



Road to 2020

May 15th, 2017

SEGA SAMMY HOLDINGS INC.

[Disclaimer]

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These contents involve risk and uncertainty and the actual results may differ materially from these contents/comments.

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Review of Structure Reform

FY Ended March 2015

FY Ended March 2016

FY Ended March 2017

FY Ending March 2018

Cost Structure Reform

- Reduced fixed expenses by 6 billion yen

Business Structure Reform

■ Review Business Portfolio

【Growth Investment Businesses】

Invest in growth businesses
Sales growth

Digital Games

IR (Integrated Resorts)

Other New Areas

【Core Businesses】

Reform into profit structure
Expand fan clients

Pachislot and Pachinko Machines

Packaged Games

Amusement Machines

Amusement Center Operations

Animation

■ Improve Business Efficiency

Pachislot and Pachinko Machines

Consolidate and streamline development/production resources

Entertainment Contents

Disposition of non-core business

Implementation Phase

■ Implement various initiatives

Growth Investment Businesses

Resort

Improve asset efficiency

- Transfer of JOYPOLIS
- Discontinuance of development of complex in Busan

Core Businesses

Packaged Games

Reinforce PC games

- Acquisition of PC game developer Amplitude

Amusement Center Operations

Improve asset efficiency

- Sold land in Shinsaibashi

Pachislot and Pachinko Machines

Establishment of a joint venture "ZEEG" with Universal Entertainment Corporation

ZEEG

To Growth Phase

■ Implement various initiatives

Growth Investment Businesses

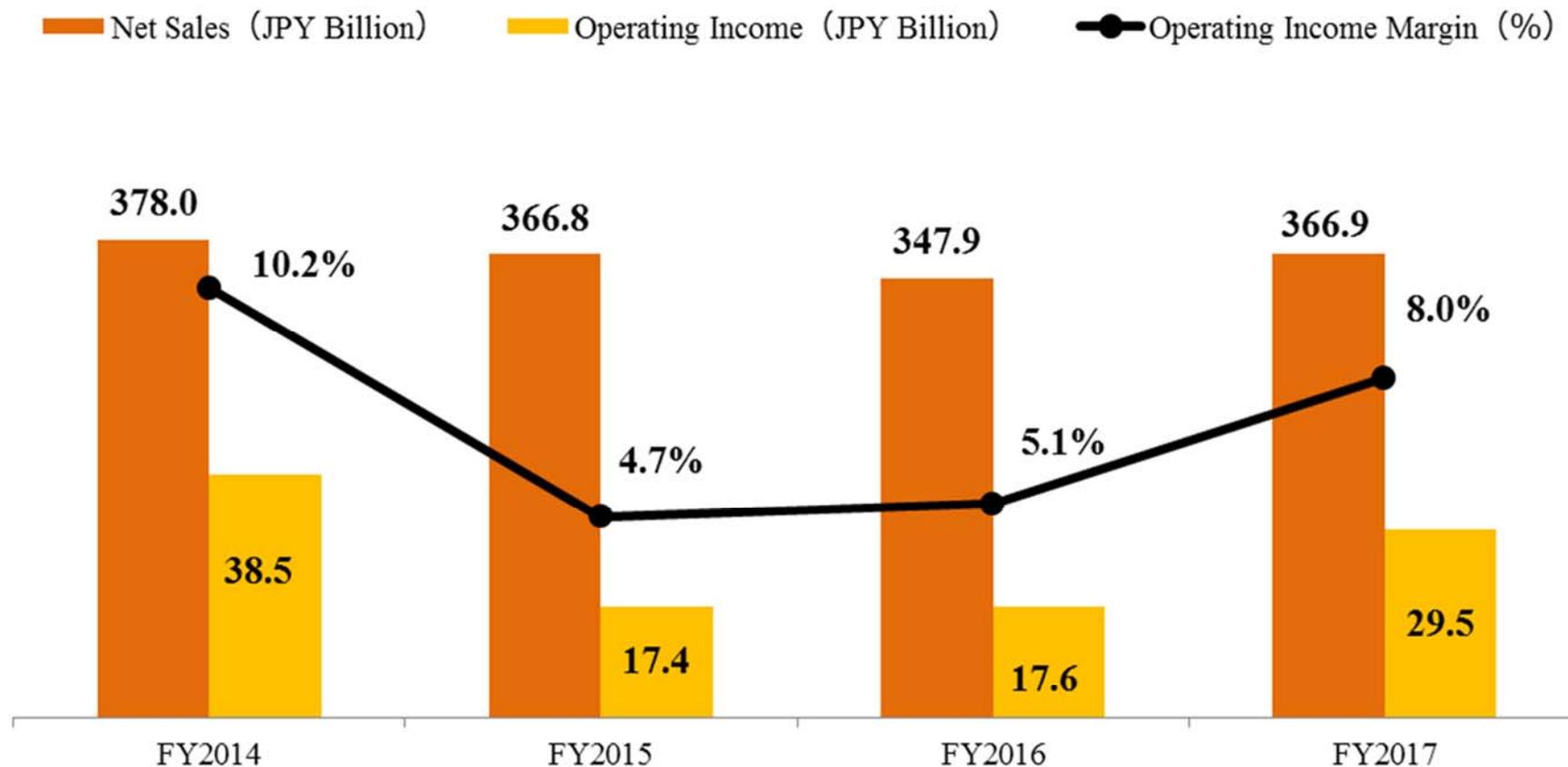
Resort

Accumulate know-how on integrated resort (IR)

- Opened PARADISE CITY (April 20, 2017)

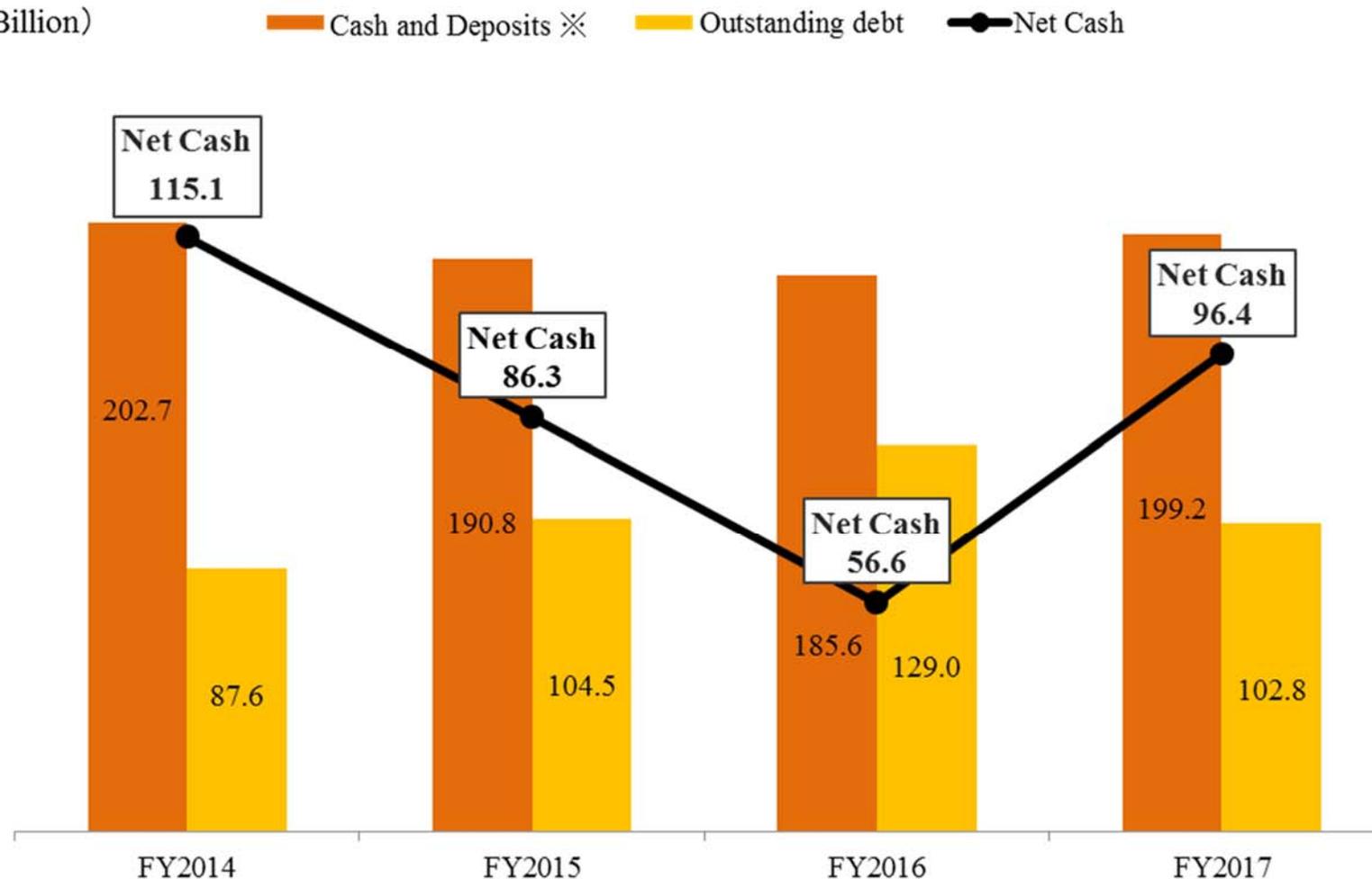


Changing mindsets



- ✓ **Following the start of structure reform, profit is on a recovery trend**

(JPY Billion)



※Cash and cash equivalents in cash flow statement

- ✓ **Broke away from decrease trend in net cash which continued until FY Ended March 2016**



Road to 2020
SEGA SAMMY GROUP

Value (Mindset /DNA)

"Creation is Life" × "Always Proactive, Always Pioneering"

Mission
(Raison d'être)

"Continuing to create moving experiences"
~ Making life more colorful ~

Be a Game Changer

Vision
(Ideal self)

【Pachislot and Pachinko Machines】

【Entertainment Contents】

【Resort】

Sammy...the wellspring
of new ideas as an
innovator in the industry

Be a Game Changer

Be an Experiential Innovator

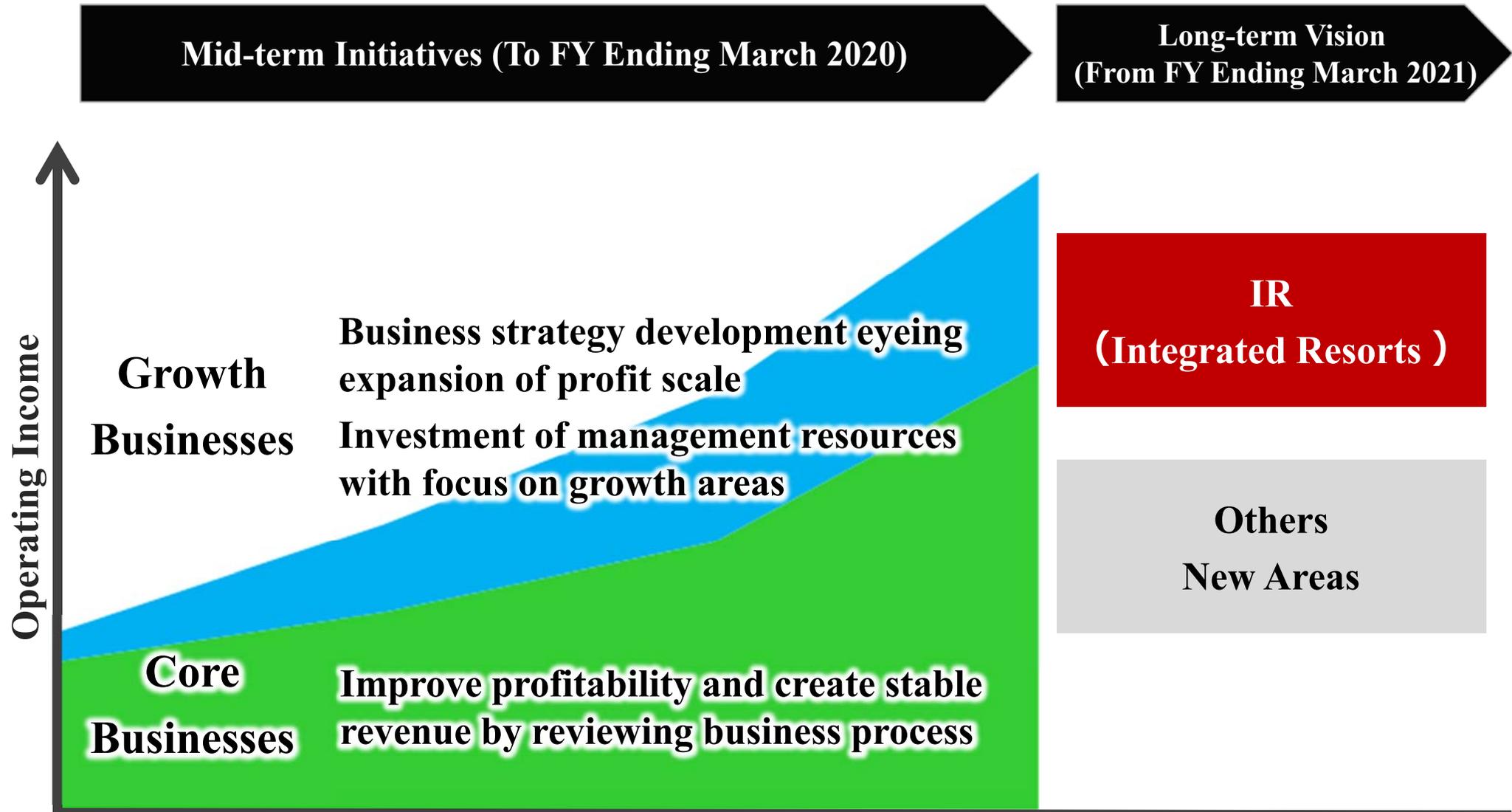
Goal
(Specific target)

Operating income margin : At least 15% ROA : At least 5%

Operating income
margin : At least 30%

Sales: At least ¥300 billion
Operating Income: At least ¥ 30 billion
Operating income
margin : At least 10%

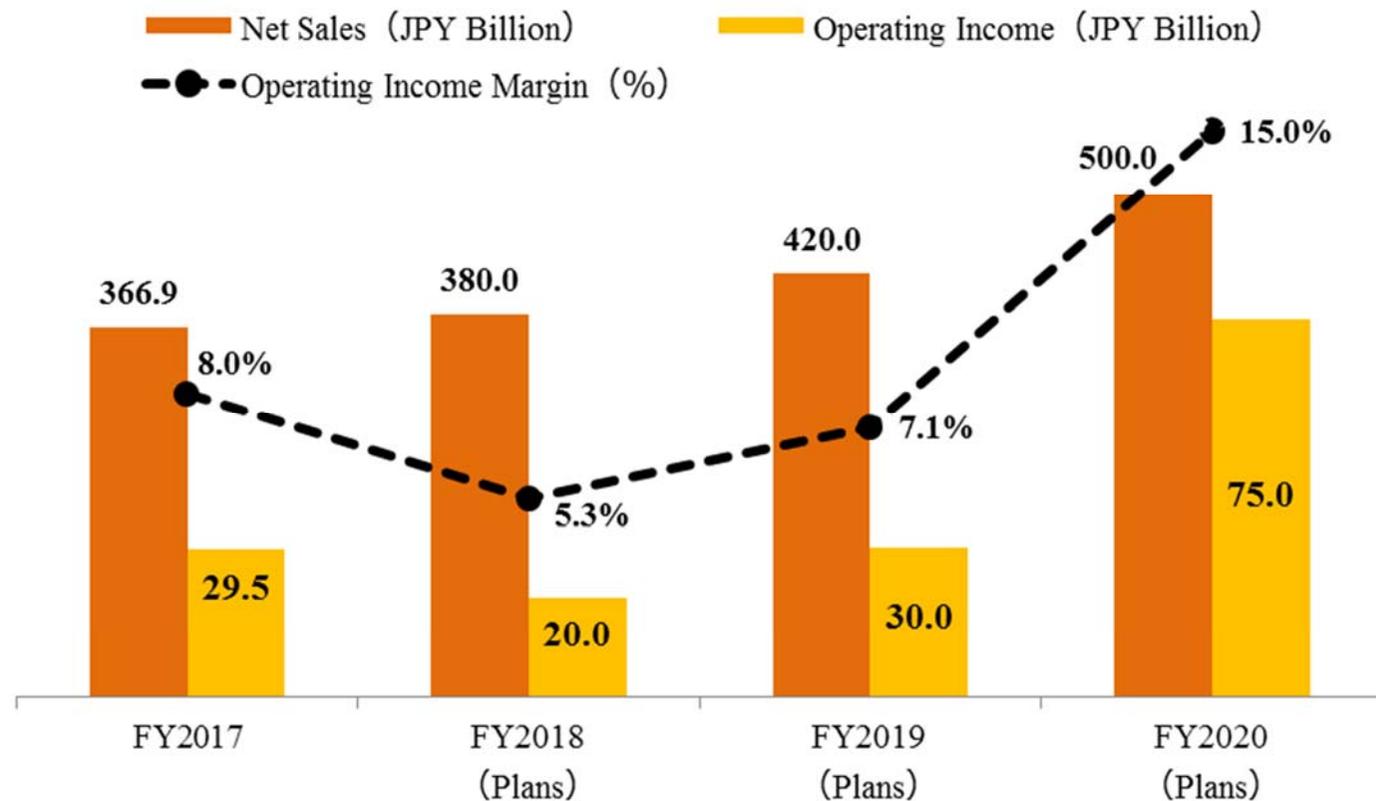
Succeed in IR businesses
Enhance brand recognition



✓ Reinforce earnings base → Enter new growth areas

Growth Investment Businesses	Resort	<ul style="list-style-type: none">• Obtain expertise toward success in IR businesses
	Digital Games/ Packaged Games	<ul style="list-style-type: none">• Create titles that will become global hits
Core Businesses	Pachislot and Pachinko Machines	<ul style="list-style-type: none">• Promote reuse• Develop industry platform• Improve development efficiency
	Build Business Environment	<ul style="list-style-type: none">• Integrate group offices and reform workstyle• B to C initiatives toward expansion of fan base

■ Target for FY Ending March 2020



- ✓ **Operating income margin of at least 15%**
Sales: 500 billion yen Operating income: 75 billion yen
- ✓ **Expect ROA of at least 5% based on the assumption that total asset size will be the same as current level**

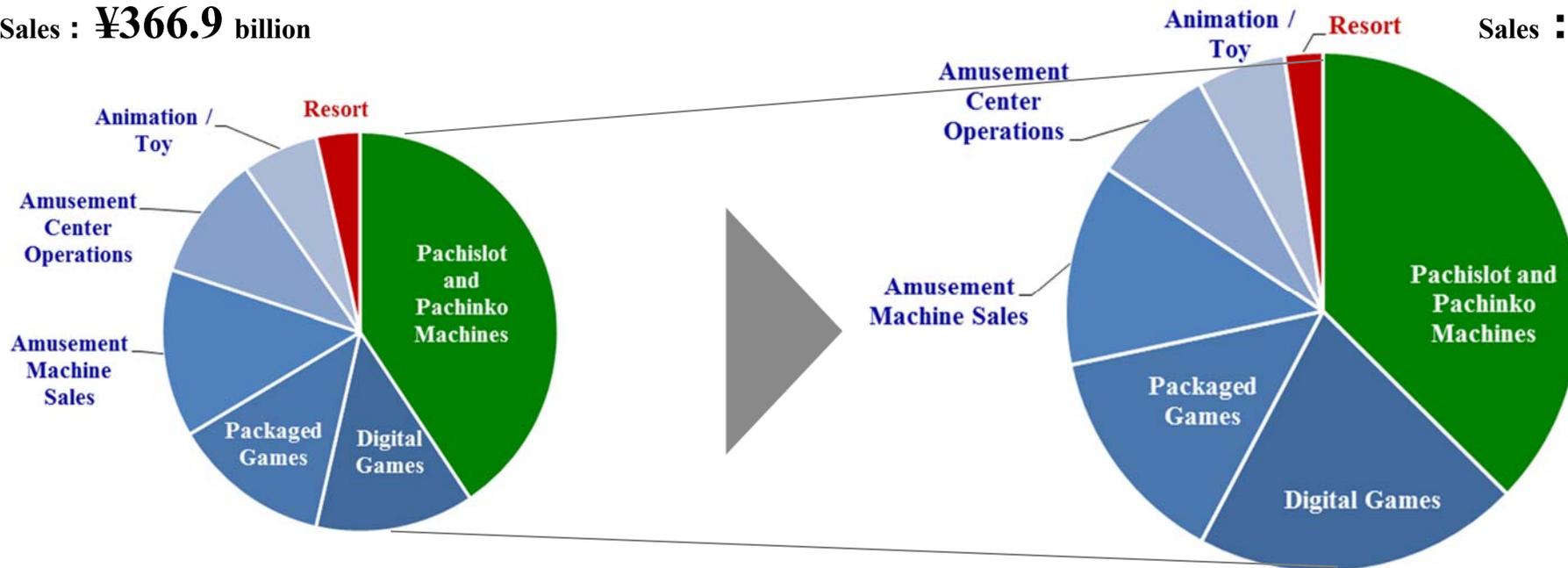
Mid-term Business Results Trends (Sales/Operating income composition)

FY Ended March 2017

Sales : **¥366.9** billion

FY Ending March 2020

Sales : **¥500.0** billion

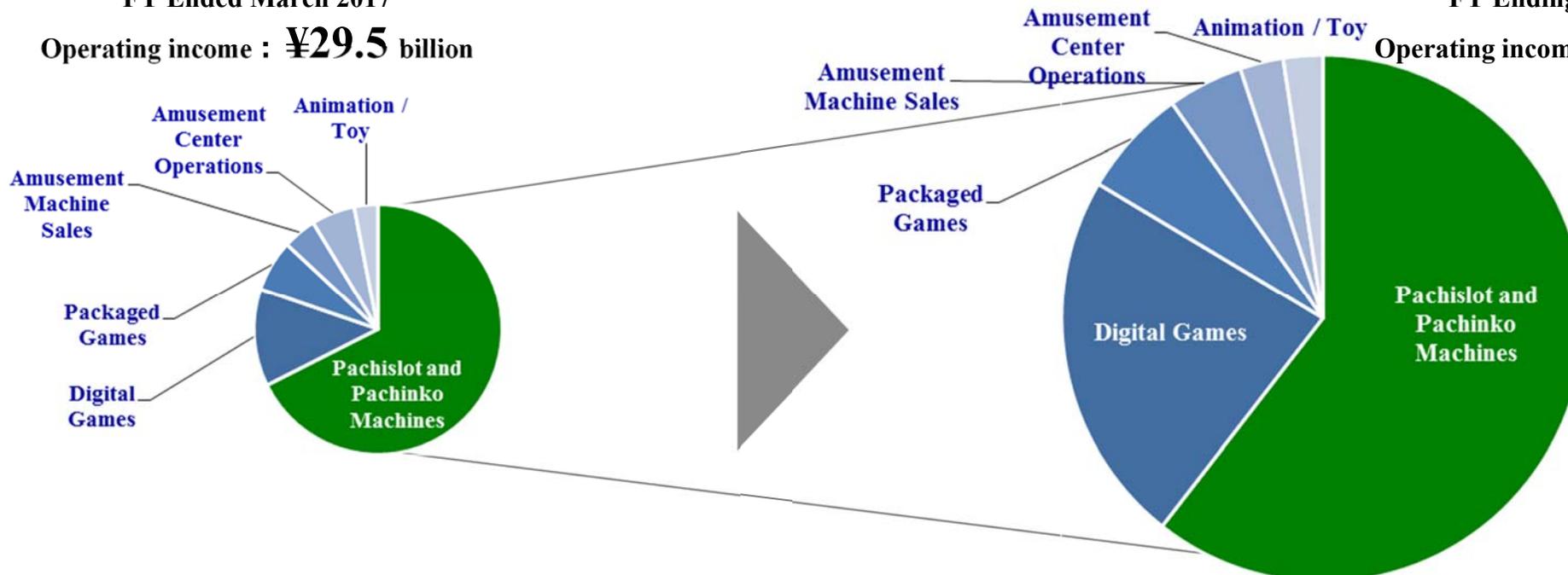


FY Ended March 2017

Operating income : **¥29.5** billion

FY Ending March 2020

Operating income : **¥75.0** billion



**Sales
(consolidated)
¥500.0 billion**

**Operating income
(consolidated)
¥75.0 billion**

**Operating income margin
(consolidated)
15.0 %**

		FY Ended March 2017	FY Ending March 2018	FY Ending March 2019	FY Ending March 2020
Consolidated	Sales	366.9	380.0	420.0	500.0
	Operating Income	29.5	20.0	30.0	75.0
	Operating Income Margin	8.0%	5.3%	7.1%	15.0%
Pachislot and Pachinko Machines	Sales	148.2	150.0	165.0	185.0
	Operating Income	26.3	20.0	28.0	52.0
	Operating Income Margin	17.7%	13.3%	17.0%	28.1%
Entertainment Contents	Sales	205.7	220.0	245.0	305.0
	Operating Income	11.1	10.0	15.0	32.0
	Operating Income Margin	5.4%	4.5%	6.1%	10.5%
Resort	Sales	13.0	10.0	10.0	10.0
	Operating Income	-2.2	-3.0	-2.0	-1.0
	Operating Income Margin	-	-	-	-
Other / Elimination	Sales	-	-	-	-
	Operating Income	-5.7	-7.0	-11.0	-8.0

※ PARADISE SEGASAMMY is not included because of application of the equity method

Segment Goal / Business Strategies



Founding principle: Mindset
Always Proactive, Always
Pioneering

【Mission】

Continuing to create
moving experiences

【Vision】

Sammy...the wellspring of new ideas as an
innovator in the industry

Segment Target (Goal)

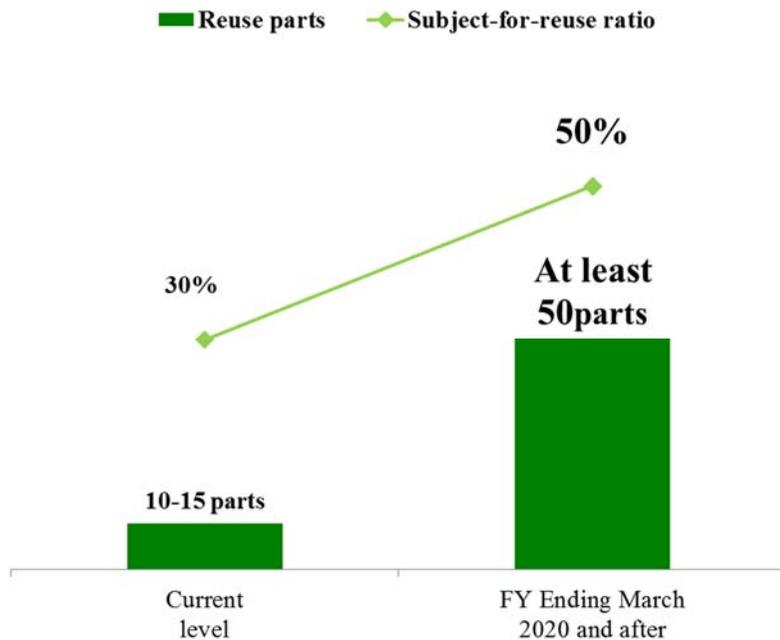
Operating income margin of at least 30%*

■ Major Issue① "Promote reuse"

Increase subject-for-reuse ratio

- Product design that is conscious of reuse
- Product line-ups for maximization of reuse
- Expand parts subject for reuse

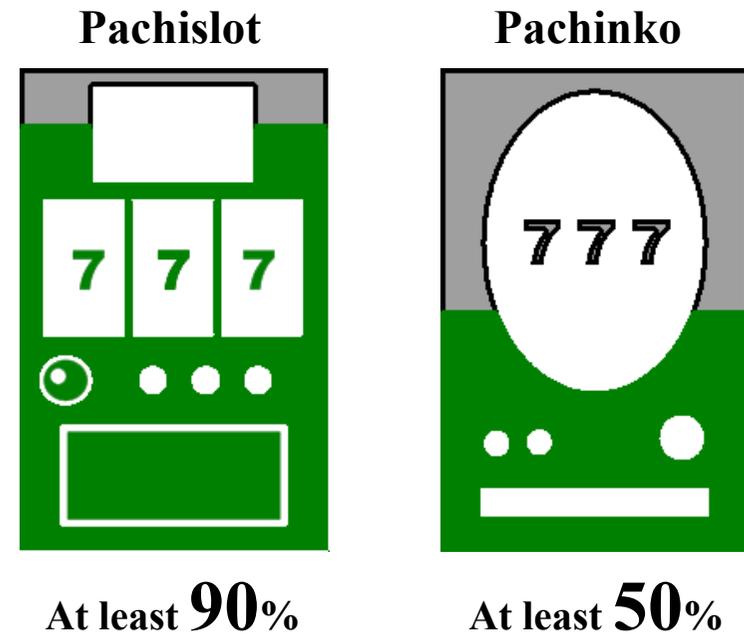
【Number of parts for reuse and Target subject-for-reuse ratio (Pachislot)】



Promote introduction of common components

- Promote introduction of common components
 - Expand common components for Pachinko and Pachislot machines
- ⇒ Reduce disposal risks and expand scale of reuse

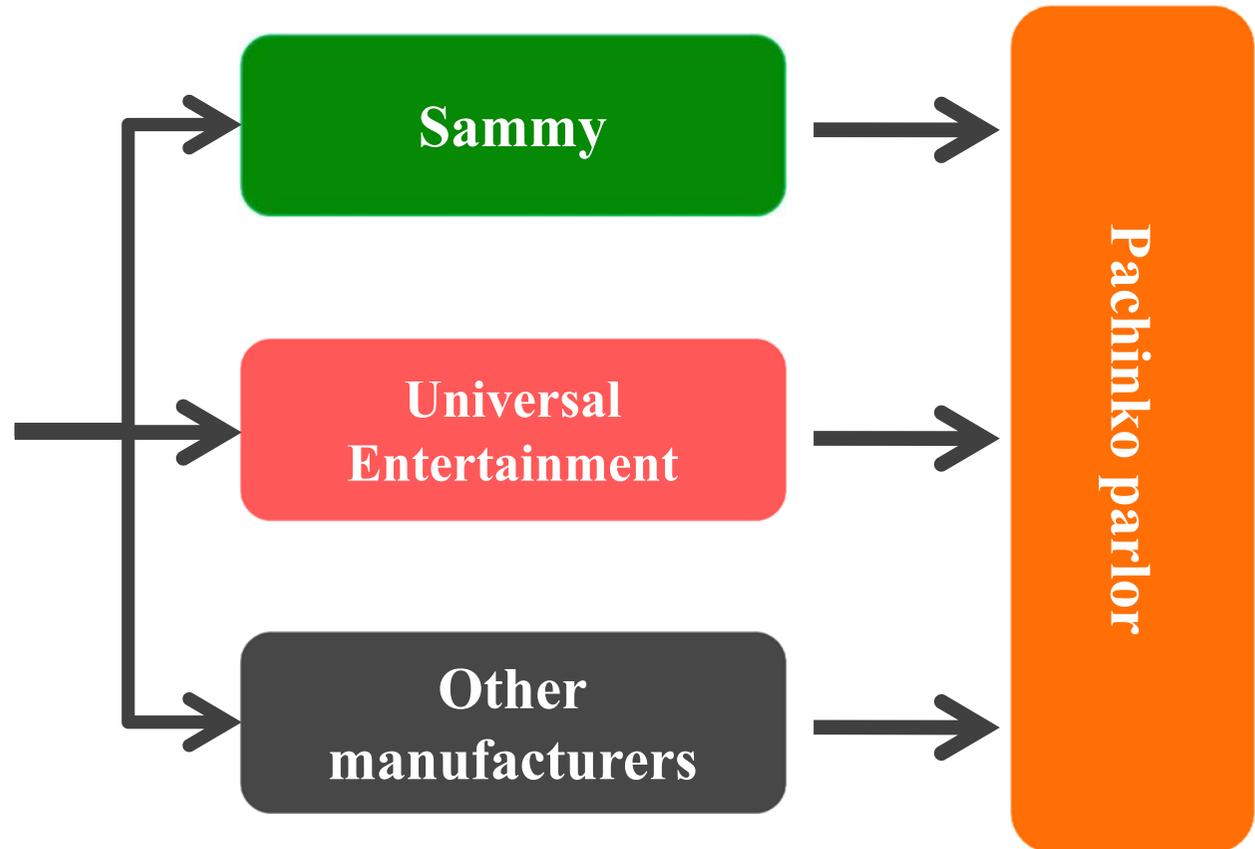
【Target ratio of common components (FY Ending March 2020)】



■ Major Issue② "Develop industry platform"

Development and sales of common machine cabinets and component units

Development and sales of products that adopt ZEEG machine cabinets and component units

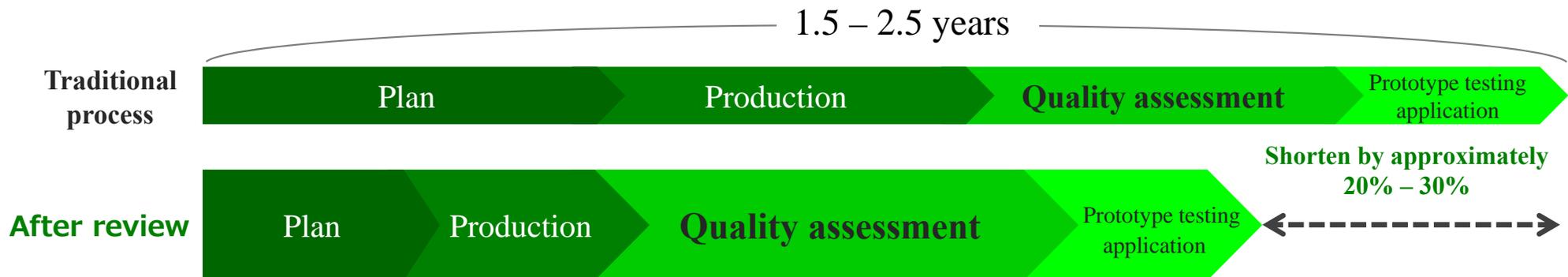


- ✓ Enhance product appeal by adopting high-quality machine cabinets
- ✓ Improve costs by reusing machine cabinets in the future

■ Major Issue③ "Improve development efficiency"

Review development
process
·
Advance product
quality

- Launch products at the peak of market needs by shortening development period
 - ⇒ Narrow down the number of titles/increase number of personnel per title
 - ⇒ Drastically review development process
(in-house approval system, quality control process, in-house production, etc.)
- Strengthening quality assessment process (test play etc.)



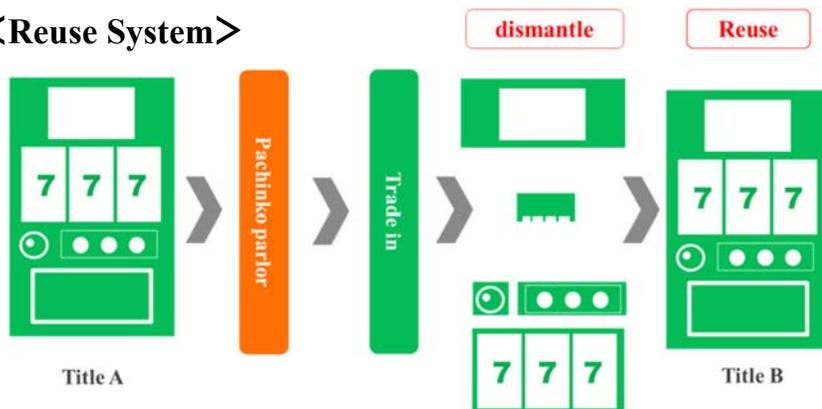
- ✓ Launch products at the peak of market needs by shortening development period and strengthening quality assessment process

■ Major Points by Initiative

Reuse

- Product design that is conscious of reuse
- Expand parts subject for reuse
- Promote introduction of common components

<Reuse System>



Cost Reduction

- Reinforce cost management using cost indices
- Drastically review debug operations
- Select exclusive items such as devices carefully

Establishment of ZEEG and Utilization of Brands

- Collaborate with Universal Entertainment Corporation
- Implement joint purchasing
- Adopt high-quality machine cabinets
- Integrate into Sammy brand
- Select the number of titles to be developed carefully
- Improve development/production/sales efficiency



B to C

- Hold fan events, etc.
- Operate information website for smartphones

ぱちガズ!





【Mission】

Continuing to create moving experiences



Group Value
Creation is Life

【Vision】

Be a Game Changer

Segment Target (Goal)

<Sales>	<Operating income>	<Operating income margin>
At least ¥300 billion	At least ¥30 billion	At least 10%



■ Major Issue "Create titles that will become global hits"

Transition from diversified investment to focused investment

➤ **Select titles carefully**
(aim for middle hits ⇒ aim for big hits)

➤ **Focused investment on promising titles**
(reinforce promotion)

Create system to promote global development

➤ **Shift business pillar from device-centric to IP-centric**

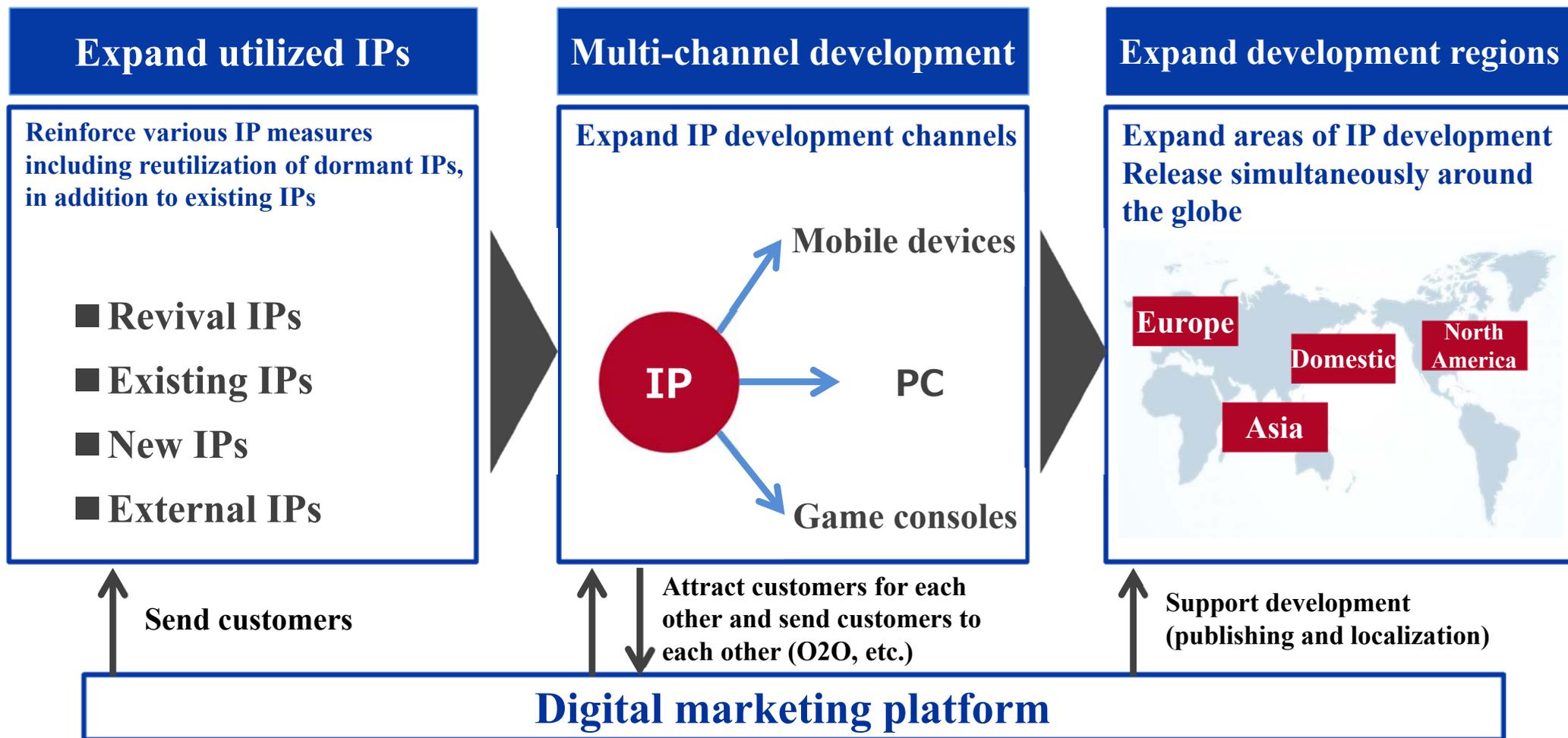
➤ **Reinforce by integrating functions of regional bases**



✓ **Restructure business structures including organizations to achieve strategies mentioned above**



Major Issue "Create titles that will become global hits"

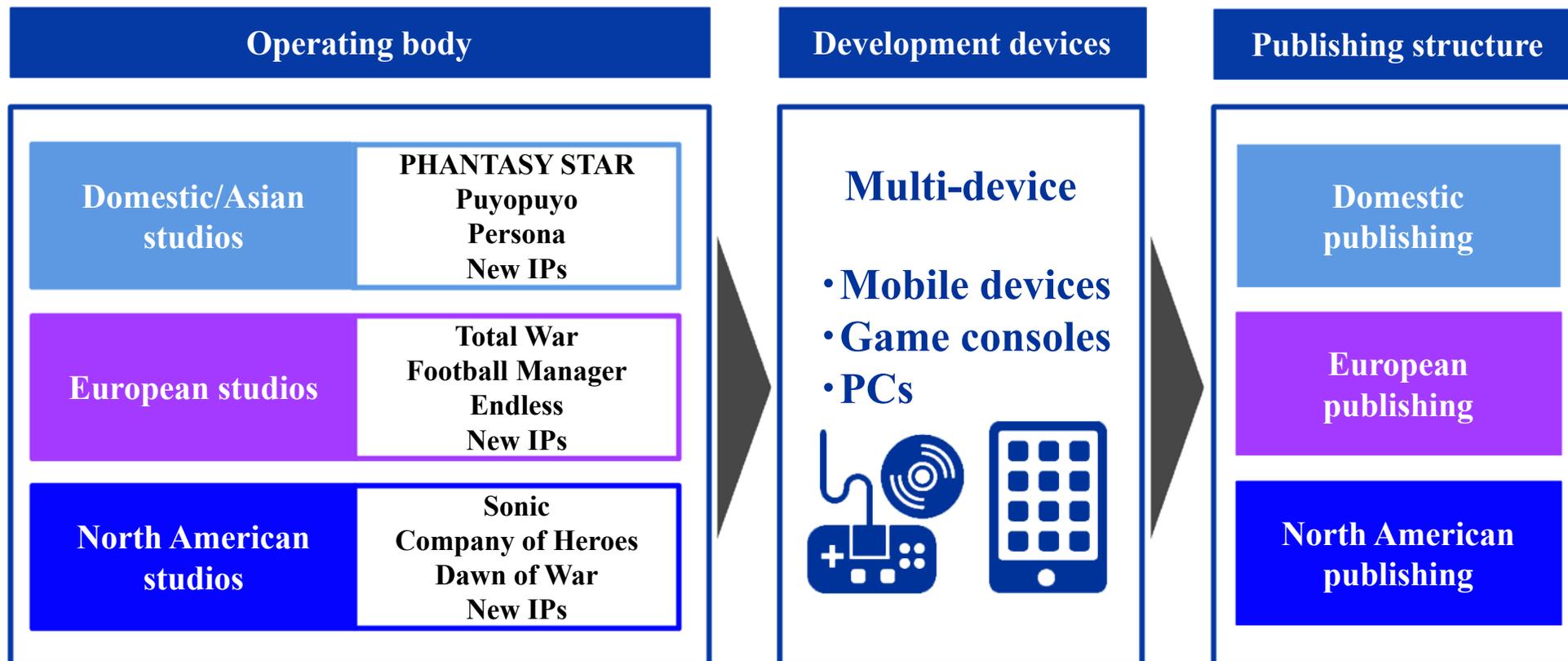


- ✓ Revival of past IPs and active utilization of external IPs, etc.
- ✓ Maximize value of IPs by expanding development channels and regions of respective IPs



■ Major Issue "Create titles that will become global hits"

<Future Organization Structure>



- ✓ Promote multi-device/global development by organizing studios centered on IPs
- ✓ Improve efficiency by integrating publishing and other functions by region



Major Points by Field

Digital game field

- Create titles that will become global hits
- Establish digital marketing business
- Expand overseas publishing business
- Maintain profits through long-term operation of existing titles
- Develop next-generation titles



“Puyopuyo!! Quest”
©SEGA



“Hortensia Saga”
©SEGA / f4samurai



“CHAIN CHRONICLE 3”
©SEGA



“PHANTASY STAR ONLINE 2”
©SEGA

Packaged game field

- Expand existing IPs and obtain new IPs for North American and European PC games
- Build revenue base by being entrusted with outsourced development
- Challenge for new IPs
- Revival of major IPs
- Effective utilization of development engines



“Total War: WARHAMMER”

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“Ryu ga Gotoku 6: Inochi no Uta”
©SEGA



“Football Manager 2017”

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“Persona5”

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Major Points by Field

Amusement machine field

- Launch No.1 titles in the genre
- Reinforce efforts for cost reduction



"SOUL REVERSE"

©SEGA

Amusement center operations field

- Improve operational efficiency by introducing e-money, etc.
- Gain revenue from new businesses
- Scrap-and-build existing facilities



"SEGA LaLaport FUJIMI"

©SEGA ENTERTAINMENT Co. Ltd.



"Ikebukuro GIGO"

©SEGA ENTERTAINMENT Co. Ltd.

Animation/Toy field

<Animation>

- Reinforce profitability of three major IPs
- Reinforce distribution business targeting Japan and overseas
- Reinforce 3D CG production

Reinforce three major IPs, "Detective Conan," "ANPANMAN" and "LUPIN THE 3rd"



"Detective Conan Crimson Love Letter"
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<Toy>

- Reinforce profitability of existing IPs
- Challenge new areas by utilizing partnerships

Create stable revenue centered on "ANPANMAN" series



"ANPANMAN" Talking Picture Book SUPER DX"

©Takashi Yanase/Froebel-kan,TMS,NTV



【Mission】

**Continuing to create moving
experiences**

【Vision】

Be an Experiential Innovator

Segment Target (Goal)

**Succeed in IR businesses
Enhance brand recognition**



■ Major Issues "Obtain expertise toward success in IR businesses"

Components of IR (Integrated Resorts) Businesses

	PARADISE CITY	Phoenix Seagaia Resort
Casino	Approx. 15,500 m² (Slot Machines : 291 units, Table Game:158 units, Electronic Table Game :4 units 62 seats)	-
Hotel	711 rooms (Additionally construct a boutique hotel with approx. 60 rooms)	950 rooms ※3 facilities total
Convention	Approx. 3,000 m² (Capacity for up to approx. 3,000 people)	Approx. 5,500 m² (Capacity for up to approx. 5,000 people)
Entertainment facilities	SPA, CLUB, WONDER BOX (for families) (Opening planned in FY 2018)	SPA, Hot springs, Fitness, Horse riding club
Other facilities	PLAZA (Commercial facility / cultural center, shopping mall) (Opening planned in FY 2018)	Golf courses, Tennis courts, Wedding halls

※3 facilities : Sheraton Grande Ocean Resort, Cottage Himuka, Luxze Hitotsuba

- ✓ Operate hotels which will be the hub for stay-type tourism
- ✓ Operate large convention halls that can handle international class conventions
- ✓ Obtaining expertise on operation and development of casino through "PARADISE CITY"



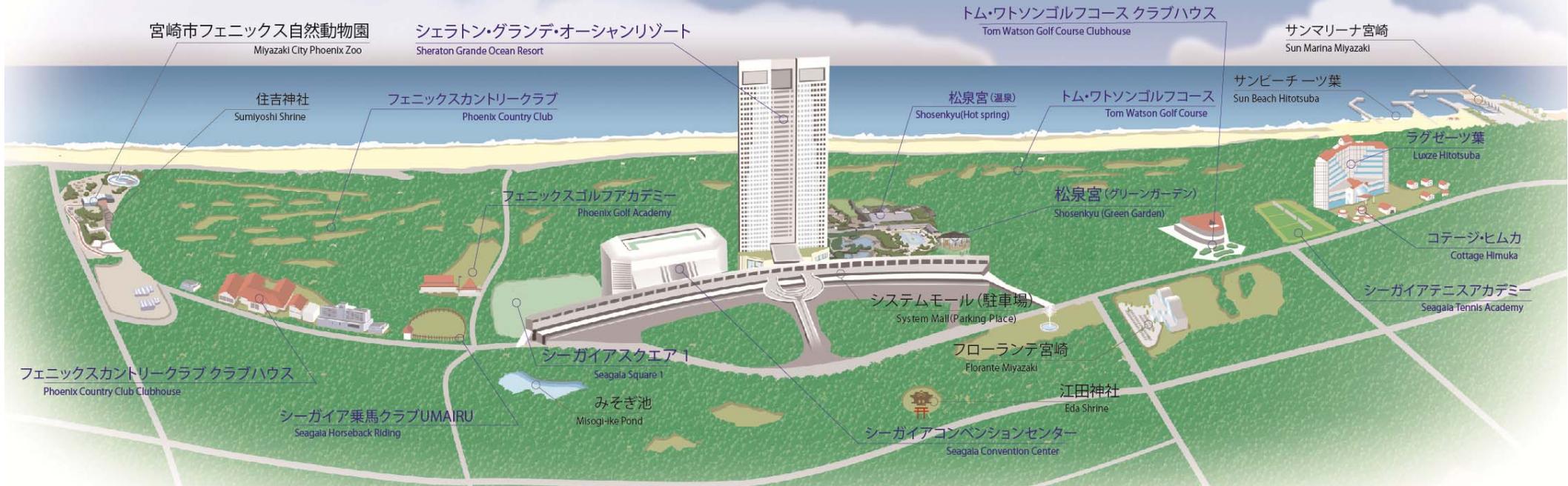
■ Reference (PARADISE CITY overview)



- ✓ 3 minute-drive from Incheon International Airport, one of the largest hub airports in Asia
- ✓ Opened luxury hotel, one of the largest foreigner exclusive casino in South Korea and convention hall in April 2017
- ✓ Boutique hotel, commercial facility, premium spa, etc. will be open in the first half of FY 2018



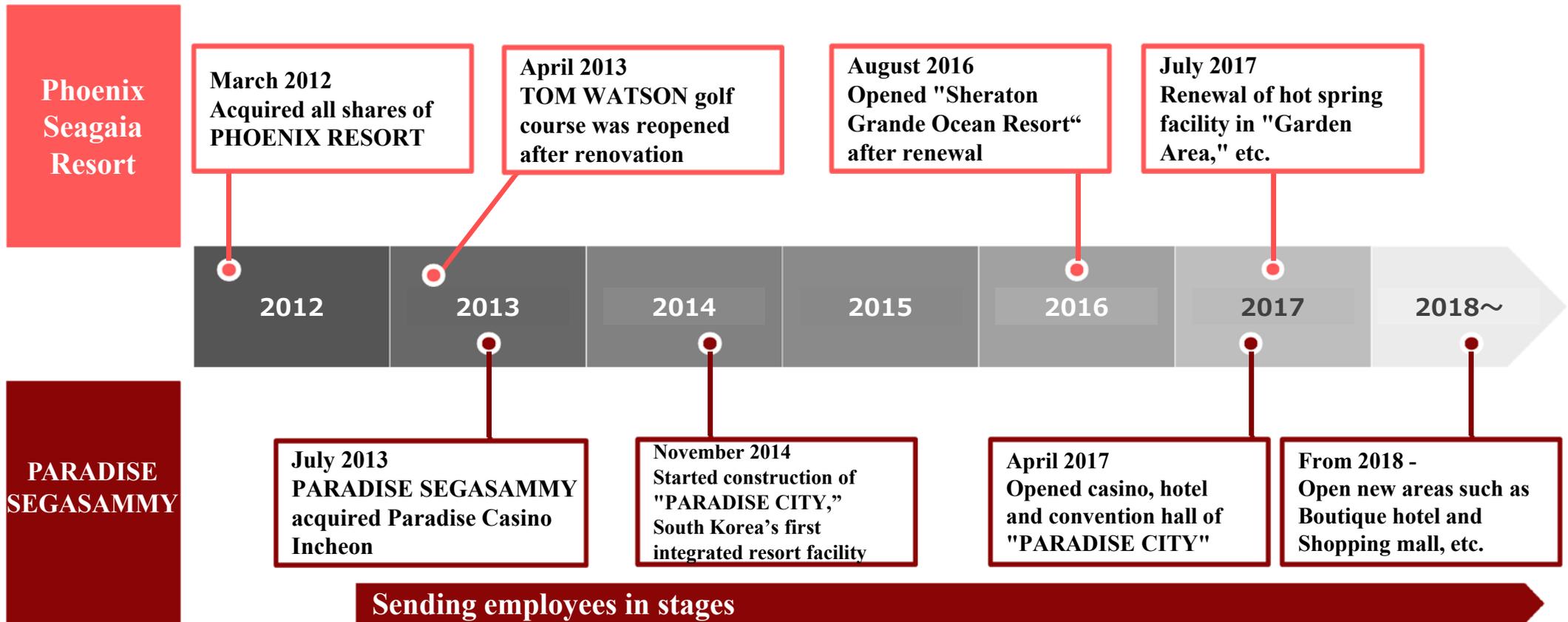
Reference (Phoenix Seagaia Resort overview)



- ✓ 3 accommodation facilities including "Sheraton Grande Ocean Resort"
- ✓ World class Convention facility which accommodates up to 5,000 people
- ✓ Sport facilities including "Phoenix Country Club", one of the most prominent golf courses in Japan



Reference (Initiatives in the Resort Business)



- ✓ Accumulate expertise on resort facility operation through PHOENIX RESORT
- ✓ Directly accumulate expertise on operation and development of casinos by sending officers and employees to "PARADISE SEGASAMMY"



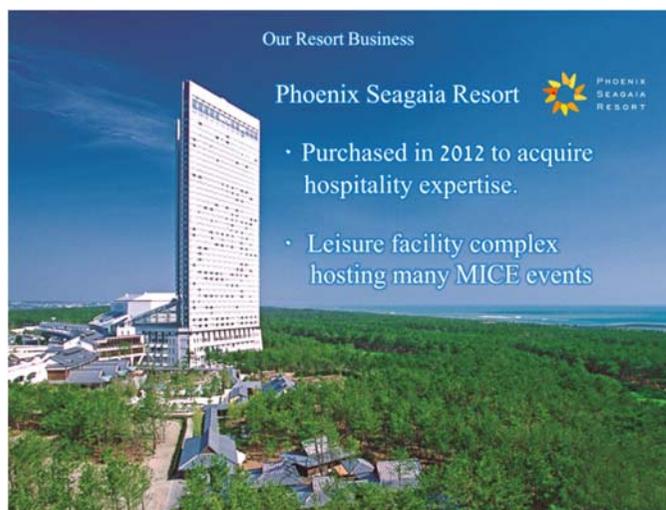
■ Japan Gaming Congress (May 11, 2017)



Our Resort Business

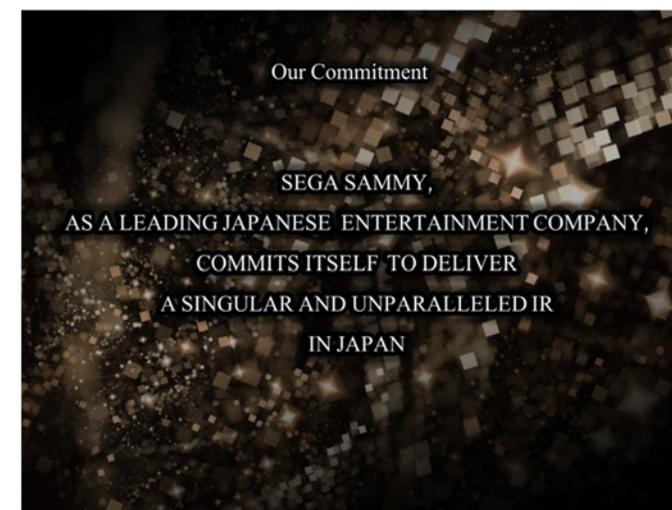
Phoenix Seagaia Resort 

- Purchased in 2012 to acquire hospitality expertise.
- Leisure facility complex hosting many MICE events




Our Commitment

SEGA SAMMY,
AS A LEADING JAPANESE ENTERTAINMENT COMPANY,
COMMITS ITSELF TO DELIVER
A SINGULAR AND UNPARALLELED IR
IN JAPAN





■ Major Points by Facility

Phoenix Seagaia Resort

- Improve guestroom occupancy rate and profitability of "**Sheraton Grande Ocean Resort**"
- Improve operation rates for rounds of golf of "**Phoenix Country Club**"
- Obtain expertise on development and operation of hotel, golf course, convention, etc.
- Enhance customer loyalty through reinforcement of membership program



PARADISE CITY (Incheon) South Korea

- Obtain expertise through development and operation of "**IR (Integrated Resorts)**"
- Enhance facility operation by carrying out Phase1-Stage2 facility construction (Development of Spa, Club, facilities for families, Commercial facility, cultural center, hotel, etc.)
- Obtain further expertise through reinforcement of sending employees



Consolidation of Head Office Functions and Promotion of reforming workstyle



Companies to be relocated	Number of personnel to be relocated (person)
SEGA SAMMY HOLDINGS INC.	Approx. 140
Sammy Corporation	Approx. 1,460
SEGA Holdings Co., Ltd.	Approx. 300
SEGA Games Co., Ltd.	Approx. 2,200
ATLUS. CO., LTD.	Approx. 220
Sammy Networks Co., Ltd.	Approx. 270
DARTSLIVE Co., Ltd.	Approx. 200
Total	Approx. 4,790

- Integration of group offices aiming reforming workstyle
 - ✓ Relocation to Osaki area
 - ✓ Reinforce collaboration among group companies
 - ✓ Improve business efficiency by introducing core time

※Full-time employees, contract employees, temporary employees, part-time employees, etc. are included

Major Initiatives (Sammy)

- “Universal Carnival × Sammy Festival 2017” Hold collaboration events with Pachinko and Pachislot manufacturers



※Picture above was taken in 2016



※Picture above was taken in 2016

- Staging/sponsoring events (Club event, fan event, sponsoring nation-wide tour of a famous music group)



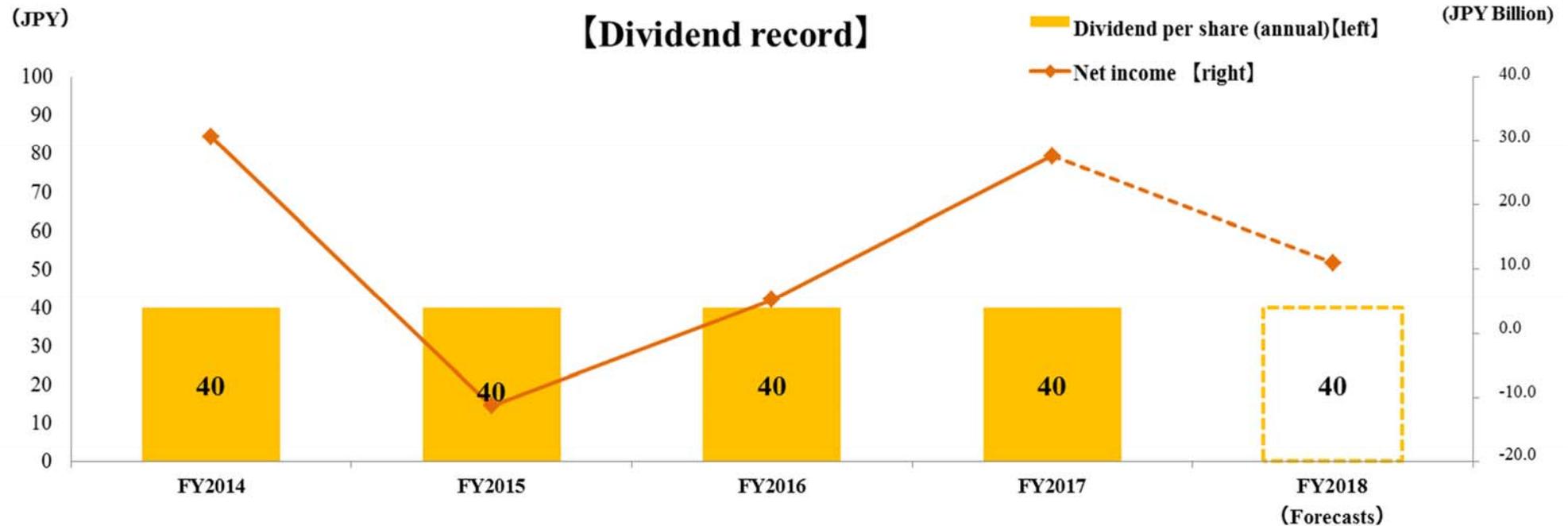
Major Initiatives (SEGA)

- SEGA staged event for fans Hold SEGA Festival at Akihabara



- Exhibited at game events
(TOKYO GAME SHOW 2016, JAPAN AMUSEMENT EXPO 2017, AnimeJapan 2017, etc.)





- ✓ **Continue to position return of profits to shareholders through stable dividends as a basic policy**
(forecast for FY ending March 2018: 40 yen per annum)

