6 in cooperation with the industry as a whole and in accordance with existing regulations.

Q: What are your thoughts on profit margins and profit growth for Pachislot and Pachinko machines, within current tough market situation?

A: Our view is that both selling price and cost for the Pachislot and Pachinko machines are progressing more or less according to plan and we are aiming to continue increasing profit margins through the approach like reuse and etc.

■ Entertainment Contents Business

Q: The goals for the digital games full-year plan seem high. Do you think the performance will accelerate with the release of the new "BORDER BREAK" or with the distribution of some other title?

A: We are aware that the performance for digital games in the first quarter is under our estimate. In the second quarter and onward, we hope to recover from the decline of existing titles and want to expand performance centering on new titles. "BORDER BREAK" is one of them and several more new titles are coming, so we hope some of them will prove successful.

Q: "BORDER BREAK" has been released as a new digital game title, but what are your thoughts in terms of titles for core users and for free-to-play users?

A: When it comes to digital games, we are working on new titles centering on our IP strategy. Just like the new title "BORDER BREAK" that was just released, we have titles for core users and at the same time, we also have new

titles like “kotodaman” for smartphone that are for a wide range of users. In this way, we are releasing titles as part of a broad strategy. We will continue to release new titles, of which we hope some will be successful.

Q: The planned goals for digital games are high and it feels like reaching them will be difficult, but is it achievable with the release of future new titles?

A: We have several new digital game titles coming up, and since we will continue to spend money on development, it is our view that growing sales is necessary as a prerequisite. We are hoping to increase sales with the 12 new titles planned for launch this fiscal year and we are looking to ascertain how much we can recover from the decline of existing titles.

Q: Are you releasing any titles for the game distribution platform WeGame that Tencent is running in China?

A: We have already started business with WeGame. As we need to obtain authorization per title, we will be observing the market situation to plan future release.

Q: It looks package games is increased by repeat sales but what are your thoughts about this? Are conditions the same for other companies?

A: It is our understanding that package game performance is increased by repeat sales, which yields profit since development costs can be saved with them. We assume that similar tendencies are seen for other companies. We hope to keep this trend for future sales with approach like running campaigns and others..

Q: Do you have any idea about the strong and weak points of the package game lineups for this fiscal year and the next? Are you composing the lineups with the intention to maintain some production balance per fiscal years?

A: As regards new title lineups, we will be developing titles related to the upcoming Tokyo Olympics, and also want to make use of the past series that sold well to build firm lineup. Development resources are finite, so we secure some level of revenue with well-selling IP while also considering the creation of new IP. We are preparing a major title for the second half of this fiscal year.

Q: Considering the market conditions of the entertainment contents industry, package games are likely to show more growth than digital games, so it would make sense to put more effort into package games from now on, but how do you think about your future strategy?

A: Our goal for the fiscal year ending March 2020 is to achieve growth centering on digital games. That is why we also set high goals for the fiscal year ending March 2019 and why we are expanding our development lineup. In this sense, we are really working hard on digital games and we are hoping to make it a winning business as the market is displaying slight growth. As such, we are not planning to suddenly change this strategy. At the same time, we are seeing the good effects on package games category from repeat sales of titles that released in the past, so we want to expand our business on two fronts, going back and forth between digital and package games centering on IP.

■ Resort Business

Q: What is your concrete schedule for the domestic IR industry?

A: We have been expressing that we want to enter into the domestic IR industry as an operator. Although the IR

Implementation Bill passed, we are still not at a stage where we can talk about a concrete plan or schedule, but we hope to talk about this when the time is right.

Q: Looking at the IR Implementation Bill, it feels like it will be difficult to finance projects, for example by taking bank loans. Will this be an issue?

A: We are increasing fund efficiency within the group and are already building up cash reserves and the equivalent. When it comes to loans, we are working to raise our borrowing limits with financial institutions. We are making all possible preparations so that we will be able to finance our projects once the IR industry takes shape.

Q: With the passing of the IR Implementation Bill, is there any chance that costs will increase for this fiscal year?

A: We do not anticipate that costs will increase markedly as a result of the passing of the IR Implementation Bill.