



# Fiscal Year Ending March 2021 2Q Results Presentation

Nov 6, 2020

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(All contents here are the translation of Japanese materials)

**Speakers: Koichi Fukazawa, Senior Executive Vice President and Group CFO, Director of the Board**

Thank you for taking part in our 2Q result briefing today.

I will explain the outline of results for 2Q and the forecast for full year in the fiscal year ending March 2021.

After that, Satomi will explain the detail of structural reform and our future policy.

# 1. Fiscal Year ending Mar 2021 2Q Results, Overview of Revised Full-Year Forecasts

# FY2021/3 2Q Results, Full-Year Forecast Summary



(JPY Billion)	2020/3		2021/3		Revised Full Year Forecast (announced on Nov 6)
	Through 2Q	Through 4Q	Through 2Q	Full Year Forecast (announced on Aug 5)	
<b>Sales</b>	<b>165.5</b>	<b>366.5</b>	<b>110.2</b>	<b>277.0</b>	<b>283.0</b>
Pachislot and Pachinko Machines	44.2	108.5	10.7	56.0	60.0
Entertainment Contents	115.7	247.6	97.0	214.0	216.0
Resort	5.5	10.4	2.2	6.5	6.5
Other / Elimination	0.0	0.0	0.3	0.5	0.5
<b>Operating income</b>	<b>14.6</b>	<b>27.6</b>	<b>-3.0</b>	<b>-15.0</b>	<b>-1.5</b>
Pachislot and Pachinko Machines	7.3	23.2	-12.0	-9.5	-10.0
Entertainment Contents	13.2	16.5	14.9	9.0	21.5
Resort	-1.5	-3.6	-2.6	-6.5	-5.5
Other / Elimination	-4.4	-8.5	-3.3	-8.0	-7.5
Non-operating income	1.3	3.2	3.2	4.0	5.0
Non-operating expenses	3.3	5.5	3.7	9.0	8.5
<b>Ordinary income</b>	<b>12.6</b>	<b>25.2</b>	<b>-3.5</b>	<b>-20.0</b>	<b>-5.0</b>
Pachislot and Pachinko Machines	7.2	22.7	-12.4	-10.0	-10.5
Entertainment Contents	12.8	16.2	16.8	11.0	24.0
Resort	-3.1	-5.3	-4.6	-12.5	-11.0
Other / Elimination	-4.3	-8.4	-3.3	-8.5	-7.5
Ordinary Income Margin	7.6%	6.9%	-	-	-
Extraordinary income	0.0	3.1	1.5	0.2	7.5
Extraordinary losses	0.1	1.2	21.1	3.2	34.0
<b>Income before income taxes</b>	<b>12.5</b>	<b>27.1</b>	<b>-23.1</b>	<b>-23.0</b>	<b>-31.5</b>
<b>Profit attributable to owners of parent</b>	<b>9.8</b>	<b>13.7</b>	<b>-21.7</b>	<b>-17.0</b>	<b>-24.5</b>

\*The results of FY2020/3 reflect the change of segment classification retrospectively.

## FY2021/3 2Q Results

- ◆ Significant decline in sales YoY and recording of losses
  - ✓ The negative impact of COVID-19 bottomed out in 1Q and recorded ordinary income in 2Q accounting period.
  - ✓ Recorded extraordinary losses associated with the structural reform in Amusement Center Operations area.

## Forecast

- ◆ Revised the full-year operating results forecast
  - ✓ Extent of losses at ordinary income phase decreased significantly from initial forecast due to the contribution of Consumer area.
  - ✓ Expect the incurrence of extra ordinary income and losses associated with the structural reform.
- ◆ Interim dividends decided to 10 yen.  
Year-end dividends is undecided.

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In 2Q results, we recorded a loss due to decline in both sales and profits YoY. The impact of the COVID-19 in Pachislot and Pachinko Machines Business, Amusement Machine Sales/Amusement Center Operation area and Resort Business bottomed out in 1Q and has been recovering since 2Q. At the same time, although Consumer area also remained strong, it was unable to cover losses from the beginning of the fiscal year.

As announced on November 4, 18.4 billion yen was recorded in extraordinary losses as structural reform expenses of Amusement Center Operations area and resulting in a net loss attributable to owners of parent of 21.7 billion yen.

The recording of expenses associated with structural reform will be explained in more detail later.

For the full year forecast, we expect the ordinary loss will improve significantly from the previous forecast mainly due to the continued strong performance of Consumer area and the deconsolidation of Amusement Center Operations area from 4Q. On the other hand, we expect to incur extraordinary income and extraordinary losses in conjunction with the implementation of structural reform, and as a result we are expecting to post a net loss attributable to owners of the parent of 24.5 billion yen.

This revised forecast does not incorporate large-scale social and economic impacts, such as further expansion of COVID-19 and a reoccurrence of declaration of state of emergency due to the second or third wave.

About the dividends which were in undetermined status, we announced that we the interim dividend at 10 yen year-end dividends continues to be undecided.

With regard to year-end dividends, going forward, we will carefully assess the trend of operating result in the second half of this fiscal year and announce it in an appropriate timing.

We will steadily continue structural reform and realize an early turnaround in performance.

## Breakdown of major extraordinary losses / income

<b>&lt; Extraordinary income &gt;</b>	1Q results	2Q results	In and after 3Q (forecast)
Subsidy income for COVID-19	<b>0.07 billion yen</b>	<b>0.5 billion yen</b>	-
(Structural reform)			
Gain on sales of investment securities	-	-	<b>5.9 billion yen</b>
<b>&lt; Extraordinary losses &gt;</b>	1Q results	2Q results	In and after 3Q (forecast)
Losses arising from the impact of COVID-19 (Loss on COVID-19)	<b>2.5 billion yen</b>	<b>0.06 billion yen</b>	-
(Structural reform)			
Transfer of shares of subsidiary engaged in amusement facilities	-	<b>18.4 billion yen</b>	<b>1.6 billion yen</b>
Closure of Orbi Yokohama	-		<b>0.5 billion yen</b>
Call for voluntary retirement of employees	-	-	<b>10 billion yen</b>

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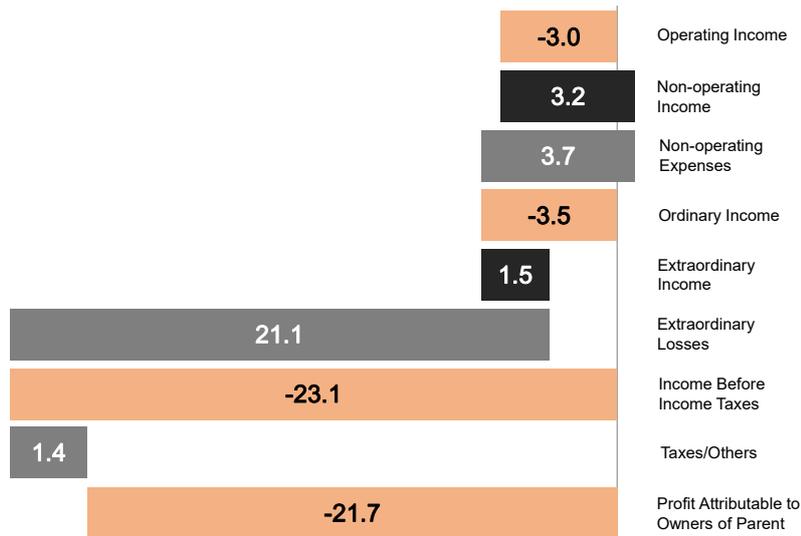
In 2Q results, we recorded 0.5 billion yen of an employment-adjustment subsidy associated with COVID-19 and forecast to record 5.9 billion yen of gain on the sale of investment securities from 3Q onward as extraordinary income.

In addition, various expenses associated with the implementation of structural reform will be recorded as extraordinary losses.

These expenses are recorded in a lump sum as structural reform expenses in accounts of 2Q Financial Statements. The break-down of them are 18.4 billion yen as impairment losses of non-current assets and others in Amusement Center Operations area in 2Q results and 1.6 billion yen as loss from transfer of shares of the company operating amusement facilities, 0.5 billion yen as loss from the closure of Orbi Yokohama, and incurrence of extra retirement allowances of approximately 10.0 billion yen associated with the voluntary retirement program after 3Q.

# Breakdown of Income (FY2021/3 2Q Results)

(Unit: billion yen)



## Non-operating income / losses and extraordinary income / losses

<b>Non-operating income</b>	<b>3.2</b>
Gain on valuation of investment securities	2.2
Dividends income	0.3
<b>Non-operating expenses</b>	<b>3.7</b>
Equity in losses of affiliates	2.4
<b>Extraordinary Income</b>	<b>1.5</b>
Gain on reversal of subscription rights to shares	0.8
Subsidy income	0.5
<b>Extraordinary losses</b>	<b>21.1</b>
Loss on COVID-19	2.6
Structural reform expenses	18.4

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Also, in 2Q results, we recorded 2.2 billion yen of gain in valuation of investment securities held by a foreign subsidiary of SEGA as non-operating income.

Extraordinary income and extraordinary losses are as explained on page 4.

# Consolidated Costs and Expenses

	2020/3		(Unit: billion yen)			Main factors for increase or decrease for 2Q and revised operating results forecast
	Through 2Q	Through 4Q	Through 2Q	2021/3 Full Year Forecast (announced on Aug 5)	Revised Full Year Forecast (announced on Nov 6)	
R&D Expense / Content Production Expense	33.5	76.5	28.3	64.2	62.7	Expenses decrease due to the decrease of the numbers of new titles to be launched in Consumer area.
Cap-ex	10.5	22.8	7.2	15.2	13.9	Decrease due to the restrain of investment for machines, interiors and exteriors of stores and etc. in Amusement Center Operations area.
Depreciation	7.3	14.8	7.3	13.4	13.1	2Q results were on par YoY. Decreased in revised full-year forecast due to the structural reform in Amusement Center Operation area.
Advertising	8.5	17.4	5.6	16.9	16.3	Expenses decrease due to the decrease of the numbers of new titles to be launched in Consumer area.

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Various expenses have been revised in line with the revision of operating results forecast, but there have been no major changes from the initial forecast.

As for R&D expenses / content production expenses and advertising expenses are expected to decline compared to the initial forecasts due to the delay of launch of some new titles in the Consumer area to the next fiscal year.

# Consolidated Balance Sheet Summary



(Unit: billion yen)

	As of end of March 2020	As of end of September 2020	Change
<b>Total Current Assets</b>	268.9	262.0	-6.9
Cash and Deposits	159.0	139.1	-19.9
Notes and accounts receivable - trade	40.4	26.1	-14.3
Short-term investment securities	5.3	5.1	-0.2
Inventories	47.0	59.7	+12.7
<b>Total Noncurrent Assets</b>	189.2	172.3	-16.9
<b>Total assets</b>	458.2	434.4	-23.8
<b>Total Current Liabilities</b>	86.1	87.1	+1.0
Corporate Bonds	10.0	-	-10.0
Short - term loans payable	13.3	39.1	+25.8
<b>Total Noncurrent Liabilities</b>	75.2	74.5	-0.7
Corporate Bonds	10.0	10.0	-
<b>Total Liabilities</b>	161.4	161.7	+0.3
<b>Total Net Assets</b>	296.8	272.6	-24.2
<b>Total Liabilities and Net Assets</b>	458.2	434.4	-23.8
	As of end of March 2020	As of end of September 2020	Change
Cash, deposits and cash equivalents	158.6	143.7	-14.9
Interest bearing debt	75.3	91.2	+15.9
<b>Net cash</b>	83.2	52.5	-30.7
<b>Equity Ratio</b>	64.2%	62.2%	-2.0pt

Main factors for increase / decrease	YoY Changes
<b>Current Assets</b>	-6.9
Cash and Deposits and trade notes and accounts receivable decreased while inventory assets including work in progress increased.	
<b>Noncurrent Assets</b>	-16.9
Decreased associated with the structural reform in Amusement Center Operations area	
<b>Liabilities</b>	+0.3
Increased due to the borrowing of short-term loans payable while redeemed corporate bonds.	
<b>Net Assets</b>	-24.2
Decreased due to the recording of losses attributable to owners of parent for quarter and payment of dividends.	

⇒For more details, please see "Fiscal Year Ending March 2021 2Q Results Appendix -7-

Current Assets decreased by 6.9 billion yen due to a decrease in cash and deposits and progress in collection of trade notes and accounts receivable, despite an increase in inventories such as work in process.

Non-current assets decreased by 16.9 billion yen due to the implementation of structural reform of Amusement Center Operations area that I mentioned earlier.

Regarding liabilities, while we redeemed corporate bonds at maturity, we took into account the possible risk in business due to COVID-19 and made a short-term loan of 30.0 billion yen from the bank overdraft to increase liquidity on hand. In addition, we made a scheduled repayment of 4.2 billion yen.

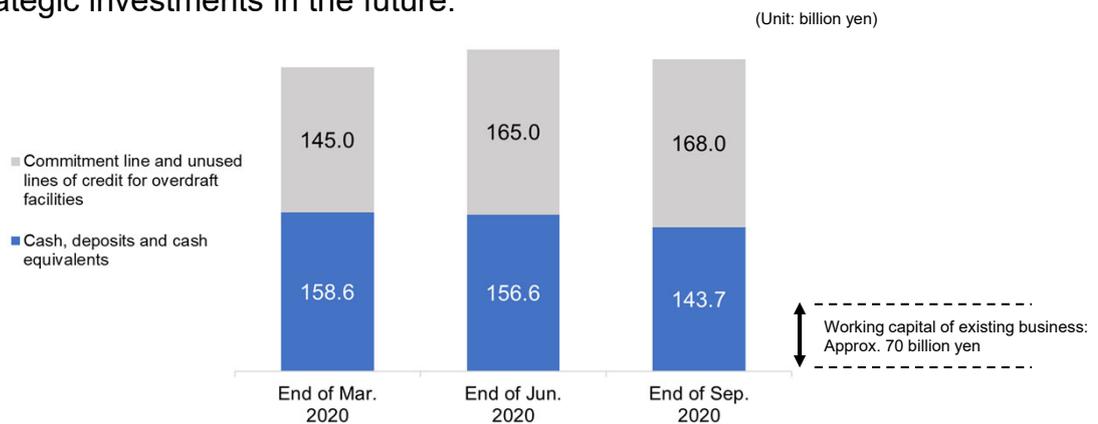
Net assets decreased by 24.2 billion yen due to the recording of a quarterly net loss attributable to owners of the parent and the payment of dividends.

Net cash at the end of September in fiscal year ending March 2021 was 52.5 billion yen, down 30.7 billion yen from the end of the previous fiscal year and 9.2 billion yen from end of 1Q.

Although cash-flow is still under auditing, we expect cash flows from operating activities to be negative 19.3 billion yen, cash flows from investing activities to be negative 6.0 billion yen, and cash flows from financing activities to be positive 10.5 billion yen.

## Liquidity of Funds

- ✓ Secured 311 billion yen as liquidity, which enabling flexible response to funding demand, including working capital for existing business and strategic investments in the future.



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As of the end of September 2020, in addition to cash and deposits and cash equivalents of 143.7 billion yen, the Company had an unused line of credit from financial institutions and bank overdraft facilities in the amount of 168.0 billion yen, securing adequate liquidity in the aggregate amount of 311.7 billion yen.

# Market and business environment for the current fiscal year



2021/3		Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Pachislot and Pachinko machines	*Halls suspended operation *Deadline for removal extended.												
	*Utilization has been recovering since resumption of operations *Expecting that the recovery of purchasing motivation of pachinko halls take a while as the deadline for removal extended.												
Consumer	*Growth in sales due to spending from staying at home												
Amusement Machine Sales	*Revenue from rev. sharing model and machine sales decreased due to closure and declined store utilization.												
Amusement Center Operations	*Take measures of temporary closure of stores sequentially. *Sales of existing stores YoY 27.4%												
Animation / Toys	*Significant decrease in production and allocated revenues due to postponement of theatrical release, etc.												
PHOENIX RESORT	*Temporary closure for all facilities												
PARADISE SEGA SAMMY	*Suspension of operations at some facilities and casino area												

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With regard to the major changes in market conditions and business environment associated with COVID-19, we anticipate a gradual recovery from 2Q onward, although the overall trend will continue to be negative in business area other than Consumer.

(JPY Billion)	2020/3			2021/3	
	Through 2Q	Through 4Q	Through 2Q	Full Year Forecast (announced on Aug 5)	Revised Full Year Forecast (announced on Nov 6)
<b>Sales</b>	<b>44.2</b>	<b>108.5</b>	<b>10.7</b>	<b>56.0</b>	<b>60.0</b>
Pachislot	11.1	54.1	2.0	19.7	14.9
Pachinko	23.8	37.4	3.7	26.7	35.8
Other / Elimination	9.3	17.0	5.0	9.6	9.3
<b>Operating Income</b>	<b>7.3</b>	<b>23.2</b>	<b>-12.0</b>	<b>-9.5</b>	<b>-10.0</b>
Non-operating income	0.2	0.7	0.2	0.3	0.5
Non-operating expenses	0.3	1.1	0.6	0.8	1.0
<b>Ordinary Income</b>	<b>7.2</b>	<b>22.7</b>	<b>-12.4</b>	<b>-10.0</b>	<b>-10.5</b>
Ordinary Income Margin	16.3%	20.9%	-	-	-

## FY2021/3 2Q Results

- ◆ Resumed sales of new titles from 2Q.
- ◆ Although recorded losses, the extent of losses decreased QoQ due to the resumption of sales.

## Forecast

- ◆ Launch mainstay titles in line with the replacement demand at the end of 2020.
- ◆ Loss margin to remain at the same level as initial forecast as we review the sales schedule and proceed the review of inventory assets such as components.

\*From FY2021/3, the gaming machine business, which develops and sells gaming machines for casino, was shifted from Amusement Machine Sales area of Entertainment Contents Business segment to Pachislot and Pachinko Machines Business segment.

\*The results of FY2020/3 reflect the change of segment classification retrospectively.

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This section outlines 2Q results and full-year forecasts per Segments.

For Pachislot and Pachinko Machines Business, sales of new titles, which had been postponed due to the impact of COVID-19, resumed from 2Q, and the extent of the loss has improved QoQ.

With regard to future forecast, in line with the year-end replacement demand, we are proceeding the plan to launch pachinko machine "P Shin Hokuto Muso Chapter 3" and other mainstay titles, and the number of units ordered at this point is steady. As a result, sales is expected to exceed the initial forecast.

On the other hand, for pachislot machines which are relatively high-margin, due in part to delays in obtaining approval, we have changed the timing of launch for some titles to the following fiscal year.

In addition, the close investigation of the property value of inventory assets such as components is ongoing, we anticipate ordinary loss will be on par with the initial forecast.

# Pachislot and Pachinko Machines Business



(JPY Billion)		2020/3			2021/3	
		Through 2Q	Through 4Q	Through 2Q	Full Year Forecast (announced on Aug 5)	Revised Full Year Forecast (announced on Nov 6)
Pachislot	Number of Titles	1 title	5 titles	1 title	8 titles	6 titles
	Unit Sales (units)	28,360	123,336	4,885	52,000	38,300
Pachinko	Number of Titles	4 titles	7 titles	2 titles	5 titles	5 titles
	Unit Sales (units)	66,140	104,581	11,342	71,000	89,200
	Board + Frame	15,850	33,056	1,187	44,000	63,500
	Board	50,290	71,525	10,155	27,000	25,700

(Major Titles)		2Q	In and after 3Q	
Pachislot	Pachislot Shin Hokuto Muso	July	Pachislot Kaidoumokushiroku kajji numa	October
			Pachislot The Seven deadly Sins	November
			Pachislot Initial D	January
Pachinko	P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO P ROAD TO EDEN	August September	P BIG DREAM2 GEKISHIN 199Ver.	November
			P Shin Hokuto Muso Chapter 3	December
			Dejihane PA Psalms of Planets Eureka Seven HI-EVOLUTION ZERO	January

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They are results and forecast of unit sales and the sales schedule for new titles.

The sales forecast for pachislot machines is 38,000 units, a decrease of 14,000 units from the initial forecast, while sales of pachinko machines are expected to increase by 18,000 units from the initial forecast, to 89,000 units.

2Q

Pachislot



"Pachislot Shin Hokuto Muso"

©Burorson & Tetsuo Hara/NSP 1983, Approved No.KOM-620  
© 2010-2013 Koei Tecmo Games Co., Ltd.  
©Sammy

Pachinko



"P Psalms of Planets Eureka Seven  
HI-EVOLUTION ZERO"

©2017 BONES/Project EUREKA MOVIE  
©BANDAI NAMCO Entertainment Inc.  
©Sammy

In and after 3Q

Pachislot



"Pachislot The Seven deadly Sins"

©Nakaba Suzuki/Kodansha/The Seven Deadly Sins Project/MBS  
©Nakaba Suzuki/Kodansha/The Seven Deadly Sins TVSP Project/MBS  
©Nakaba Suzuki/Kodansha  
©Sammy

Pachinko



"P Shin Hokuto Muso Chapter 3"

©Burorson & Tetsuo Hara/NSP 1983, Approved No.KOO-411  
©2010-2013 Koei Tecmo Games Co., Ltd.  
©Sammy

They are the titles currently on sale and scheduled for release.

(JPY Billion)	2020/3			2021/3	
	Through 2Q	Through 4Q	Through 2Q	Full Year Forecast (announced on Aug 5)	Revised Full Year Forecast (announced on Nov 6)
<b>Sales</b>	<b>115.7</b>	<b>247.6</b>	<b>97.0</b>	<b>214.0</b>	<b>216.0</b>
Consumer	55.8	125.5	61.4	125.0	132.5
Amusement Machine Sales	24.6	51.0	13.6	35.0	37.5
Amusement Center Operations	22.0	41.9	11.8	28.0	20.0
Animation / Toy	11.7	26.2	9.0	24.0	24.0
Other / Elimination	1.6	2.9	1.2	2.0	2.0
<b>Operating Income</b>	<b>13.2</b>	<b>16.5</b>	<b>14.9</b>	<b>9.0</b>	<b>21.5</b>
Consumer	9.7	14.7	20.3	22.5	30.0
Amusement Machine Sales	0.7	-0.6	-1.9	-3.5	-2.5
Amusement Center Operations	1.9	1.4	-2.7	-7.5	-4.5
Animation / Toy	1.7	2.7	0.2	0.5	0.9
Other / Elimination	-0.9	-1.7	-1.0	-3.0	-2.4
Non-operating income	0.3	1.3	2.5	3.0	3.3
Non-operating expenses	0.8	1.6	0.6	1.0	0.8
<b>Ordinary Income</b>	<b>12.8</b>	<b>16.2</b>	<b>16.8</b>	<b>11.0</b>	<b>24.0</b>
Ordinary Income Margin	11.1%	6.5%	17.3%	5.1%	11.1%

## FY2021/3 2Q Results

- ◆ Although sales decreased, profit increased YoY due to the contribution of Consumer area.
- ◆ Recorded gain on valuation of securities held by a U.S. subsidiary in non-operating income.

## Forecast

- ◆ Continue to expect strong performance in Consumer area.
- ◆ Loss margin was restrained due to the implementation of the structural reform of Amusement Center Operations area through a review of business portfolio.
- ◆ Scheduled to record non-operating income for the movie "Sonic The Hedgehog" (some are scheduled to be recorded in the next fiscal year).

\*From FY2021/3, Digital Games area and Packaged Games area have been integrated into 1 sub-segment and changed the name to Consumer area.

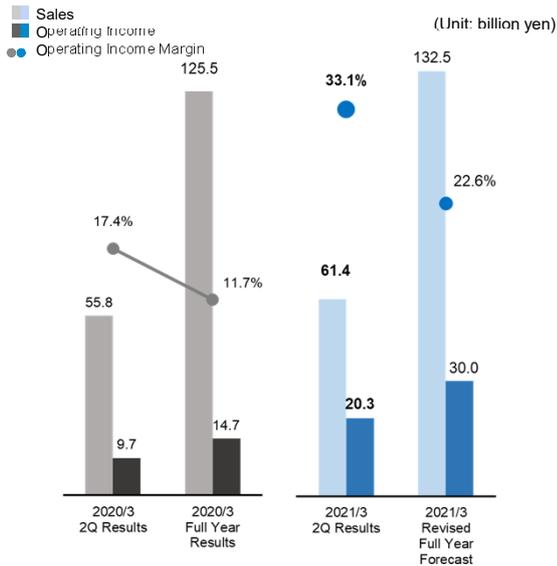
\*From FY2021/3, the gaming machine business, which develops and sells gaming machines for casino, was shifted from Amusement Machine Sales area of Entertainment Contents Business segment to Pachislot and Pachinko Machines Business segment.

\*The results of FY2020/3 reflect the change of segment classification retrospectively.

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With regard to Entertainment Contents Business, although profits declined slightly in QonQ, Amusement Machine Sales and Amusement Center Operation area, which were affected by COVID-19 recovered compared to 1Q, and sales of Consumer area remained strong. As a result, although the sales decreased profit increased in YoY.

With regard to future outlook, we expect the profit will increase compared to initial forecasts as Consumer area is significantly surpasses the initial forecasts. Income from the movie "Sonic The Hedgehog" is expected to be recorded as non-operating income in the second half of the fiscal year, but some are scheduled to be recorded in the next fiscal year.



FY2021/3 2Q Results

- ◆ Despite a decline in QoQ, profit increased substantially YoY.
- ◆ Strong performance of repeat sales, centered on overseas.
- ◆ Recorded royalties for some new titles.
- ◆ Performance of new titles for F2P went strong.

Forecast

- ◆ Expect to maintain strong repeat sales.
- ◆ Schedule to launch new titles.
- ◆ Expect both existing and new titles of F2P to continue to perform well.

With regard to consumer area, although QoQ sales have stabilized, repeat sales of Full Game continued to be strong.

In F2P (Free-to-Play), in addition to the strong performance of existing titles such as "PHANTASY STAR ONLINE 2", new titles "Re: ZERO -Starting Life in Another World- Lost in Memories" and "Project SEKAI COLORFUL STAGE feat. Hatsune Miku" had a strong start and significant increase in both sales and profit YoY.

We expect continuous contribution of repeat titles in the future and we will continue to sell new titles such as "YAKUZA : LIKE A DRAGON" including launch for new platforms.

In addition, we also expect the continuous contribution of existing titles in F2P and as new titles of F2P, which has been launch in 2Q, is expected to make a full contribution in the future, we expect the performance of F2P also goes well.

As a consequence of the above, both sales and profits are expected to increase in YoY.

2Q

In and after 3Q

Full Game



"A Total War Saga: TROY"  
© SEGA. Developed by The Creative Assembly Limited.



"Shin Megami Tensei III NOCTURNE HD REMASTER"  
©ATLUS  
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"YAKUZA: LIKE A DRAGON"



"Puyo Puyo™ Tetris® 2"  
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"HUMANKIND™"  
\*April 2021  
© Amplitude Studios 2020.  
© SEGA.



"Shin Megami Tensei V"  
\*Within 2021  
©ATLUS  
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F2P



"Re:ZERO -Starting Life in Another World- Lost in Memories"  
©Tappei Nagatsuki,KADOKAWA/Re.ZERO2 PARTNERS ©SEGA



"Project SEKAI COLORFUL STAGE feat. Hatsune Miku"  
© SEGA / © Craft Egg Inc. Developed by Colorful Palette / © Crypton Future Media, INC. www.piapro.net piapro All rights reserved.

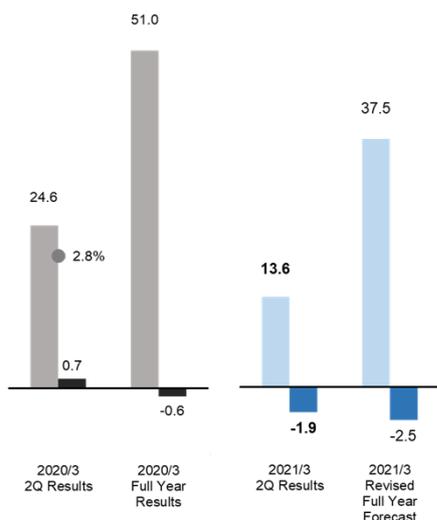


"Sakura Revolution"  
Original Game © SEGA / © DELIGHTWORKS

They are the titles sold and which service started on 2Q or scheduled titles after 3Q.

■ Sales  
■ Operating Income  
● Operating Income Margin

(Unit: billion yen)



## FY2021/3 2Q Results

- ◆ Utilization of amusement facilities is in recovering trend and improving QoQ.
- ◆ Sold centered on UFO Catcher series machines and prizes for UFO Catcher.

## Forecast

- ◆ Proceed the streamlining of business by shifting R&D resources to Consumer, the growing area.

\*From FY2021/3, the gaming machine business, which develops and sells gaming machines for casino, was shifted from Amusement Machine Sales area of Entertainment Contents Business segment to Pachislot and Pachinko Machines Business segment.  
 \*The results of FY2020/3 reflect the change of segment classification retrospectively.

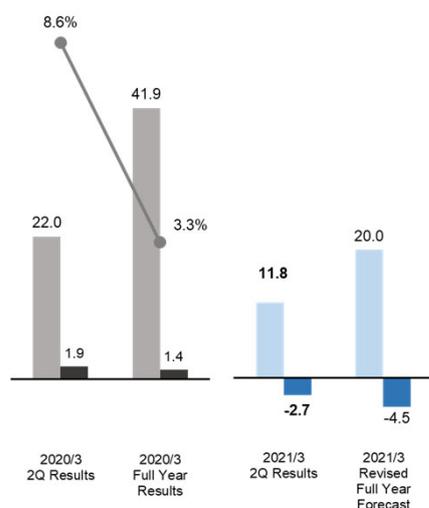
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With regard to Amusement Machine Sales area, utilization of amusement facilities where we sell the machines have been recovering gradually, and the results have improved QonQ as a result of sales centered on prizes for UFO Catchers.

Going forward, we will narrow down titles in line with structural reform, shift development resources to consumer area, and streamline business and reallocate management resources.

■ Sales  
■ Operating Income  
● Operating Income Margin

(Unit: billion yen)



### FY2021/3 2Q Results

- ◆ Sales of existing stores were 50.1 % YoY.
- ◆ Currently, although stores mainly in suburban and shopping center are recovering, stores in central Tokyo remain sluggish.

### Forecast

- ◆ Schedule to record the results of this area until 3Q associated with the structural reform.

### ■ YoY comparison of monthly sales of existing stores

Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.
14.5%	16.2%	58.5%	68.3%	64.8%	75.5%	87.0%

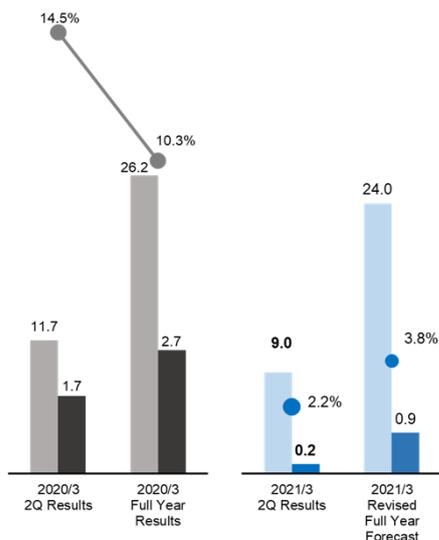
(Figure for Oct. is preliminary figure)

With regard to Amusement Center Operations area, all stores resumed operations from mid-June, and while utilization of facilities is recovering, mainly in suburban and shopping-center stores, sales of existing stores appreciation was 50.1% YoY due to continued weak customer attraction, particularly at stores in central Tokyo.

In the future, we will incorporate the results of the area up to 3Q in conjunction with transfer of shares of SEGA ENTERTAINMENT, a consolidated subsidiary of the Company. The area will be deconsolidated in 4Q, the final quarter.

■ Sales  
 ■ Operating Income  
 ● Operating Income Margin

(Unit: billion yen)



FY2021/3 2Q Results

- ◆ Animation: Significant decrease in allocated revenue due to postponement of release of theatrical version of "Detective Conan: The Scarlet Bullet" as the impact of COVID-19.
- ◆ Toys: Focused on sales of regular products.

Forecast

- ◆ Animation: Record revenue from animation production, etc.
- ◆ Toys: Sell new and regular products for holiday shopping season.

With regard to Animation and Toys area, the postponement of the release of the theatrical version of "Detective Conan The Scarlet Bullet" due to the impact of COVID-19 resulted in a substantial decline in distribution revenues in 2Q. As a result, recorded an YoY decline in revenues and a loss.

Looking ahead, we forecast both revenues and profits will decrease as the decline of the distribution revenues in 2Q has significant impact.

(JPY Billion)	2020/3		2021/3		Revised Full Year Forecast (announced on Nov 6)
	Through 2Q	Through 4Q	Through 2Q	Full Year Forecast (announced on Aug 5)	
Sales	5.5	10.4	2.2	6.5	6.5
Operating Income	-1.5	-3.6	-2.6	-6.5	-5.5
Non-operating income	0.2	0.2	0.0	0.0	0.2
Non-operating expenses	1.7	1.9	2.0	6.0	5.7
Ordinary Income	-3.1	-5.3	-4.6	-12.5	-11.0
Ordinary Income Margin	-	-	-	-	-

## &lt;PHOENIX RESORT&gt;

Sales	5.0	9.9	2.0	6.0	6.1
Operating Income	-0.1	-0.2	-1.6	-2.4	-2.1
No. of facility users (Thousands)	454	839	211	484	539
3 accommodation facilities	194	359	78	200	224
2 golf courses	46	92	31	70	73
Other facilities	214	388	102	214	242

## FY2021/3 2Q Results

- ◆ PHOENIX RESORT: Facilities utilization is in recovering trend due to "Go To Travel Campaign". (Number of facility users YoY: 46.4%)

## Forecast

- ◆ Expenses for domestic IR decreased from initial assumption.
- ◆ PHOENIX RESORT: Extent of losses narrowed due to the expansion of personal demand.
- ◆ Expect to record losses in PARADISE SEGASAMMY (non-operating expenses).

- Numbers of monthly facility users of PHONIX RESORT (YoY comparison)

Apr.	May.	Jun.	Jul.	Aug.	Sep.
32.5%	8.6%	33.4%	45.5%	58.0%	97.8%

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With regard to Resort Business, PHOENIX RESORT have resumed the operation of all facilities since June, and although utilization of facilities is gradually recovering, due in part to the impact of Go To Travel Campaign, sales declined and the extent of the loss increased due to factors such as a decline in the number of customers.

Looking ahead, PHOENIX RESORT is expected to see a continued sharp rise in personal demand due to the benefits of Go To Travel Campaign, but a sharp decline in group tours and corporate demand is also expected and result in a decrease in sales and an increase in the extent of losses in YoY.

PARADISE SEGASAMMY is expected to record a equity in losses of affiliates of 5.5 billion yen.

## Resort Business (PARADISE SEGASAMMY)

(KRW Billion)

(KRW Billion)	FY2020 2Q Results	FY2021 2Q Results
<b>Sales</b>	196.4	115.7
Casino	161.1	91.8
Hotel	28.3	19.4
Other	7.0	4.4
<b>Cost of sales</b>	182.1	126.1
Casino	93.1	59.2
Hotel	57.4	46.2
Other	31.5	20.6
<b>Gross profit</b>	14.3	-10.4
SG&A	26.4	15.3
<b>Operating profit</b>	-12.0	-25.7
<b>EBITDA</b>	19.4	4.0
<b>Net profit</b>	-27.6	-41.7
<b>Number of casino visitors (Thousands)</b>	181	101

Source: Paradise IR

<b>SEGASAMMY</b>		
Equity method acquisition amount (Billion yen)	-1.5	-1.9

### FY2021/3 2Q Results

- ◆ The number of facility users declined.
  - Number of casino users YoY: 55.8%
  - Streamlined the facilities operation by suspending the operation of some facilities and reducing fixed expenses.

### Forecast

- ◆ Expecting that the restriction of foreign visitors in each country will continue.
- ◆ Expect to record losses due to a decrease in utilization of facilities.

\*PARADISE SEGASAMMY Co., Ltd. is an equity method affiliate of SEGA SAMMY HOLDINGS INC. \*Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay as its settlement of accounts is December \*Local accounting standard

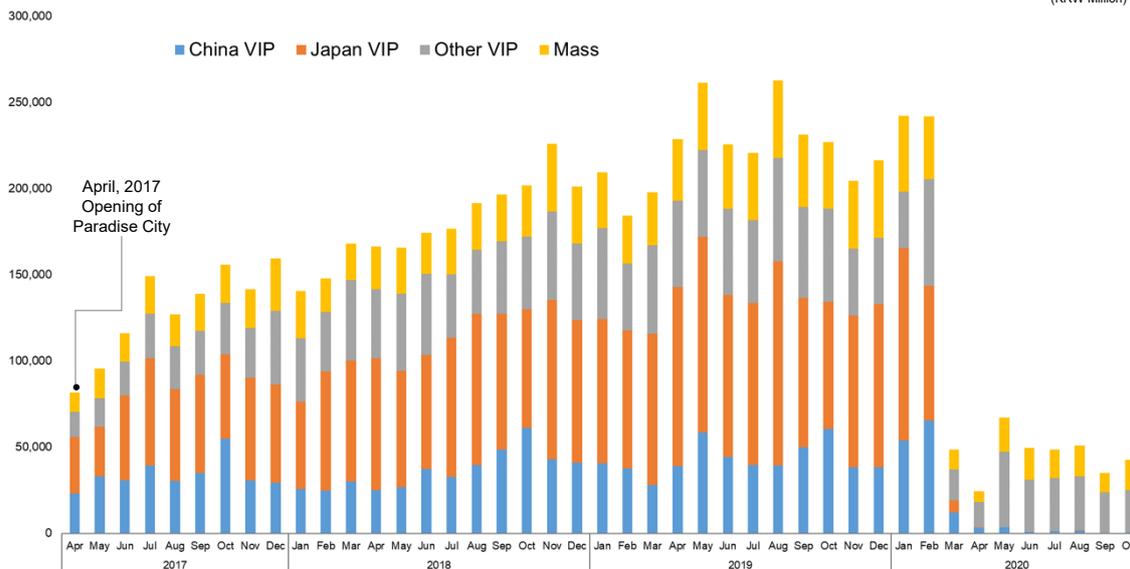
-20-

For PARADISE SEGASAMMY, the incorporation of its results into our business results will be recorded in a three-month delay as its settlement of accounts is December, so the results covered for this 2Q is January to June results of PARADISE SEGASAMMY.

PARADISE SEGASAMMY has suspended operations of the facilities since March and as a result the extent of loss increased YoY.

# Resort Business (PARADISE SEGASAMMY)

Transition of Drop\* amounts at PARADISE SEGASAMMY



This is the transition of drop amount in the casino.

Until the end of February, before the impact of COVID-19 got going in earnest, revenue at PARADISE SEGASAMMY grew steadily and it became profitable at operating income stage. However, due to the restriction on travel associated with this COVID-19, visits by Japanese and Chinese VIPs declined and we closed the facilities. As a result, the revenue declined rapidly from March onward and have not yet recovered at this time.

Since July, we have been working to streamline facilities operation by suspending operations at some facilities and reducing the number of employees. However, we do not expect that the travel restrictions will be lifted by the end of the year. As a result, our equity in losses of affiliates is expected to increase significantly from the previous fiscal year.

## 2. Structural Reforms and Future Direction

- |  |   |
|--|---|
| ✓ Expansion of net losses due to the recording of structural reform expenses | <b>Net income -24.5 billion yen</b><br>(full-year forecast) |
| ✓ Review of dividends amount   | <b>Interim: 10 yen,</b><br><b>Year-end: undecided</b>       |
| ✓ Reduction of directors' compensation                                       | <b>-30% (Representative Director), etc.</b>                 |

## Speakers: Haruki Satomi, President and Group COO, Representative Director

Regarding operating results forecast announced at the time of the previous announcement (1Q result), we said that this figure was not the worst, but we estimated it conservatively. Now we were able to surpass the plan without the second declaration of state of emergency.

As the number of infected persons including those in the U.S. and Europe, has reached a record high on a daily basis now, there is a risk that the spread of infections and, in some cases, lock-downs will occur again in Japan. However, we will continue to work hard at the site, reduce costs and make effort to raise the top line, we want to turn the operating loss of 1.5 billion yen for the full fiscal year we are expecting now into the black, and we will also want to bring the ordinary loss of 5.0 billion yen to the break even.

As we expect our net loss for the full year to be 24.5 billion yen as a result of this structural reform, we have lowered our interim dividends to 10 yen.  
With regard to the year-end dividends, we intend to make judgments by looking at future cash flows and the return of business performance.

To take responsibility of this structural reform, not only the compensation of executives of SEGA SAMMY HOLDINGS but also the compensation of executives of the group companies that take measures such as voluntary retirement will be reduced.

- ✓ Building a business structure that can adapt to market condition.
- ✓ Clarify the growing area by selecting and focusing on business.

### Review of business Portfolio

Transfer of Amusement Center Operations area  
Optimization of the scale of Amusement Machine sales area

- ✓ Transition to a fixed expenses level commensurate with business structure

### Reduction of fixed expenses

Call for voluntary retirement of employees

- ✓ Securing cash for realization of investment for growth

### Review of non-business properties

Sale of assets owned

First of all, during the discussion about how to make business portfolio to meet the market environment, we decided to exit from the facilities business and to close the Orbi, although facility business was our important core business, as both SEGA and Sammy had made money by putting machines on the eaves when they started their business. I will discuss it in more detail later but along with this, we transfer SEGA ENTERTAINMENT.

Consumer area is performing very well globally, so in line with the current situation in the marketplace, Amusement Machine Sales business is proceeding the transfer of minimum of 100 development personnel to Consumer area during the current fiscal year, and at the same time will implement voluntary retirements.

We will also conduct voluntary retirements of employees, including those in Sammy's body and back-offices for the first time, in order to bring level of group-wide fixed expenses to the level matches to business portfolios.

We also sold assets to secure cash for growth investments. Although only some asset sales were realized in the first half of the fiscal year, we will continue to review them in the second half of the fiscal year.

## Impact associated with “Structural Reform”

		PL impact for the current FY (Forecast)	PL impact for the next FY (Forecast)
1 . Review of business Portfolio	<ul style="list-style-type: none"> <li>Structural reform expenses in Amusement Center Operations area</li> <li>Closure of Orbi Yokohama</li> </ul>	<b>-20.5 billion yen</b> <small>(Extraordinary losses)</small>	<b>+5.0 billion yen</b> <small>(Ordinary Income)</small>
2 . Reduction of fixed expenses of 15 billion yen	<ul style="list-style-type: none"> <li>Call for voluntary retirement approx. 650 employees group-wise</li> </ul>	<b>-10.0 billion yen</b> <small>(Extraordinary losses)</small>	<b>+10.0 billion yen</b> <small>(Ordinary Income)</small>
3 . Review of BS	<ul style="list-style-type: none"> <li>Gain on sales of investment securities</li> <li>Continue to review non business properties</li> </ul>	<b>+5.9 billion yen</b> <small>(Extraordinary income)</small>	-

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With regard to these impacts, we anticipate 20.5 billion yen of extraordinary loss will incur in the current fiscal year and 5.0 billion yen will be back as positive impact in ordinary income in the next fiscal year due to a revision of business structure.

Regarding fixed expenses reductions, we assume that this will be recorded as extraordinary loss of 10.0 billion yen in the current fiscal year and will be returned as a positive impact of ordinary income, which is close to 10 billion yen in the next fiscal year.

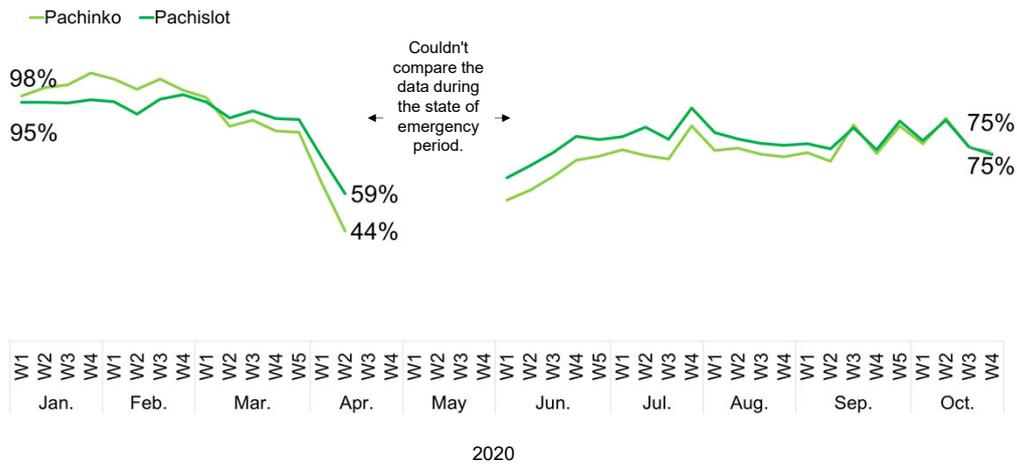
In addition, extraordinary income of 5.9 billion yen is recorded for the current fiscal year due to the sale of asset.

Future outlook for each segment

- ✓ Utilization of Pachinko hall remains at around 70-80%
- ✓ Demand is expanding due to the arrival of deadline for removal in the second half to the next fiscal year.
- ✓ Recovery of business results from increase of sales unit and reduction of fixed expenses.

➤ Utilization of hall remains at around 70-80%

YoY comparison of average utilization rate of pachislot and pachinko



\*In-house estimation based on DK-SIS data (Data of 4 yen Pachinko and 20 yen Pachislot) of Daikoku Electric Co., Ltd

Regarding each segment, in Pachislot and Pachinko Machines Business, the number of customers has settled about 70-80% because of the concerns to return to pachinko halls as the impact of COVID-19.

Some have said that prohibition of smoking in whole pachinko hall affected like a body blow since April. However, this is not only for pachinko halls but prohibition of smoking is also applied in all indoor facilities and in the case of pachinko, separation of smoking area has been proceeding and there are areas where smokers can smoke, so we believe that smokers will be familiar with it eventually.

- Deadline for removal arrives from the second half to the next fiscal year



\*In-house estimates as of the end of October 2020

\*Completion of transition to new regulation machines is scheduled on Dec, 2021

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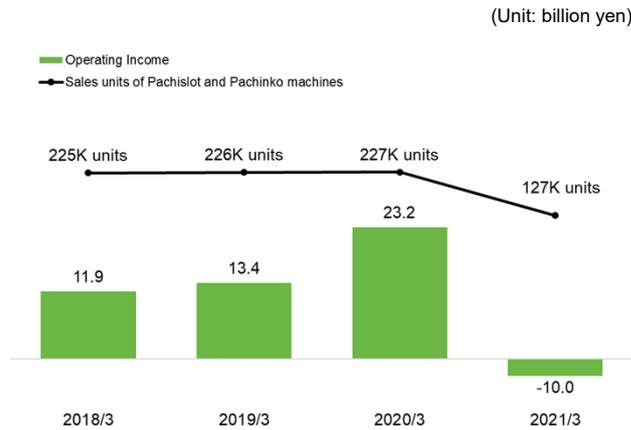
Regarding the removal of machines from the second half to the next fiscal year, a major issue is how to satisfy supplies as a manufacturer. In particular, in pachislot, the removal of popular titles of other companies to be happening in next month and January and this is one of the big challenges.

One of the cause is the delay in approval of pachinko and pachislot machines to replace them. However, of course, as a manufacturer, we will also work hard to fulfill our responsibilities to supply at these demands for replacement firmly.

Regarding pachinko, the number of replacement units is larger than that of pachislot. However, the "Yu Time" has been very well received and as I mentioned earlier, "P Shin Hokuto Muso Chapter 3" received orders which are more than doubled our initial forecast, so I think we can respond firmly here.

- Impact has bottomed out in the current fiscal year and aims for recovery of business results in the next fiscal year.

■ Transition of unit sales and operating income



✓ Unit sales to increase due to expansion of demand for replacement

✓ Reduction of fixed expenses

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Also, in the case of Sammy, it is true that we have a larger number of employees compared with other companies in the same industry, so we will bring this to appropriate level.

As you can see from the last three years, unit sales has not changed over the past three years. However, our operating income margin has risen to that extent partially due to as G30 (initiatives aimed at achieving a operating income margin of 30%) get results. Considering that the market will shrink further in the future, we have decided to call voluntarily retirement in order to reduce fixed expenses so that we can make profit with the unit sales of 150,000.

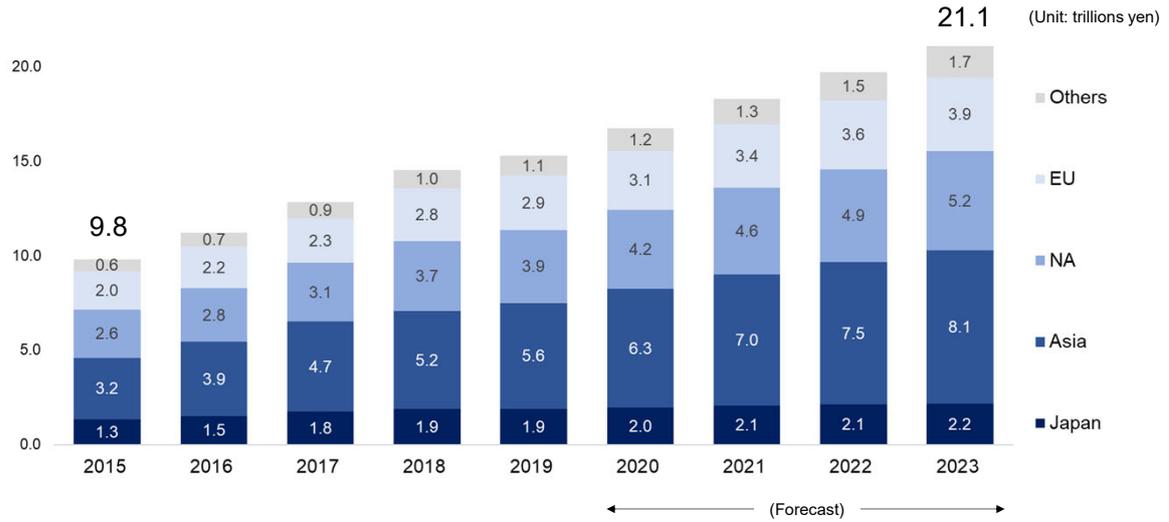
## Entertainment Contents Business Consumer area

- ✓ Expanding trend of global market continues
- ✓ Recent titles in consumer area are performing strongly and expecting the continuous growth
- ✓ Strengthen the business design further to win globally

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Regarding Entertainment Contents Business, as I mentioned earlier, we are also receiving an extremely favorable wind, as at other companies. This area alone has reached the point where we can target a ordinary income of more than 30.0 billion yen for the full fiscal year.

➤ Continuous Growth in the Global Game Market



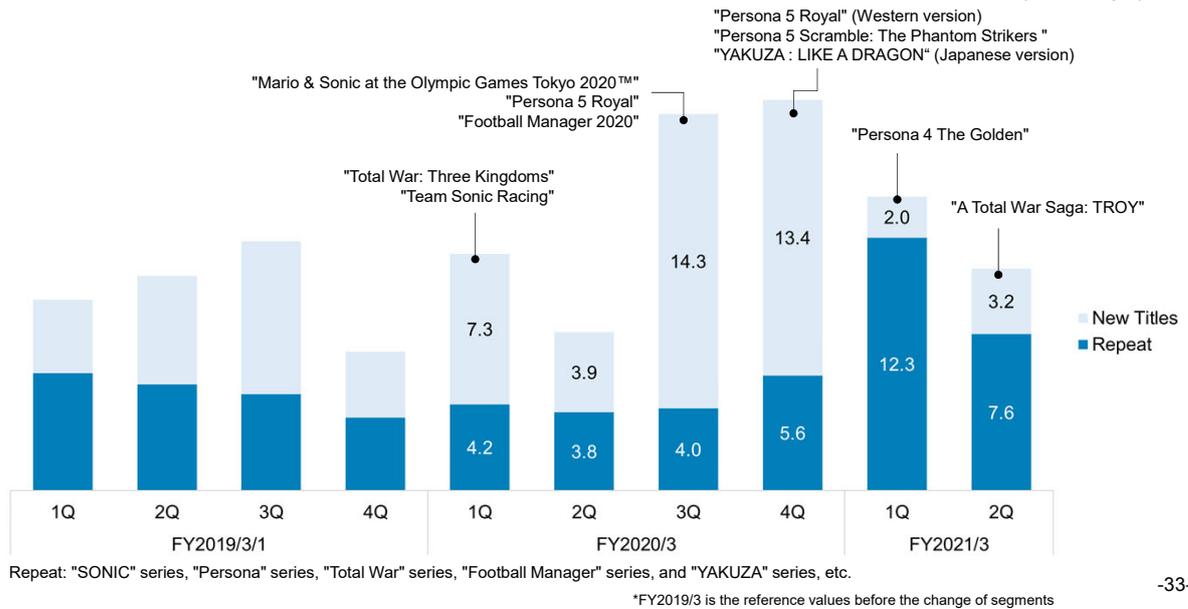
\*In-house estimation based on data from "Newzoo Global Games Market Data January 2020" (Exchange rate: 1 USD = 105 JPY)

We still expect the market to grow in all regions globally.

## Consumer area (Sales Transition of Full Game)

➤ Performance of repeat sales continues to be strong.

(Unit: billion yen)



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We would like to draw your attention to 1Q repeat. This was an area received significant benefit of stay-at-home consumption, and it grew about three times as much as last year's 1Q, but it also grew nearly twice as much in 2Q.

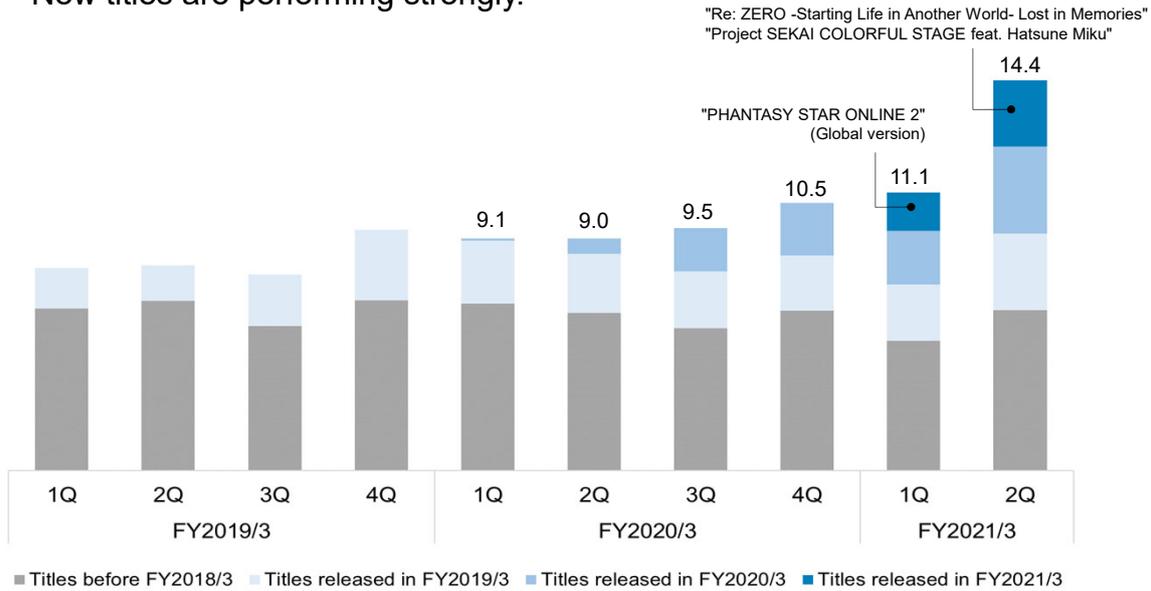
In addition to the fact that we originally expected the number of new titles in the current fiscal year is smaller, the impact of COVID-19 delayed development and delayed the launch of some titles to the next fiscal year, which resulted in this outcome.

As I mentioned earlier, this effect of stay-at-home has settled slightly, but as stay-at-home has begun once more in Western, we'd like to see how this will affect. However, with regard to 3Q, we are cautious about the extent of market growth for software because we anticipate that more budgets of fans will be spent on new hardware of Sony and Microsoft, and we do not estimate that the 3Q will be doubled from previous year, just as in 2Q.

## Consumer area (Sales Transition of F2P)

(Unit: billion yen)

➤ New titles are performing strongly.



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Regarding the titles of F2P, as mentioned earlier, "Re: ZERO -Starting Life in Another World- Lost in Memories" and "Project SEKAI COLORFUL STAGE feat. Hatsune Miku" had a good start. Also the title we developed on a consignment basis and other titles are performing strongly.

However, I think it is worth noting that titles other than new titles performed very well.

Phantasy Star Online 2 (Global version)	A Total War Saga: TROY	Football Manager 2020*
<p><b>Existing IP</b> Multi device Multi region</p> <ul style="list-style-type: none"> <li>➢ Distribution on Xbox, Steam, etc.</li> <li>➢ Distributed in 33 countries and regions worldwide, including Europe, India, and Oceania</li> </ul>  <p><small>© SEGA</small></p>	<p><b>Existing IP</b> Entry to new platform</p> <ul style="list-style-type: none"> <li>➢ Offered exclusive pre-sale to Epic Games.</li> <li>➢ Recorded more than 750 million downloads*</li> </ul>  <p><small>© SEGA. Developed by The Creative Assembly Limited.</small></p>	<p><b>Existing IP</b> Expansion of the brand recognition</p> <ul style="list-style-type: none"> <li>➢ Roll-out on multiple platforms, including free DLs at Steam and Epic Games stores</li> </ul>  <p><small>© Sports Interactive Limited 2019. Published by SEGA Publishing Europe Limited.</small></p>

\*Including free download

\*Released in October. 2019

Specifically, for example, "PHANTASY STAR ONLINE 2" has been specialized for the Japanese PS4 and PC markets, but in order to distribute it globally, we have been working together with Microsoft to start distributing it worldwide using Microsoft's Azure server. This has also released on Steam.

And regarding the large-scale update we have announced as "New Genesis," although this is an eight-year-old game and quite old in sight, we are planning a large-scale update that can withstand the latest graphics in this spring, and we want to roll this out globally.

Regarding "A Total War Saga: TROY", we received an MG first from Epic Games and conducted a campaign to give it free for a certain period on Epic Games. At that time, 7.5 million downloads were realized.

Epic Games platform commissions are overwhelmingly cheaper than those of other companies, so our profit is bigger when our title sold in Epic Games than in the other same PC platform, including Steam, so we would like to keep in balance with each company, considering this.

"Football Manager", which latest series of "Football Manager 2021" will be released this month, is also a software that sells more than one hundred of copies, mainly in Steam, if it is normally paid for. We have distributed the previous title of the series "Football Manager 2020" at no charge on Epic Games. This has been also downloaded in several millions, and the effect that the number of fans of Football Manager has suddenly expanded can be seen.

**Re: ZERO -Starting Life in Another World- Lost in Memories**

**External IP** Title based on popular animation

- Titles using TV animation based on a popular novel.
- Earn the high rank at iOS app sales ranking.

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

**Project SEKAI COLORFUL STAGE feat. Hatsune Miku**

**External IP** Joint development

- Jointly developed with Colorful Palette (newly established studio of Craft Egg Inc.).
- Exceeded 2 million users.

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Among our four IP strategies, we also used external IP.

For "Re: ZERO -Starting Life in Another World- Lost in Memories", although we developed this internally, we used license with KADOKAWA to make a hit.

As for "Project SEKAI COLORFUL STAGE feat. Hatsune Miku", although it is original rather than external IP, we partnered with Craft Egg cyber-agent-based studios which has solid results, and Hatsune Miku joined as an IP collaboration, which led to a great hit.

- The optimal IP roll-out on optimal platform

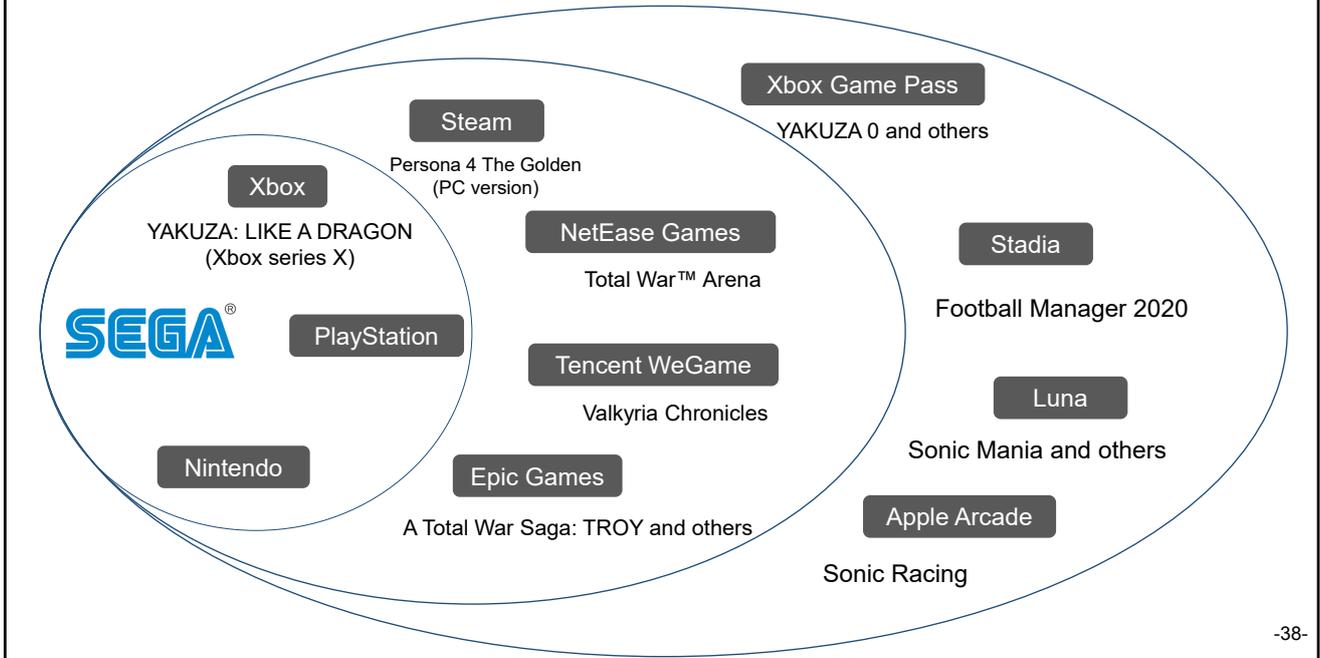
### Four IP strategies

Existing IP  
New IP  
External IP  
Revived IP



As we receive very strong inquiries regarding these four IP strategies, particularly revived IP, our focusing strategy is to deliver these to the global market together with our global partners.

## Expansion of business roll-out



One of our strengths is that we have always been asked when new platforms emerge. Recently we have been participating in Amazon Luna as a launch partner with "Sonic Mania".

Our strengths are that we are firmly engaged in strategic alliances with various platforms, including Stadia and Apple Arcade as a launch partner, so we will continue this strategy.

In Steam, we have not been so aggressive in releasing ATLUS titles on PCs, but we guess there is still need there and released a PC version that ported "Persona 4 The Golden" as is. As a result, we received a response that far exceeded our anticipation. We intend to bring the ATLUS catalogue titles gradually to various platforms in the form of porting, re-masters, or remakes.

## New title (F2P)

"Total War™ Arena"



The Creative Assembly  
×  
NetEase

Launched the official service for Chinese Mainland through NetEase, a leading IT company in China. (9/23)

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As a topic, regarding Creative Assembly's "Total War", we have been firmly teamed up with NetEase in China, received Hango (approval) and started the service although this is still at a level of beta rather than a formal opening. This is also one of the titles we look forward to the outcome.

YAKUZA : LIKE A DRAGON



©SEGA

## SEGA × Xbox

Launch “YAKUZA : LIKE A DRAGON” at first time in Xbox Series X. (11/10)

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Until now, we have often teamed up with Sony for "Ryu ga Gotoku ("Yakuza" in Western)" series but we will rebrand "Ryu ga Gotoku 7" as "Yakuza Like a Dragon" and release it onto multi-platform simultaneously, including new hardware like Xbox Series X as its launch title, PS5 and PS4 in the U.S. and Europe.

Through these strategies, we have grown it to the IP that is sold over 1 million worldwide.

## New title (F2P)

"Sakura Revolution"



**SEGA ×  
DELIGHTWORKS Inc.**

Co-development of the  
new title for smartphone

We have also started a project called "Sakura Revolution" to rebrand "Sakura War" in collaboration with Delight Works, which is famous with "FGO." We hope this project will be released this winter as well.



"Shin Megami Tensei V"  
(within 2021)

© Amplitude Studios 2020.  
© SEGA.

Plan for subsequential launch on Steam, Epic Games and STADIA from April, 2021



"HUMANKIND™"

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Plan to release on Nintendo Switch within 2021

From the current fiscal year onwards, "HUMANKIND", in particular, has been postponed due to the impact of lock-down as the studio is located in Paris, France. However, we would like to deliver "HUMANKIND" in spring and sequentially "Shin Megami Tensei V" in 2021 to the world.

- ✓ Re-revise the schedule for domestic IR
- ✓ Focus on RFP in Yokohama City
- ✓ Aiming to participate with carefully assessing conditions for future entry, etc.

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Regarding domestic IR, the revision to the schedule was announced. We guess RFP for Yokohama will also start accordingly and we are aiming at taking part in while carefully assess the conditions for entry.

Las Vegas Sands announced their withdraw from Japan IR, and some of the obvious reasons for this were low investment effectiveness, long payback period, or low ROI of Japan IR.

Indeed, there is a results that they recovered that huge amount of investment in Singapore and Macau, but in Japan, even if we estimate the payback period would take as same as the payback period of one new building or hotel.

We are presently estimating that the payback period of IR is very long even though it has casino, the earnings driver.

The reason for this is that it is becoming increasingly clear in COVID-19 that in order to build IR with fulfilling the request of national and local governments including the size of the convention facilities and the number of hotel rooms all together, the payback period will take like as mentioned above and it could be very difficult to make a profit.

We will continue to consider the entry while carefully assessing those aspects.

- Continue the structural reform to create a lean business structure

**FY2022/3 onward**

- **Recovery of business performance in Pachislot and Pachinko business**
- **Focus on global business in Consumer area**
- **Participation in Domestic IR**

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From the next fiscal year onwards, we will work hard for turnaround of performance in Pachislot and Pachinko Machines Business and we will be focusing firmly on global expansion in Consumer area as new hardware will be ready. Also, we will continue the preparation for IR.

In addition, to supplement, I think there are some who have the question why we sold SEGA's amusement facility business and why to this counterparty.

As a market, until COVID-19, the market for facility operations has grown for five consecutive years. In particular, amid the extremely strong performance of prizes, we are currently seeing very strong sales of prizes for "Kimetsu no Yaiba" and others, and some of our UFO Catcher machines are also selling well.

In the last decade, we have conducted a two-year consecutive structural reform to close a large number of stores. As we discussed the best choices among many options this time, this also came up as an options. We considered closing the store to lower fixed expenses in order to continue this business and also considered selling it to other companies in the same industry. In that case, we could be told that stores are necessary but head office is not necessary, so we thought it is better to transfer to the partner who can take over the capability of current personnel to the fullest extent and invest into this growing market.

Even if we keep holding these stores, we would have to drastically cut back on the number of stores, and we would have to put the investing in new stores off. So, the partner who would satisfy the above-mentioned conditions was GENDA.

Mr. Kataoka, the chairman of GENDA, is the person who made the market capitalization of Aeon Fantasy about 10 times and had the experience to open large number of stores in Asia. Since

Asia is the region where the potential of growth for SEGA ENTERTAINMENT is existing, I thought it would work well if we team up with Mr. Kataoka.

As the same with JOYPOLIS case, we are still shareholders holding 15% of shares, and we are also in a position to rent SEGA's store name, so we will continue to support them closely, and the signage of the store will not change for the time being. As ordinary customers will visit stores with seeing SEGA's signage both today and tomorrow, even after the end of the equity transfer, we would like our staff to continue servicing them without any change.

We will specialize as a manufacture of the products, including arcade machines, merchandise products including prizes for prize machine, and pachinko and pachislot machines. As a manufacturer, we want to work hard continuously for the development of the arcade industry, and this will remain unchanged.

### 3. Q&A



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

**Cautionary Statement for Investors and Shareholders with Respect to Nevada Gaming Statutes and Regulations**

SEGA SAMMY HOLDINGS INC. ("the Company") is registered with the Nevada Commission as a publicly traded corporation and has been found suitable to directly or indirectly own the stock of SEGA SAMMY CREATION INC., and Sega Sammy Creation USA, Inc., both of which are subsidiaries that have been licensed as manufacturers and distributors of gaming devices in Nevada. Pursuant to Nevada law, the Company's shareholders are subject to the rules and regulations of the Nevada Gaming Authorities. A detailed explanation of Nevada gaming statutes and regulations can be found on the Company's corporate website:

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

Please visit below websites for more information of products and service of SEGASAMMY.

<https://www.segasammy.co.jp/english/pr/corp/group/list.html>  
(SegaSammy Group Website list)

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