

From April 1, 2020 to September 30, 2020

FY2021 / Winter  
**Business  
Report**



Persona 5 Royal  
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**SEGA**Sammy

Stock Code: 6460



# Headlines

## Consolidated Business Highlights

Net sales

▼ Down 33.4% year on year

¥ **110.2** billion

Operating income

Year on year —

¥ **-3.0** billion

Ordinary income

Year on year —

¥ **-3.5** billion

## Results by Business Segment



Pachislot and Pachinko Machines Business

Sales, income down  
year on year

Net sales

▼ Down 75.8% year on year

¥ **10.7** billion

Operating income

Year on year —

¥ **-12.0** billion

Ordinary income

Year on year —

¥ **-12.4** billion



Entertainment Contents Business

Sales down, income up  
year on year

Net sales

▼ Down 16.2% year on year

¥ **97.0** billion

Operating income

▲ Up 12.9% year on year

¥ **14.9** billion

Ordinary income

▲ Up 31.3% year on year

¥ **16.8** billion



Resort Business

Sales down year on year,  
higher loss

Net sales

▼ Down 60.0% year on year

¥ **2.2** billion

Operating income

Year on year —

¥ **-2.6** billion

Ordinary income

Year on year —

¥ **-4.6** billion

# To Our Shareholders

Continuously offering  
*moving experiences to the world.*



Hajime Satomi  
Chairman and Group CEO (Representative Director)



With the rampant worldwide spread of the novel coronavirus (COVID-19), we would like to extend our deepest sympathies to all those affected and pray for the fastest possible recovery for all who are suffering. We would also like to express our deep gratitude to all healthcare professionals and those who are working hard to contain the pandemic.

In the midst of this unprecedented crisis, entertainment has often been characterized as a “non-essential, non-urgent” activity, and the Group’s businesses have been impacted in various ways. Compared to the many trials we have faced in the past, I feel the current pandemic is different in nature and presents significant challenges. Given these trying times, we regret to report that at a meeting held on November 6, 2020, the Board of Directors resolved to reduce the interim dividend for the fiscal year ending March 2021 by ¥10 to ¥10. Also the forecast for the year-end dividend is undetermined. Going forward, to overcome current adversities, the Group will move ahead with decisive structural reforms in keeping with major shifts in society, including steps to change how we provide services and products and other reforms to the business model, and endeavor to bring about a swift recovery in business performance.

Also, under these circumstances, I feel that “breakthrough power,” which is a conviction I hold dear, is assuming great

significance. By drawing on “breakthrough power” and having the courage to pursue innovative ideas and persist in striving to create products and services to the most excellent level possible, users will surely respond with great enthusiasm.

Going forward, to overcome current difficulties and continue to create value that exceeds the expectations of our customers, we will strive to foster a “breakthrough power” culture, in which each and every employee pours their imagination and passion into a project, never giving up until they accomplish it. I am convinced that our repeated efforts to do this will allow us to keep providing *moving experiences to people*—the essence of the SEGA SAMMY Group—even in a post-COVID era.

We would like to ask our shareholders and investors for their continued support.

### Interim cash dividends:

**¥10 per share**

Effective date (Payment date): Year-end December 1, 2020



## Message from the COO

### Promoting structural reform, driving new growth.



Haruki Satomi  
President and Group COO (Representative Director)



## Interim Report

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The Group's business environment has changed dramatically under the impact of COVID-19. Since July, consumer demand in Japan has picked up gradually, following the lifting of the stay-at-home request. From November, however, the United States and Europe saw another rapid increase of cases, and there are concerns about a possible third wave in Japan as well. The situation remains highly unpredictable. The impact of these changes on performance varies depending on the business area, but the Group as a whole faces a very tough situation.

In this environment, the Group's net sales in the first half of the fiscal year ending March 2021 totaled 110.2 billion yen (a 33.4% year-on-year decrease), while we posted an operating loss of 3.0 billion yen (compared with operating profit of 14.6 billion yen a year earlier). Ordinary loss was 3.5 billion yen (compared with ordinary income of 12.6 billion yen a year earlier), although the extent of the loss was smaller than expected at the start of the fiscal year. On the other hand, we recorded an extraordinary loss of 18.4 billion yen in the Amusement Center Operations area (structural reform expenses), reflecting costs associated with structural reforms the Company is undertaking. These factors resulted in a loss attributable to owners of parent of 21.7 billion yen, compared with a 9.8 billion yen profit attributable to owners of parent a year earlier.

## Overview of Each Business Segment

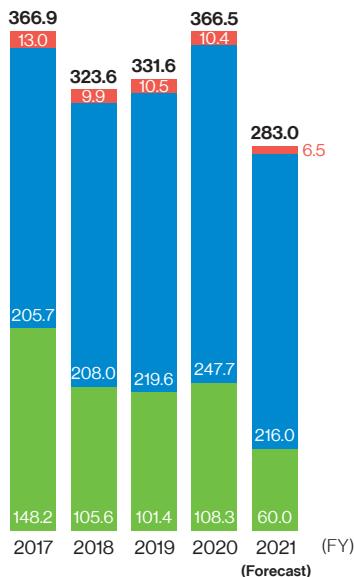
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### Pachislot and Pachinko Machines Business

Utilization rates at pachinko halls have gradually picked up after the Japanese government lifted the state of emergency. However, with extension of the deadline for removing previous-regulation machines, it is likely to continue to take time for recovery of purchasing motivation of hall operators. With these circumstances, we launched new titles for pachislot machine *Pachislot Shin Hokuto Muso*, as well as for new-regulation pachinko machines, including *P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO*. As a result, we sold 4,000 pachislot units (compared with 28,000 units a year earlier), and 11,000 pachinko units (compared with 66,000 units a year earlier), yielding sales of 10.7 billion yen, a 75.8% year-on-year decrease. Ordinary loss was 12.4 billion yen, compared with ordinary income of 7.2 billion yen a year earlier.

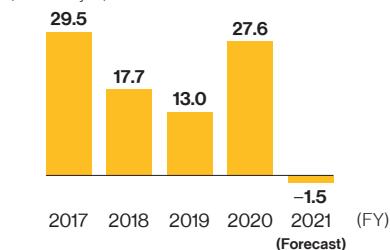
## Results

Net sales  
(Billions of yen)

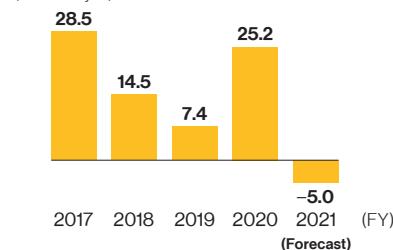


■ Pachislot and Pachinko Machines Business  
■ Entertainment Contents Business  
■ Resort Business

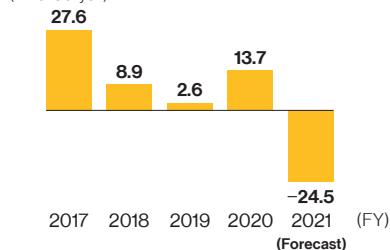
Operating income  
(Billions of yen)



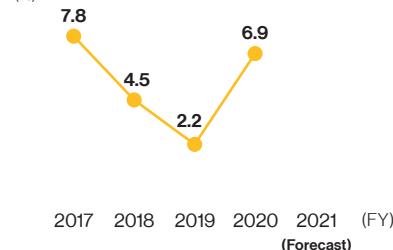
Ordinary income  
(Billions of yen)



Profit attributable to owners of parent  
(Billions of yen)



Ordinary income margin  
(%)



## Entertainment Contents Business

In the Consumer\*<sup>1</sup> area, download sales of games for PCs and home video game consoles were buoyed by growing digitalization trends, and overall demand for games was up on the back of stay-at-home consumption. As a result, in addition to repeat sales, sales were brisk for new titles of full games, such as *A Total War Saga: TROY*. New titles for F2P\*<sup>2</sup> such as *Re:ZERO -Starting Life in Another World- Lost in Memories* also performed strongly as well as other existing titles in F2P.

In the Amusement Machine Sales and Amusement Center Operations areas, although utilization rates are picking up mainly at locations in suburban areas and shopping centers, customer traffic in city center areas remains sluggish, and the segment continues to face a harsh business environment.

In the Animation / Toys area, while sales of mainstay toys continued, in light of COVID-19 the release of the feature film *Detective Conan: The Scarlet Bullet* was postponed, causing a significant decline in distribution revenues.

As a result of these factors, sales were 97.0 billion yen (a 16.2% year-on-year decrease), but ordinary income was 16.8 billion yen (a 31.3% year-on-year increase).

\*1 From the fiscal year ending March 2021, the Packaged Games and Digital Games areas were newly integrated into the Consumer area.

\*2 F2P indicates free-to-play basic game contents along with item-based sales, etc., mostly for smartphones and PCs

## Resort Business

Both at home and abroad, the Group's Resort Business has been severely impacted by COVID-19. At *Phoenix Seagaia Resort* in Japan, customer volume was down year on year, although facility utilization is gradually recovering, partly due to the impetus of the government's Go To Travel campaign launched in July. Overseas, at *PARADISE CITY*, the drop amount (amount of chips purchased at tables) and volume of casino guests have both fallen significantly. In response, we have begun

taking steps to boost operating efficiency, such as closing some facilities and reducing staff.

As a result of the above factors, sales were 2.2 billion yen (a 60.0% year-on-year decrease), while ordinary loss was 4.6 billion yen (compared with a 3.1 billion yen ordinary loss a year earlier).

## Future Outlook

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In the second half of the current fiscal year, the Pachislot and Pachinko Machines Business plans to market mainstay pachinko machine titles to meet year-end replacement demand. Orders are currently growing steadily, so we expect sales to exceed initial plans. On the other hand, approval for prototype testing of pachislot machines which are higher margin than pachinko have taken time, and we changed the launch date for some titles to the next fiscal year. Partly as a result, ordinary loss is expected to be roughly the same as the previous forecast.

In the Entertainment Contents Business, performance in the Consumer area is projected to significantly exceed the previous forecast, with the expected contribution of repeat sales and brisk sales of new and existing F2P titles. In addition, implementation of structural reforms in the Amusement Center Operations area is expected to restrain the extent of the ordinary loss in that segment. Consequently, both sales and ordinary income are expected to exceed previous forecasts.

In the Resort Business, for *Phoenix Seagaia Resort*, while recovery in group tour and corporate travel demand is sluggish, individual demand is on the upturn, thanks in part to the Go To Travel campaign. In addition, supported by the above-

mentioned steps to boost operating efficiency at *PARADISE CITY*, sales are expected to come in more or less at forecast levels, while the ordinary loss is expected to improve slightly. Regarding the integrated resort (IR) business in Japan, the government announced its draft IR basic policy in October 2020, at the same time revising the submission period of requests for proposal (RFPs) for IR development. In light of these developments, the Group will continue to carefully monitor the conditions of entry and other factors with the aim of entering the IR business going forward.

As mentioned above, the Group is facing a major crisis across its business areas due to COVID-19. Taking this situation to heart, we are aiming for a swift turnaround in performance and seeking to transition to a business framework that enables the Group to grow sustainably under any conditions. We are carrying out sweeping structural reforms, including withdrawing from the Amusement Center Operations business, once one of our core businesses, and calling for voluntary early retirement.



See page 7 for details

In light of these factors, the full-year operating results forecast for the fiscal year ending March 2021 has been revised from the forecast announced on August 5, 2020, with net sales of 283.0 billion yen, an ordinary loss of 5.0 billion yen, and loss attributable to owners of parent of 24.5 billion yen. Both sales and the extent of the ordinary loss are expected to improve from the previous forecast. Meanwhile, given the structural reforms under way, we expect to record various extraordinary income and losses. Accordingly, we anticipate a greater loss attributable

to owners of parent, and so set the interim dividend at 10 yen, while leaving the year-end dividend undecided. We will revisit the year-end dividend after assessing the progress of reforms and the status of business recovery. We intend to steadily carry out the structural reforms needed to bring about a swift turnaround in performance.

We will continue to work across the Group to enact reforms and return to a growth path. We ask our shareholders for your continued understanding and support.

### Forecast of Consolidated Operating Results for the Fiscal Year ending March 31, 2021

		(billion yen)		
		Previously announced forecast (A) <small>(Announced on August 5, 2020)</small>	Newly announced forecast (B) <small>(Announced on November 6, 2020)</small>	Increase / decrease
<b>Net sales</b>	Total	277.0	283.0	6.0
	Pachislot and Pachinko Machines Business	56.0	60.0	4.0
	Entertainment Contents Business	214.0	216.0	2.0
	Resort Business	6.5	6.5	—
	Other and eliminations	0.5	0.5	—
<b>Ordinary income</b>	Total	-20.0	-5.0	15.0
	Pachislot and Pachinko Machines Business	-10.0	-10.5	-0.5
	Entertainment Contents Business	11.0	24.0	13.0
	Resort Business	-12.5	-11.0	1.5
	Other and eliminations	-8.5	-7.5	1.0
<b>Income before income taxes</b>		-23.0	-31.5	-8.5
<b>Profit attributable to owners of parent</b>		-17.0	-24.5	-7.5

# Structural Reform

## Changes in Business Environment in Each Segment Due to COVID-19

### Pachislot and Pachinko Machines Business

- ▼ Sales declined as extension of deadline for removing previous-regulation machines decreased purchasing motivation of pachinko hall operators

### Entertainment Contents Business

- ▲ Demand in Consumer area expanded due to stay-at-home consumption
- ▼ Amusement Center Operations and Amusement Machine Sales struggled as amusement center operations were suspended

### Resort Business

- ▼ User numbers declined due to facility suspension, travel restrictions, etc.

## Implementation of Structural Reform

Reviewing balance sheet with a focus on non-business assets

Building an organizational framework that can adapt to changes in the market environment

Cost reduction centered on fixed costs across the Group

## Outline of Structural Reform

### Impact on Operating Results

- |                                       | Profit/loss impact in current fiscal year (forecast) | Profit/loss impact in next fiscal year (forecast) |
|---------------------------------------|--|---|
| <b>1 Review of business structure</b> | <b>- ¥20.5 billion</b><br>(extraordinary loss)       | <b>+ ¥5 billion</b><br>(ordinary income)          |
| <b>2 Fixed cost reduction</b>         | <b>- ¥10 billion</b><br>(extraordinary loss)         | <b>+ ¥10 billion</b><br>(ordinary income)         |
| <b>3 Review of balance sheet</b>      | <b>+ ¥5.9 billion</b><br>(extraordinary gain)        | —   |
- Transfer of shares of a subsidiary in the Amusement Center Operations area
  - Closing of Orbi Yokohama nature museum
  - Calling for about 650 volunteers for early retirement Group-wide
  - Gain on sale of investment securities
  - Ongoing review of non-business assets

A loss attributable to owners of parent of ¥24.5 billion is expected for the fiscal year ending March 2021 due to greater losses associated with the recording of structural reform expenses.

Building an organizational framework that can adapt to changes in the environment, realize a swift recovery in business performance.

- ▶ Interim dividend revised to ¥10, year-end dividend undecided
- ▶ 30% reduction in executive compensation (Representative Directors of the Company), etc.

- ▶ Recovery in Pachislot and Pachinko Machines Business performance
- ▶ Focus on global business opportunities in the Consumer area
- ▶ Entry into Japan integrated resort business

## Music with Loose Acid Jazz at its Core

Those of us on the sound team compose with the hope to exceed expectations of the player every time; therefore, a lot of thought and effort went into building the concept for *Persona 5*. The main characters in this game are high school students who become Phantom Thieves, so we wanted to portray their youthfulness while staying away from a style that directly represents the image of thieves. Ultimately, we decided to go with loose acid jazz as a foundation to express the mood of young Phantom Thieves.

We were thrilled to see the game move on to become a global hit. I think one thing that got a particularly favorable reaction from players overseas was that they could get a feel for Japanese culture via music throughout the entire game. Without resting on our laurels, we will continue to create music that captivates players around the world and aim to deliver compelling products.

### Shoji Meguro

Sound Team  
Creative Dept.  
Consumer Game Software Div.



### Investigation 8

感動  
Moving  
Experiences  
体験



## Persona 5

The *Persona* series is a coming-of-age RPG that takes place in modern-day Japan, revolving around a group of high school students who awaken to a power known as 'Persona' as they investigate mysterious cases that disturb their town. We have spoken with two members who were involved in the production of the universally acclaimed *Persona 5*.

舞台  
Behind  
the Scenes  
音

*Persona 5*  
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### Shigenori Soejima

Art Director &  
Character Designer  
Artwork Team  
Creative Dept.  
Consumer Game Software Div.



## Relatable Designs

The overall design in the *Persona* series focuses on a key concept, which is to create a worldview that reflects contemporary society; something the player can feel an emotional connection to. *Persona 5* is the story of rebellion by adolescents who are forced to live in a society controlled by adults, which is why we chose to highlight the unique traits of each individual, and went for character designs that provide a sense of affinity.

While the game was well received overseas, we didn't particularly set out to design something with an international audience in mind, because in this day and age, we already share a lot of values globally. To deliver content with cultural expressions distinctive to Japan and have that gain broad acceptance is rewarding to see as a creator. Going forward, I'd like to continue contributing value to our games by building aesthetics on par with not only other high quality products in the industry, but in other genres as well.

## Latest Topics

### **Persona 5 Royal Sells Over 1.4 Million Units Worldwide! Total Series Sales Surpass 13 Million Units!**

Cumulative global sales of *Persona 5 Royal* released by Atlus Co., Ltd. in October 2019 surpassed the 1.4 million mark in July 2020, resulting in a total of 13 million units sold in the *Persona* series. The role-playing game series, whose first entry, *Revelations: Persona*, was released in 1996, follows the story of high school boys and girls who have awakened to their “power to summon Personas,” as they solve cases, face difficulties, and come of age, all set against a backdrop of the streets and schools of modern Japan. The game has gained growing praise including overseas in recent years. Series spin offs include manga, television and film animations, and other media.

 Please see the website for details: <https://atlus.com/p5r/>



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### **SEGA 60th Anniversary Project: Former Hit Game *Virtua Fighter* Makes eSports Comeback!**

As part of its 60th Anniversary project, in the SEGA Fan Meet-Up program live-streamed during the Tokyo Game Show 2020 Online, SEGA Group Co., Ltd. announced the launch of its *Virtua Fighter* × e sports project. Created as the world’s first 3D fighting game in 1993, *Virtua Fighter* caused a huge sensation at the time and is still loved by fans. The game will restart as an eSports title, initially in Japan. Project details will be announced from time to time, so please keep an eye out.



©SEGA

 Please see the website for details: [https://60th.sega.com/news/200925\\_1.html](https://60th.sega.com/news/200925_1.html) (Japanese only)

## Re:ZERO Game for Smartphone, Re:ZERO -Starting Life in Another World- Lost in Memories Now Available!

The official game app for smartphone *Re:ZERO -Starting Life in Another World- Lost in Memories* based on the popular Japanese TV anime series is now on sale.

In this game, players become Subaru, the anime's main character. While re-living Subaru's storyline from the anime, they can also experience various "What if" scenarios based on different choices he might have made, as well as new plot lines original to the game. Players can also enjoy organizing battles with their favorite characters from the anime or developing their character.



Please see the website for details: <https://re-zero-rezelos.jp/> (Japanese only)



©Tappei Nagatsuki,KADOKAWA/Re:ZERO2 PARTNERS ©SEGA

## Mightiest of the Mighty, Unite! New Pachislot P Shin Hokuto Muso Chapter 3 Released!

Sammy Corporation will release a new pachislot machine, *P Shin Hokuto Muso Chapter 3*, in December 2020. The third release in the *Hokuto Muso* series, this machine is a completely new title, and builds on expertise gained from the creation of the first and second *Hokuto Muso* releases. *Chapter 3* uses a *Shin Homura* frame, the first frame upgrade in five years. It also comes equipped with a *Shin Gento RUSH* feature, which offers ultra-high-continuity payout surpassing that of first-generation machines, as well as play time functions, allowing players to enjoy an unprecedented sense of exhilaration.



Please see the website for details:

[https://www.sammy.co.jp/japanese/product/pachinko/2020/Pshin\\_hokuto\\_muso3/](https://www.sammy.co.jp/japanese/product/pachinko/2020/Pshin_hokuto_muso3/) (Japanese only)



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# IR Information

As part of its ongoing enrichment of investor engagement, the SEGA SAMMY Group has responded to shareholder feedback by providing a window to its operations through the *Business Report*.

## SEGA SAMMY HOLDINGS INC. IR Information Center

For inquiries about questionnaires, share information, corporate information, and other related information, please contact the phone number below. Please note that the IR Information Center is closed on Saturdays, Sundays, national holidays, and Company holidays.

► **Phone:** **+81-3-6864-2404**  
► **Business hours:** **Monday through Friday,**  
**9:00 a.m. – 6:00 p.m. (JST)**

## IR Calendar

Schedule of activities for shareholders and investors:

February	Announcement of results for the nine months ending December 31, 2020
May	Announcement of results for the fiscal year ending March 2021
June	Ordinary General Meeting of Shareholders / Release of the Business Report for the fiscal year ending March 2021

## Investor Relations Online

Through our IR website, we disclose consolidated financial statements, press releases, and other statutory disclosure documents as well as actively provide briefings on management strategies.

<https://www.segasammy.co.jp/english/ir/>



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### Cautionary Statement with Respect to Forward-Looking Statements

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and SEGA SAMMY Group companies ("the Group") are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions.

From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management. The Company cautions that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore undue reliance should not be placed on them.

Also, it should not be assumed that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation. Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's IP rights, rapid advances in technology, and unfavorable verdicts in major litigation.