

SEGA SAMMY HOLDINGS INC.

New Medium-Term Plan (FY2022/3-FY2024/3)

2021/5/13

Disclaimer

Market forecasts, operating results forecast, and other information contained in these materials are based on judgements and projections of the Company's managements from currently available information. Therefore, please understand that the contents herein involve risks and uncertainties, and the actual results could differ materially depending on various factors.



Goal
Target

Beyond the Status Quo

**-Breaking the Current Situation and
Becoming a Sustainable Company-**

FY2024/3: Ordinary income 45.0 billion yen, ROE Over 10%

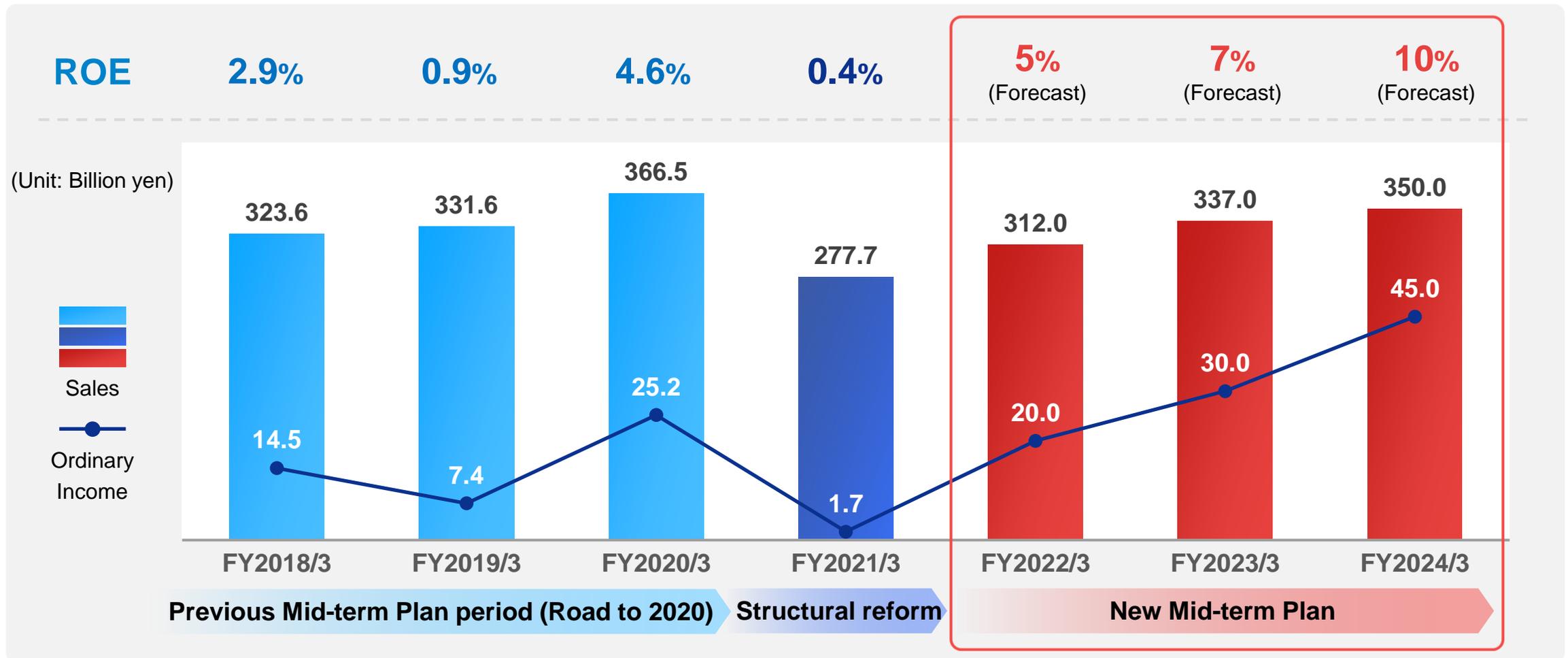
Strategy
Key Strategy

**Consumer area
Investment
in growth**

**Pachislot and Pachinko
Solidification of
earnings base**

**Certification as a
business operator
of IR**

Improvement of ROE by shifting to the management focusing on capital efficiency



New Medium-Term Plan (3 years): Per segment breakdown

Aiming for ROE10% and ordinary income of 45.0 billion yen in FY2024/3

		FY21/3 Results	FY22/3 Forecast	FY23/3 Forecast	FY24/3 Forecast	(Unit: Billion yen)
Entertainment Contents	Sales	217.8	213.0	238.0	242.0	
	Operating Income	27.9	23.0	28.5	39.0	
	Ordinary Income	27.9	25.0	30.0	40.0	
Pachislot and Pachinko	Sales	53.1	89.0	88.0	96.0	
	Operating Income	-10.6	9.0	9.0	13.0	
	Ordinary Income	-11.3	9.0	9.0	13.0	
Resort	Sales	6.3	9.5	10.5	10.5	
	Operating Income	-4.1	-3.0	-1.5	-1.3	
	Ordinary Income	-8.9	-5.0	0.0	1.0	
Other/ Elimination	Sales	0.5	0.5	0.5	1.5	
	Operating Income	-6.7	-9.0	-9.0	-8.7	
	Ordinary Income	-6.0	-9.0	-9.0	-9.0	
Consolidated	Sales	277.7	312.0	337.0	350.0	
	Operating Income	6.5	20.0	27.0	42.0	
	Ordinary Income	1.7	20.0	30.0	45.0	
	ROE	0.4%	5%	7%	10%	

**Investment
in growth**

**Consumer area
IR business**



Focused investment

- **Creation of Super Game**
- **Certification as a business operator of IR**

**Ensure
stable earnings**

**Pachislot and
Pachinko
Amusement Machine
Animation / Toys**



**Creation of Hits
×
Business efficiency**

Entertainment Contents Business Consumer Area

To be a Global Leading Contents Provider

FY2024/3

Strengthen earnings base by making existing IPs into global brand

Investment promotion period towards global players

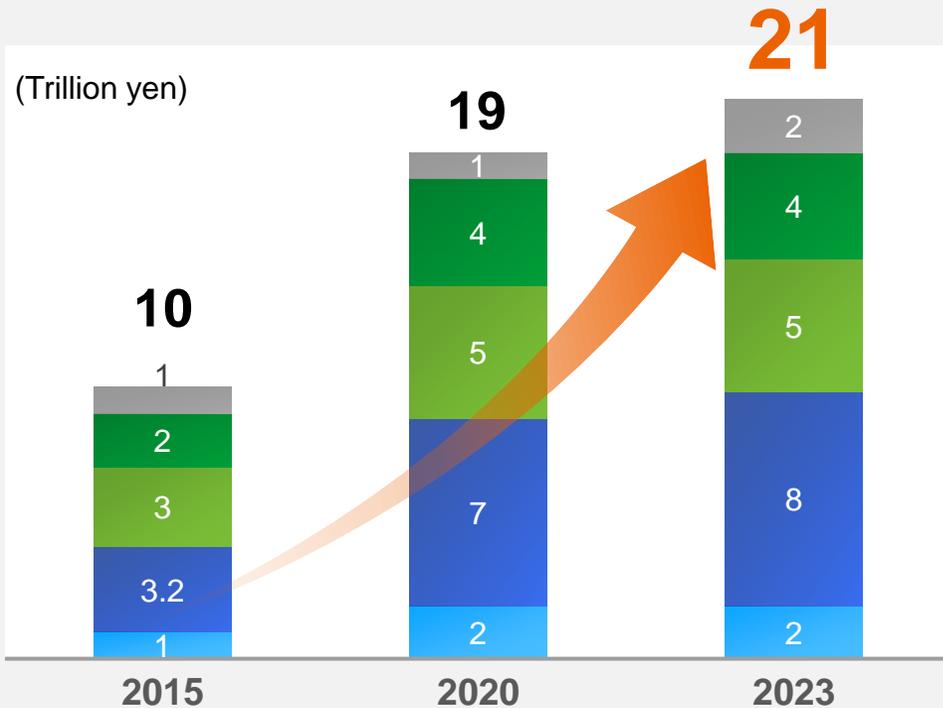
FY2026/3

Creation of Super Game

Proactive investment in growth

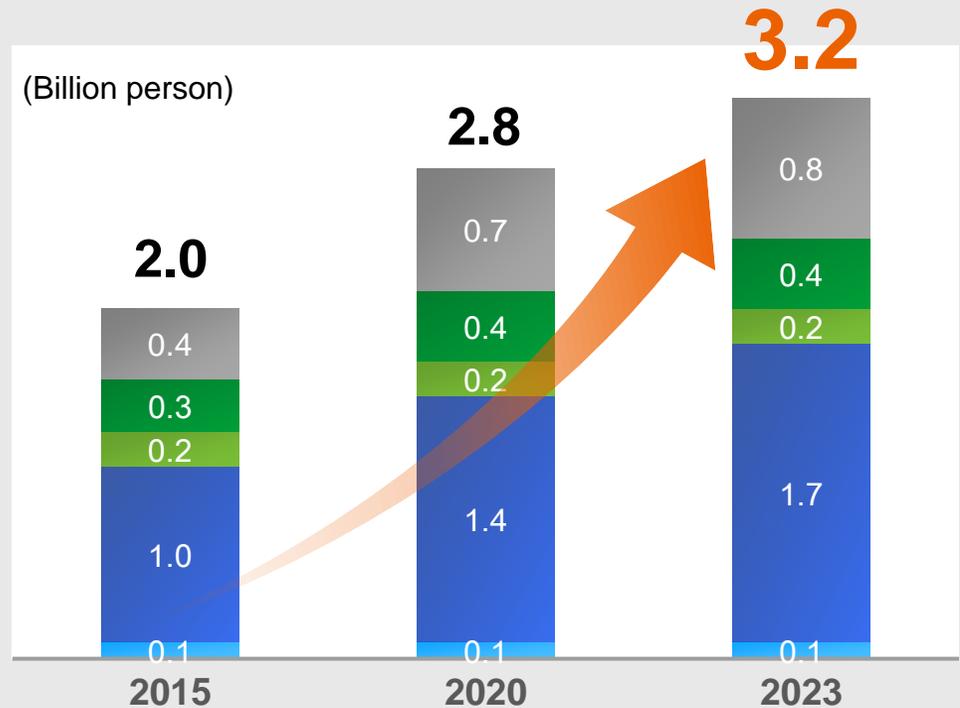
(Additional investment of up to 100.0 billion yen in 5 years)

Market Size Trend (Forecast)



*Source: Created based on Newzoo Report January 2021, 1USD = 105JPY

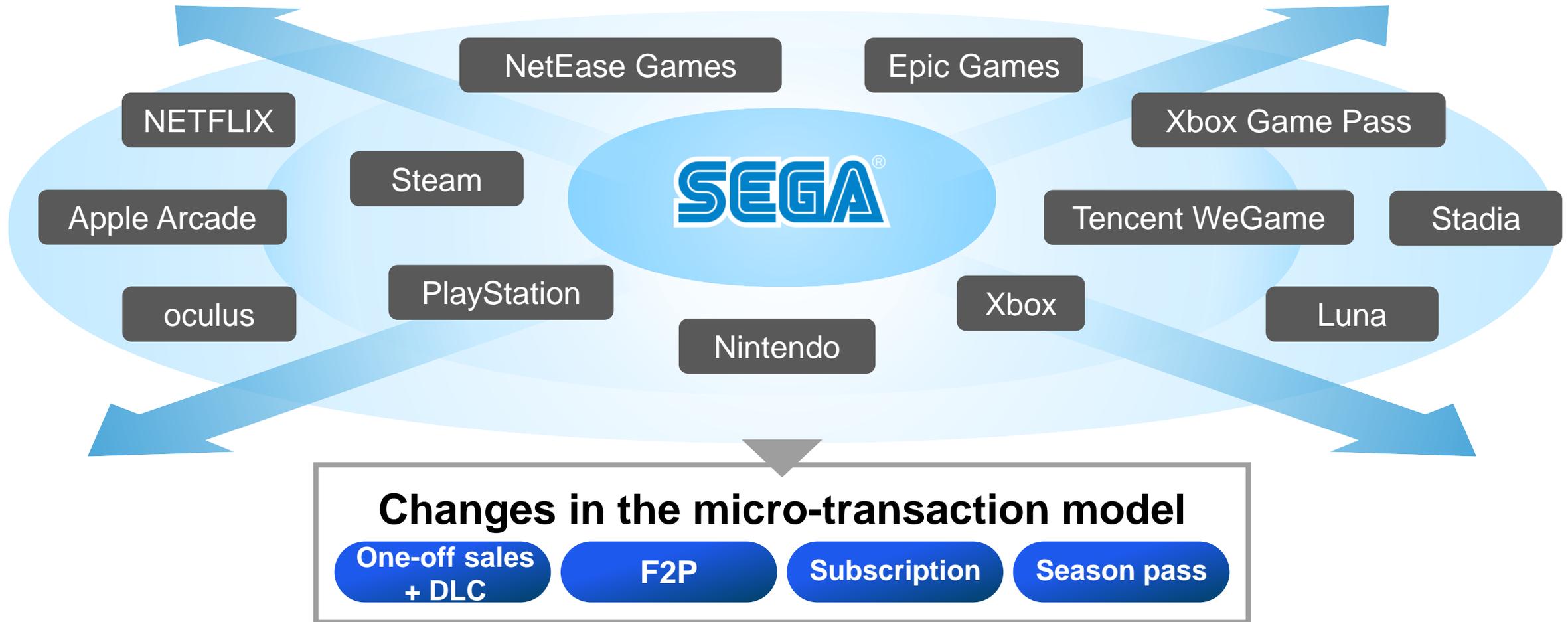
Worldwide Game Player Population (Forecast)



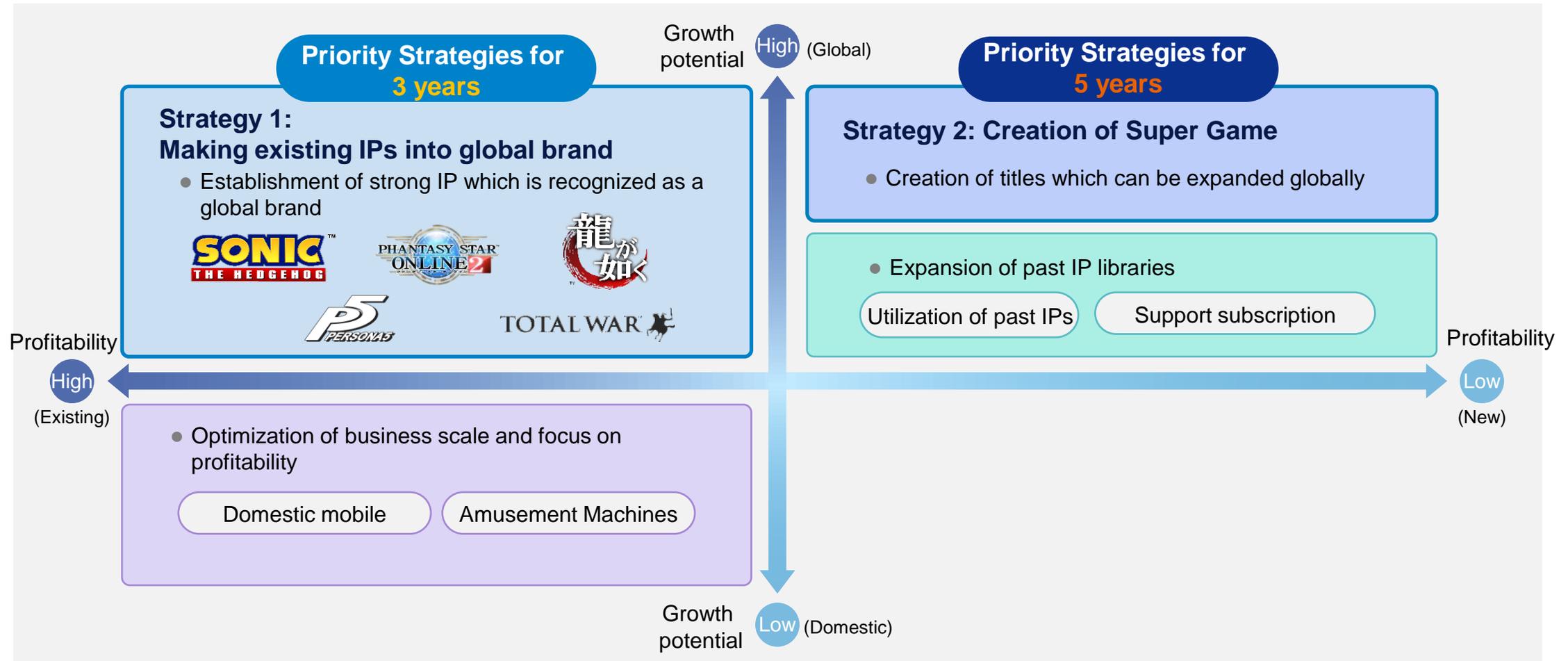
*Source: Created based on Newzoo reports, All people who played games in any of the platform following in the last six months; PCs, home videogame consoles, mobile devices and the cloud gaming services.

■ Japan
 ■ Asia
 ■ NA
 ■ EU
 ■ Others

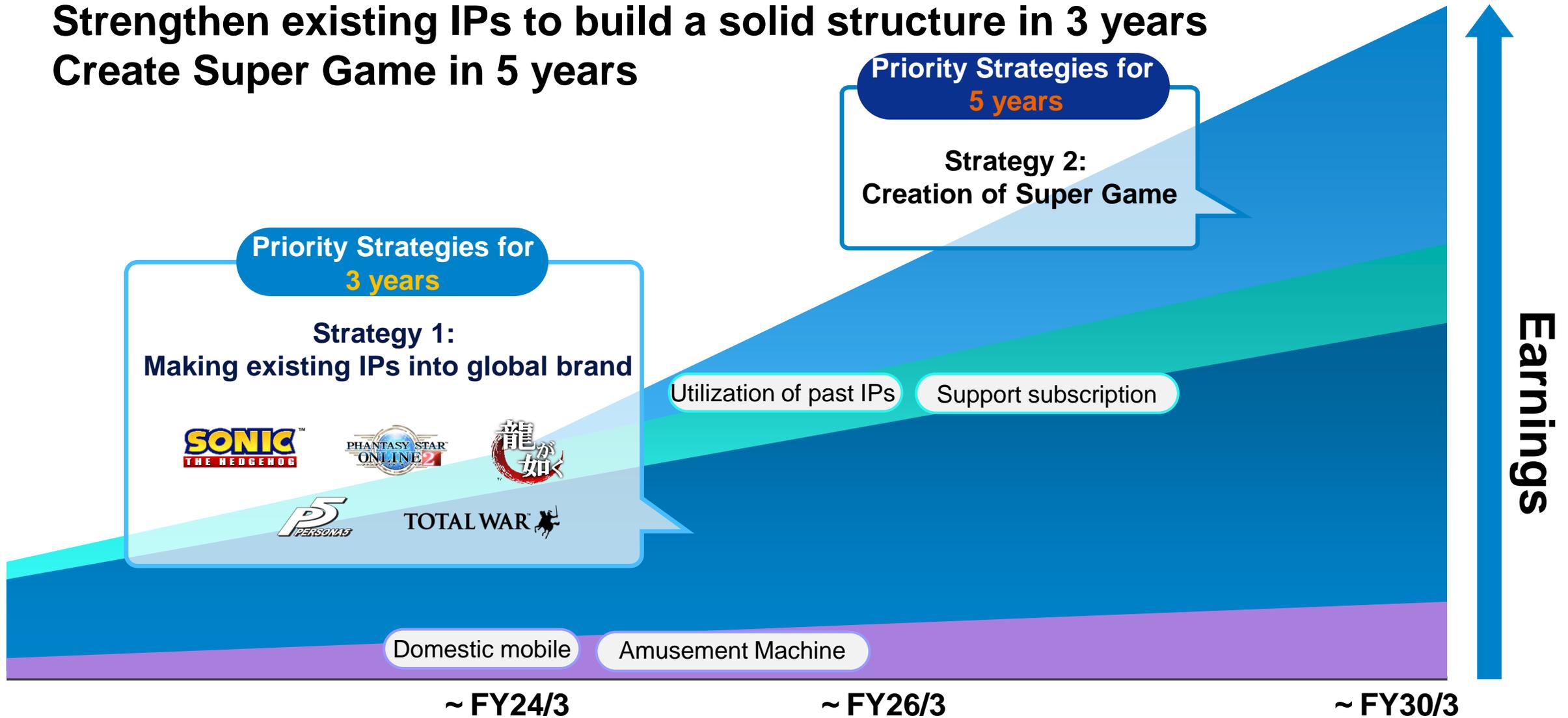
Barriers between devices and regions disappeared and point of contact with users are increasing



【Key strategies】



Strengthen existing IPs to build a solid structure in 3 years
Create Super Game in 5 years



Grow mainstay IPs which holds core fans as a global brand

< Image of Brand Expansion >

1

Expansion of touch points

- Strengthen global roll-out
- Multi-platform support
- Multi-language support

2

Prolonging the product life cycle

- Utilization of IP assets
- Strengthen digital sales
- Multi-monetization

3

Strengthening of user engagement

- Community management
- Strengthen media mix

Expansion of touch points

- Expand sales areas with the first worldwide simultaneous launch from Ryu ga Gotoku studio



The logo for the game 'Lost Judgment' is displayed in a large, bold, black font. The word 'LOST' is on the left, followed by a small silhouette of a character holding a sword, and then the word 'JUDGMENT' on the right. A small 'TM' trademark symbol is at the bottom right of the word 'JUDGMENT'.

©SEGA

- Simultaneous global launch (scheduled for September 24, 2021)
- Support platforms: PlayStation4, PlayStation5, Xbox One, Xbox Series X/S
- Support 9 languages (Japanese, Traditional Chinese, Simplified Chinese, Hangeul, English, French, Italian, German and Spanish)

Strategy 1: Making Existing IPs into Global Brand (Example)

Strengthening of User Engagement

- Expansion of recognition of Sonic brand by strengthening Media Mix

FY2020/3~

Made into a movie



Released in March 2020
Box office \$320 million

FY2023/3~

Sequel of the movie, and anime will be distributed in Netflix



Challenge toward creating large-scale global titles



Aim for life-time sales of 100.0 billion yen

Holds a large number of globally recognized IP Utilizing these IPs after careful examination

Examples of active IP

- Phantasy Star
- Sonic
- Total War
- Football Manager
- Ryu ga Gotoku (YAKUZA)
- Persona
- Megami Tensei etc.

Examples of past IP groups (Including dormant IPs)

- Crazy Taxi
- Jet Set Radio
- Space Channel 5
- Rez
- Panzer Dragoon
- NiGHTS
- Shinobi
- Virtua Fighter
- Altered Beast
- House of the Dead
- Streets of Rage
- Soul Hackers etc.

*Under examination of which IP to utilize

1 Remaster

Convert past titles to HD animation

2 Remake

Significant addition of new features while maintaining gameplay of the original game

3 Reboot

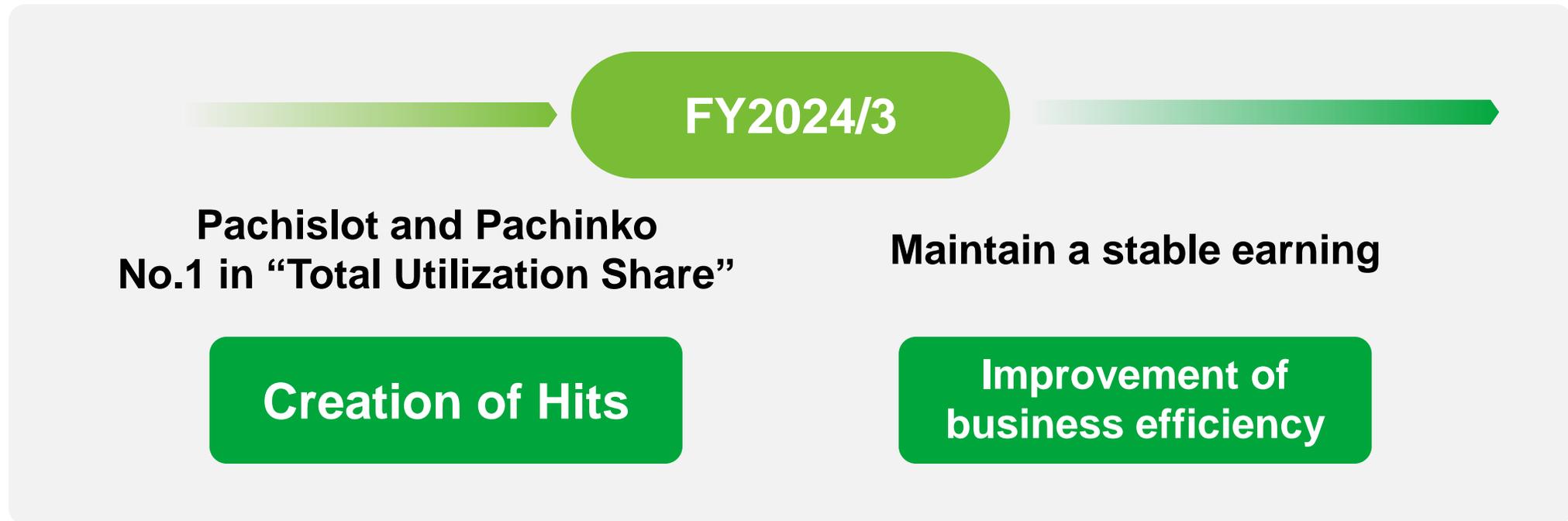
Reconstruct to a new game while maintaining look and feel of the world of the IP



Pachislot and Pachinko Machines Business

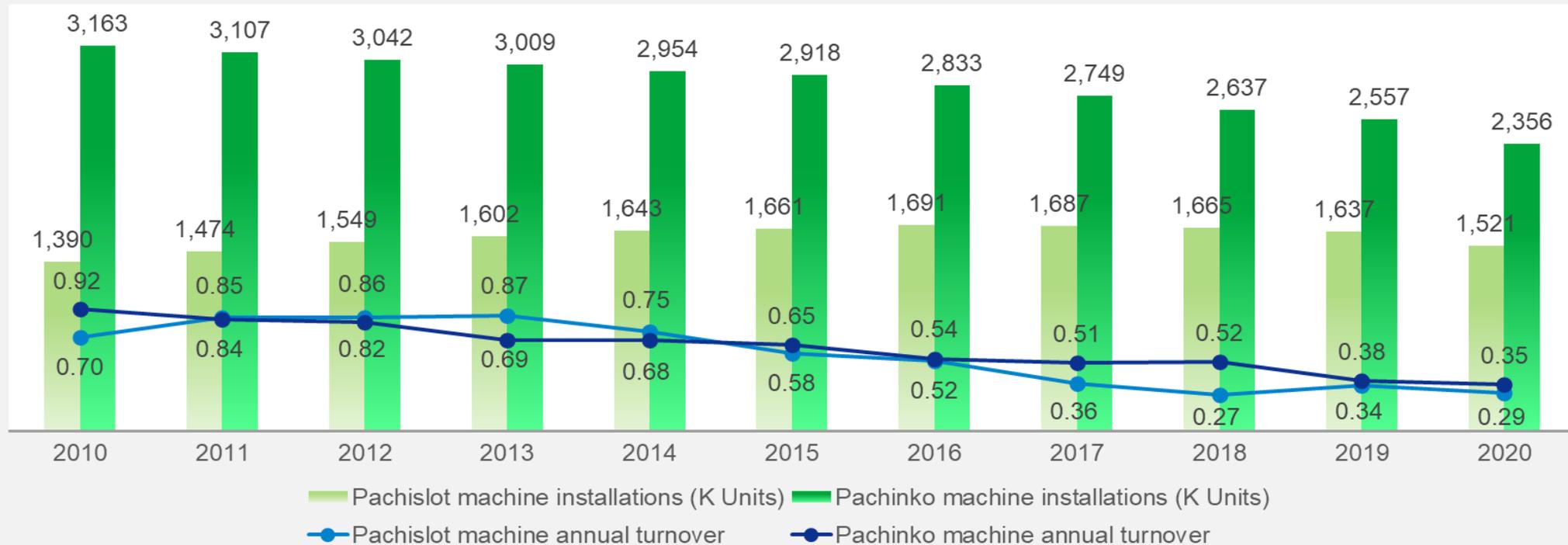
No.1 in Sales & Utilization Share

Build a stable Earnings structure



The number of installed machines are gradually decreasing.
Turnover* rate trends at a low level.

Trend of installed units and turnover rate in the market

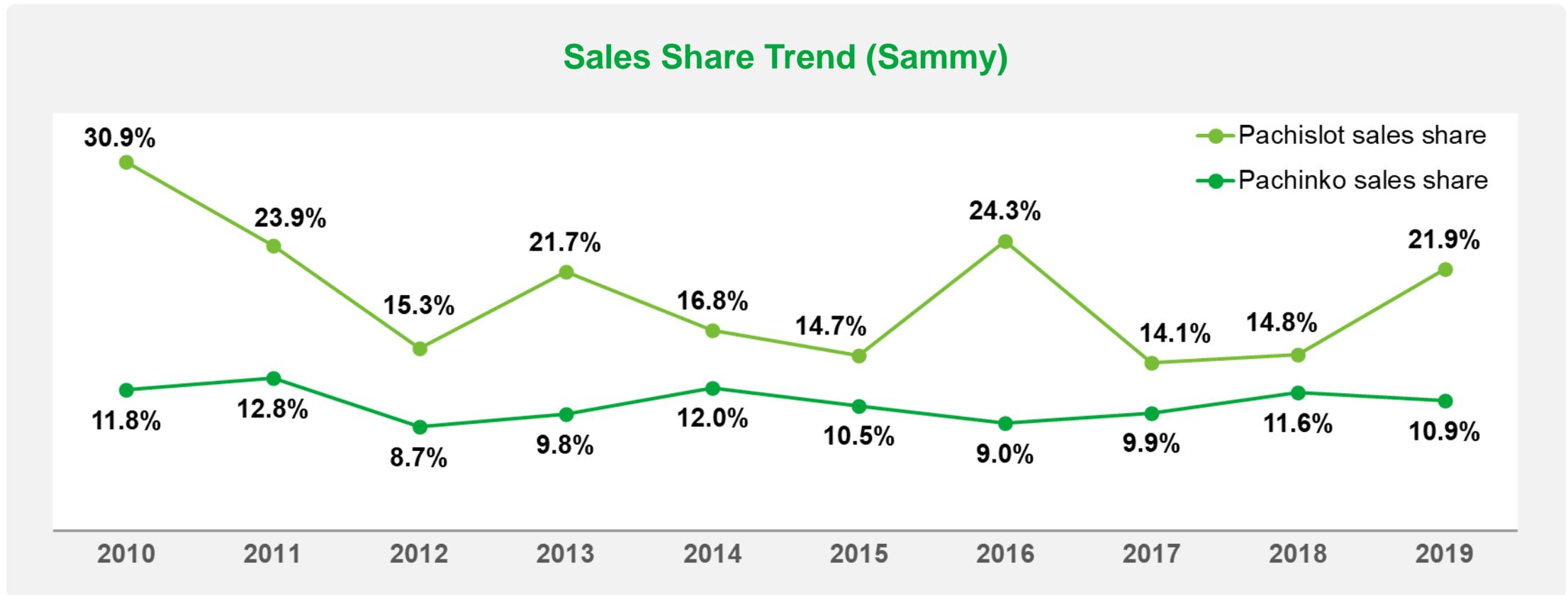


Sources: National Police Agency and Yano research Institute Ltd. (*The data for 2020 are in-house estimations)

*Annual Turnover rate = Annual Pachislot and Pachinko machine unit sales / Number of installed Pachislot and Pachinko machine units in the market

Pachislot: Trends at around 15-20% in recent years

Pachinko: Trends at around 10%

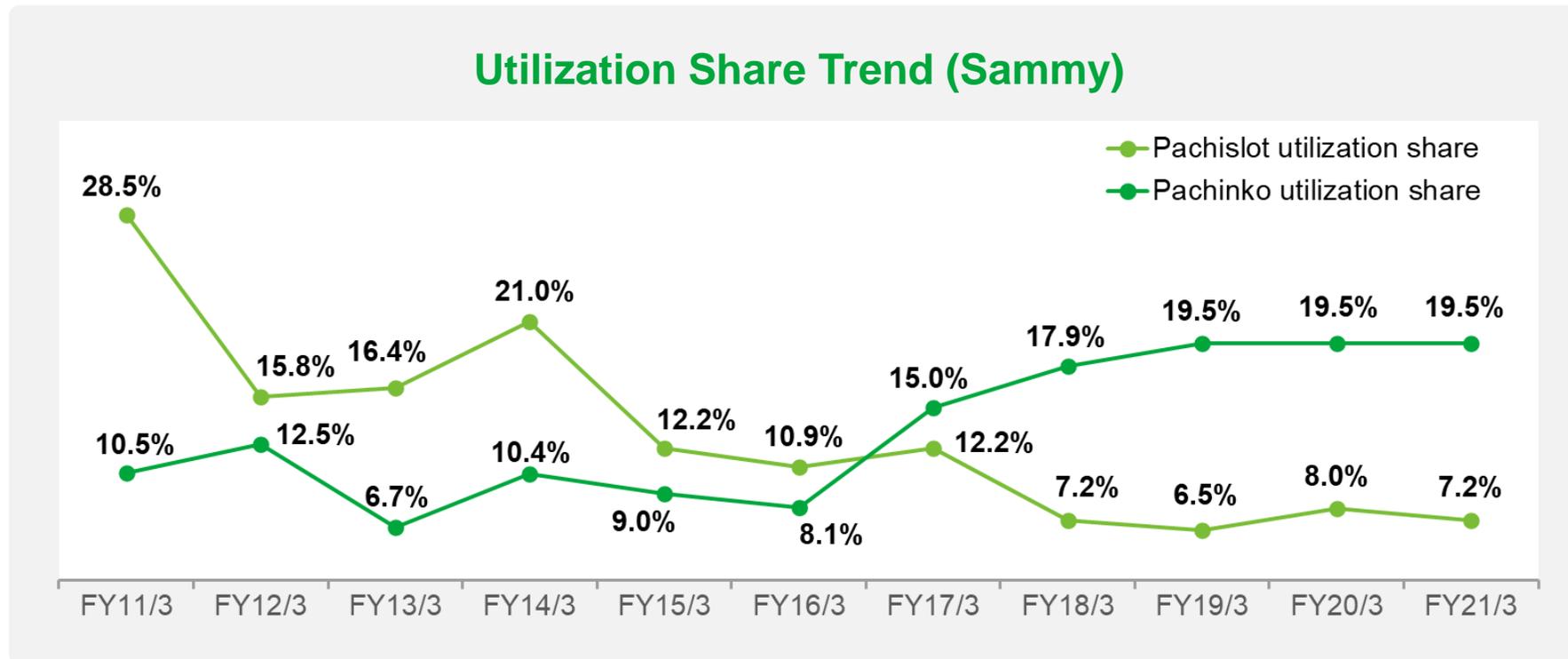


Source: Yano research Institute Ltd.

*Estimated by Yano Research Institute Ltd. With fiscal years from July of each year through June the following year as criteria.

Pachislot: Under 10% in recent years
Pachinko: Trends at around 20%

Reference: Ranking of Utilization share



Total Utilization Share		
1st	S Company	19%
2nd	K Company	17%
3rd	Sammy	13%
4th	U Company	13%

Pachislot: Utilization Share		
1st	K Company	35%
2nd	U Company	25%
3rd	D Company	11%
4th	Sammy	7%

Pachinko: Utilization Share		
1st	S Company	34%
2nd	Sammy	20%
3rd	S Company	11%
4th	N Company	10%

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

*Calculated by average of the fiscal year (Exclude the week striding over fiscal years)

***Utilization Share** = Ratio of Sammy machine's utilization out of the total utilization (total utilization = total of numbers of installed machine of each Title × utilization of each Title [Pachislot: Numbers of inserted medals, Pachinko: Numbers of shot balls])

1

Review of product lineup

- Optimization of lineup (Centering on series machines)
- Strict selection and narrowing down new IPs
- Revival of past IPs

2

Increase the profitability of a Hit

- Create machines from user's perspective
- Deepening user analysis by attribute

3

Strengthening media functions

- Expansion of user communication by utilizing digital medias

1

Improvement of development efficiency

- Commonization of images between Pachislot and Pachinko
- Rationalization of video making
- Expansion of derivative titles such as specification changed title

2

Cost reduction

- Promote introduction of common components between Pachislot and Pachinko
 - Suppression of surplus inventory by optimizing the first lot
- (Medium to Long-Term Target: Make surplus inventory Zero)

3

Promotion of e-commerce

- Transition of Pachinko machine sales to e-commerce, following Pachislot machines

➤ **Promote adoption of ZEEG cabinets**

- Schedule a complete transition to ZEEG cabinet in Pachislot machines in FY 2024/3

➤ **Expansion of ZEEG cabinet utilization by external manufacturers**

- Number of companies hired:
Currently 3 → 5 companies (planned) *Including Sammy

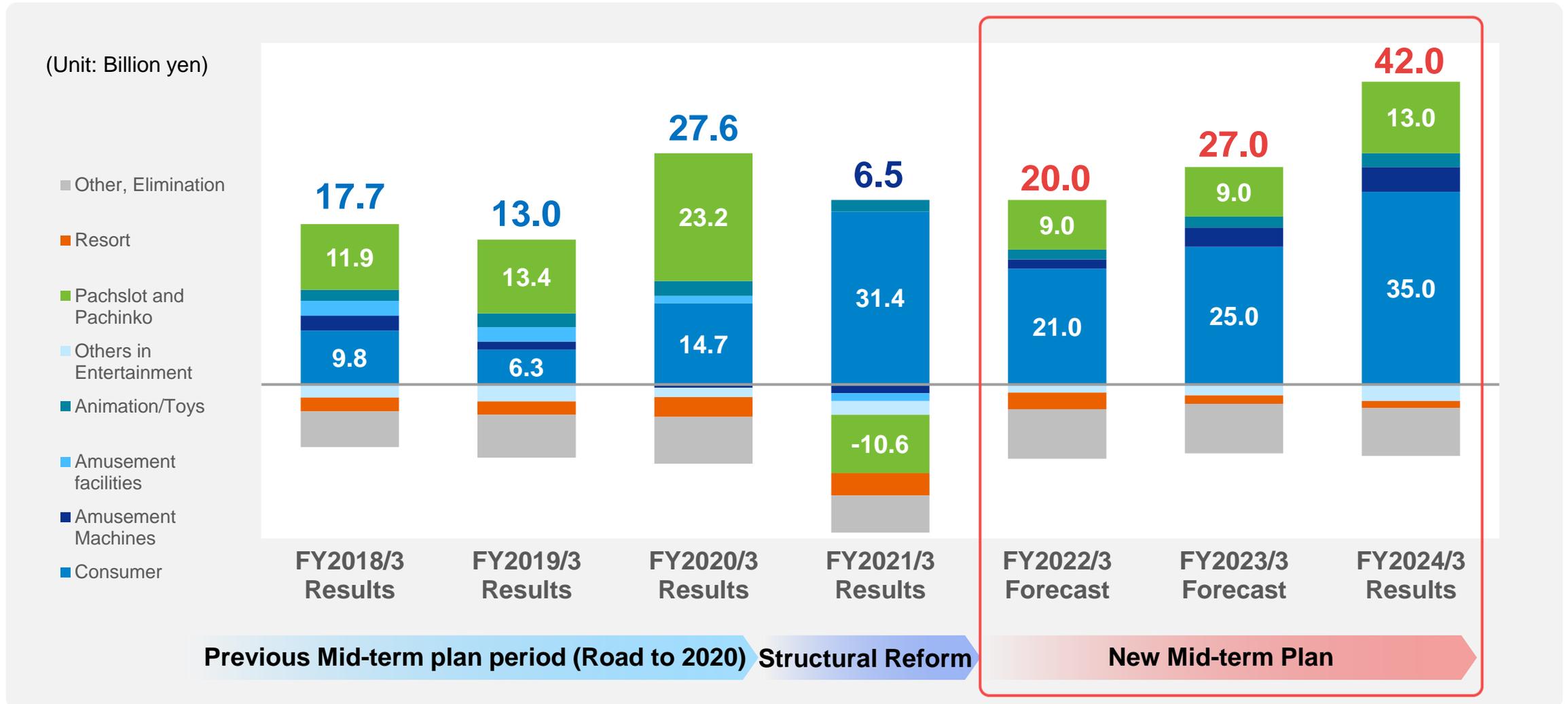
Resort Business

➤ Aim for the participation in Yokohama IR

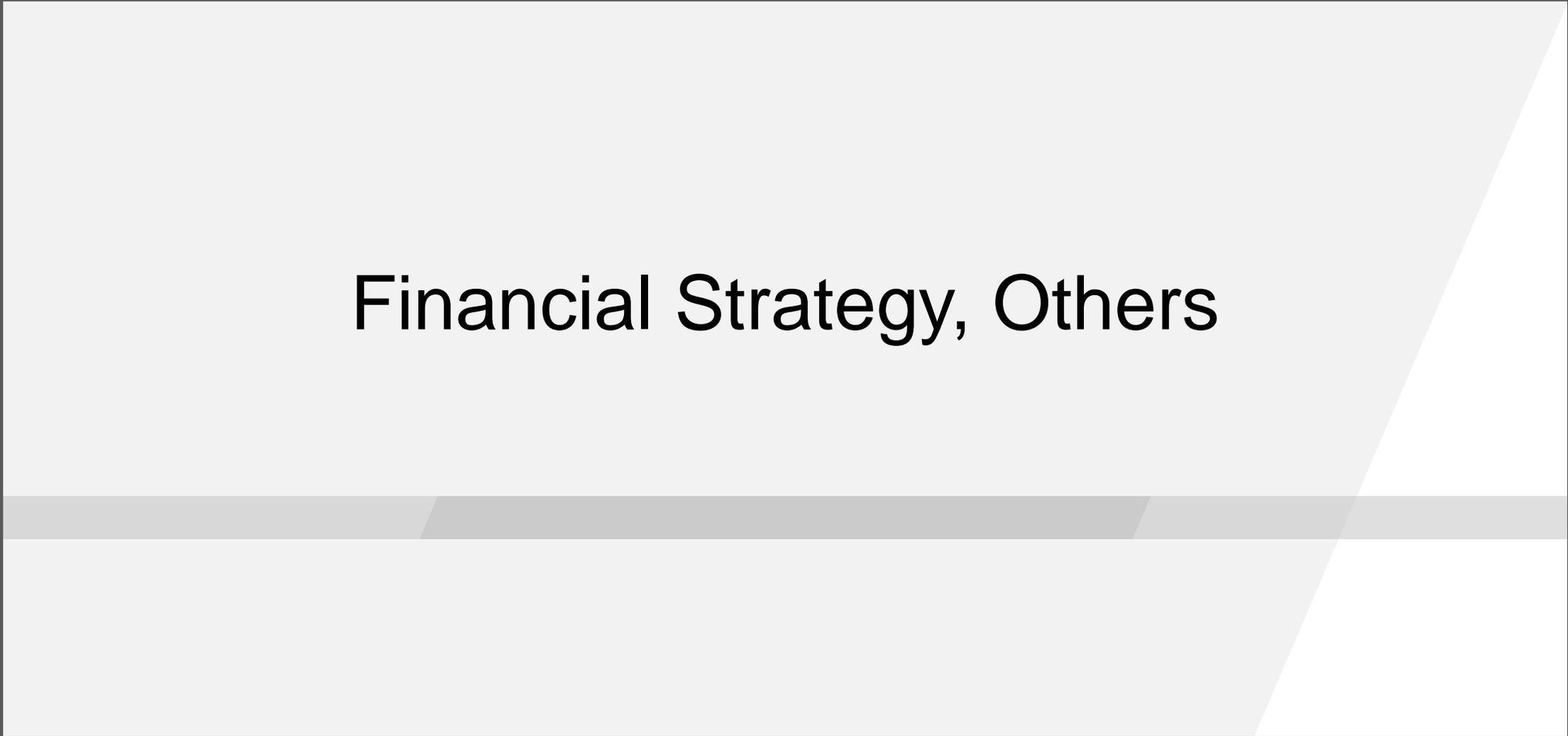
➤ Achieve highly transparent and sustainable IR

Reference: New Medium-Term Plan (3 years)

(Trend of Operating Income)



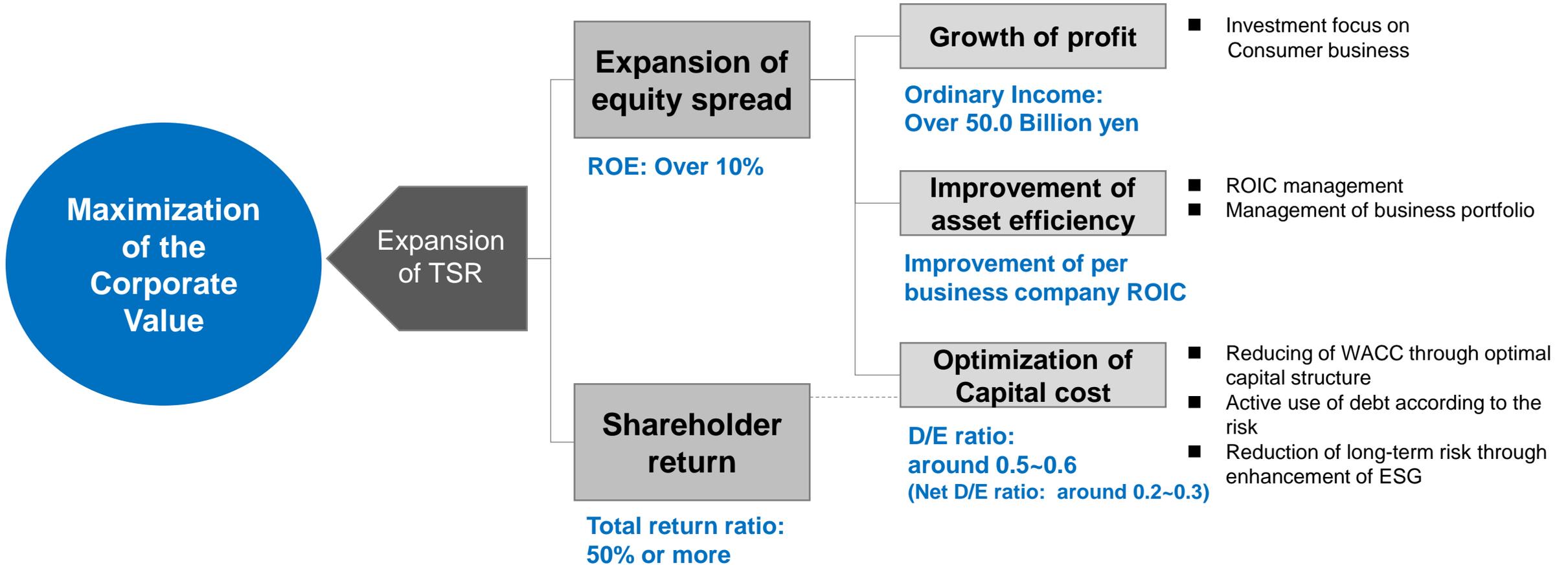
*Figures of the fiscal year ended March 31, 2019 are reference values before segment change



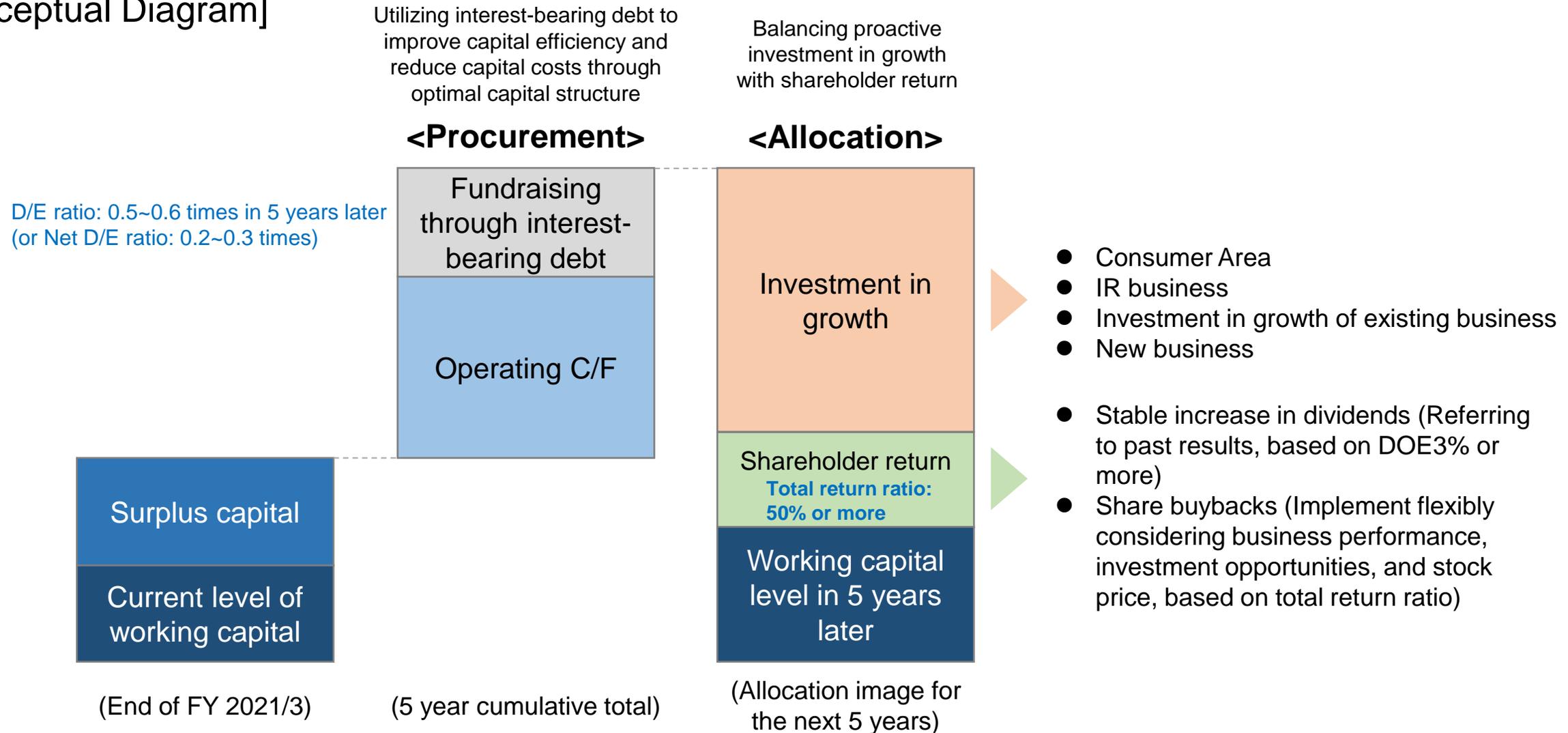
Financial Strategy, Others

To Maximize the Corporate Value (~FY2026/3)

Shift to the management focusing on capital efficiency



[Conceptual Diagram]

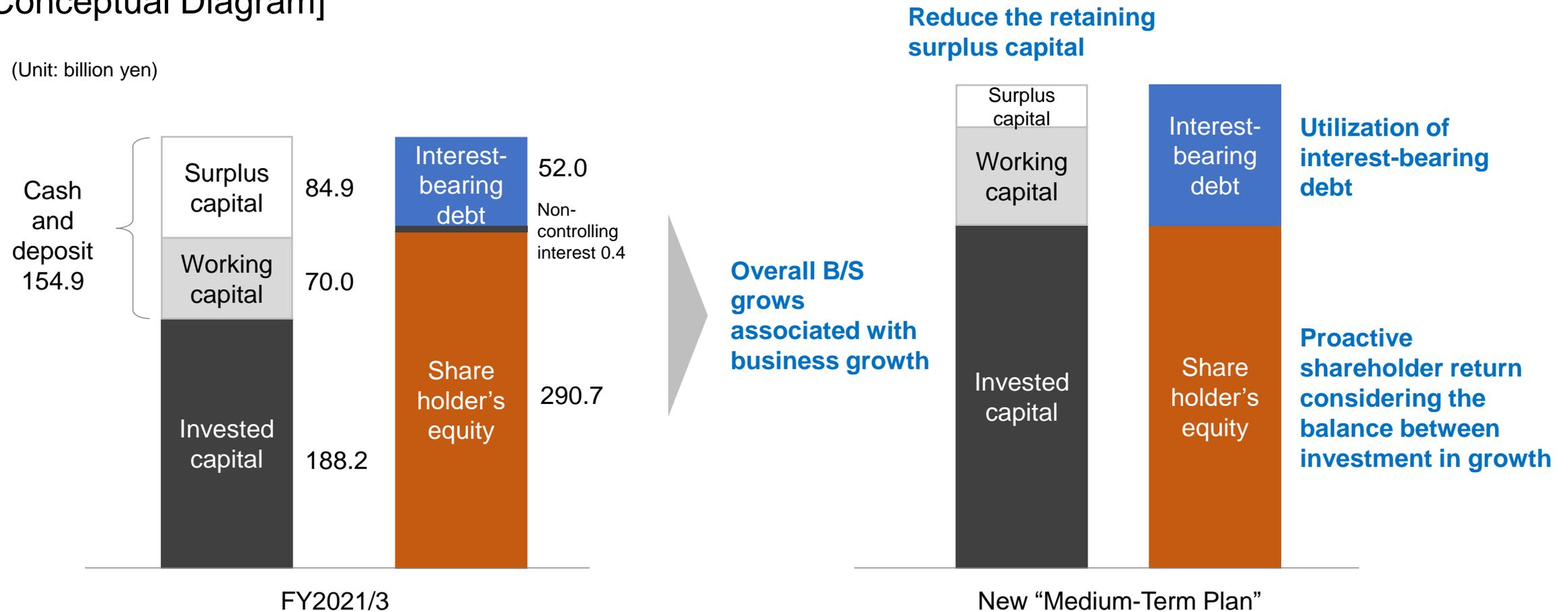


Concept of Optimal Capital Structure

Improvement of ROE and reduction of capital cost by utilizing interest-bearing debt

[Conceptual Diagram]

(Unit: billion yen)



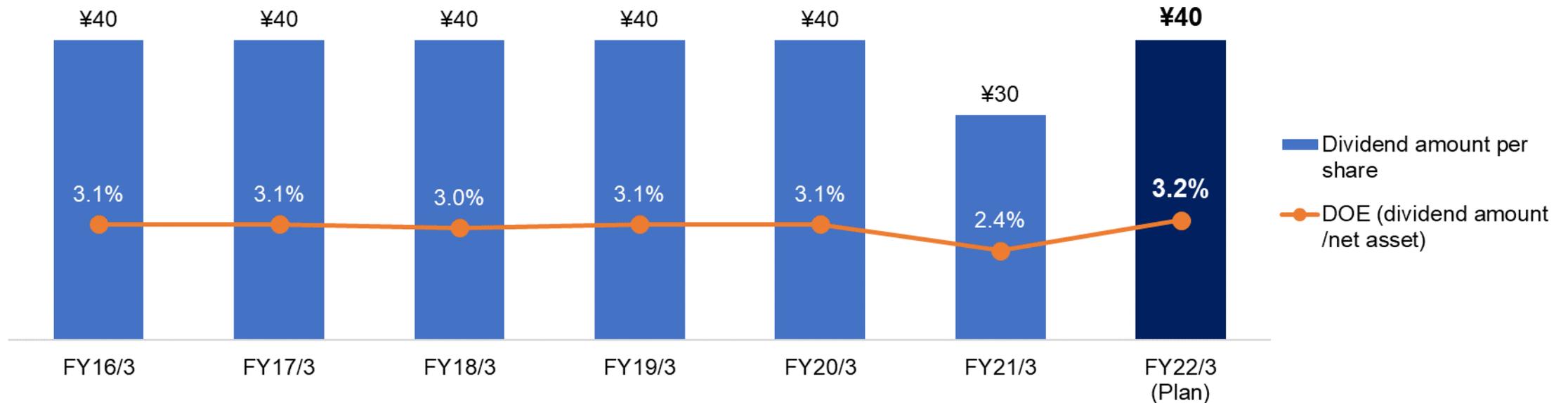
*Invested capital = Total assets excluding cash and deposit — liabilities excluding interest-bearing debt

*Shareholder's equity includes accumulated other comprehensive income

Basic Policies on Shareholder Return

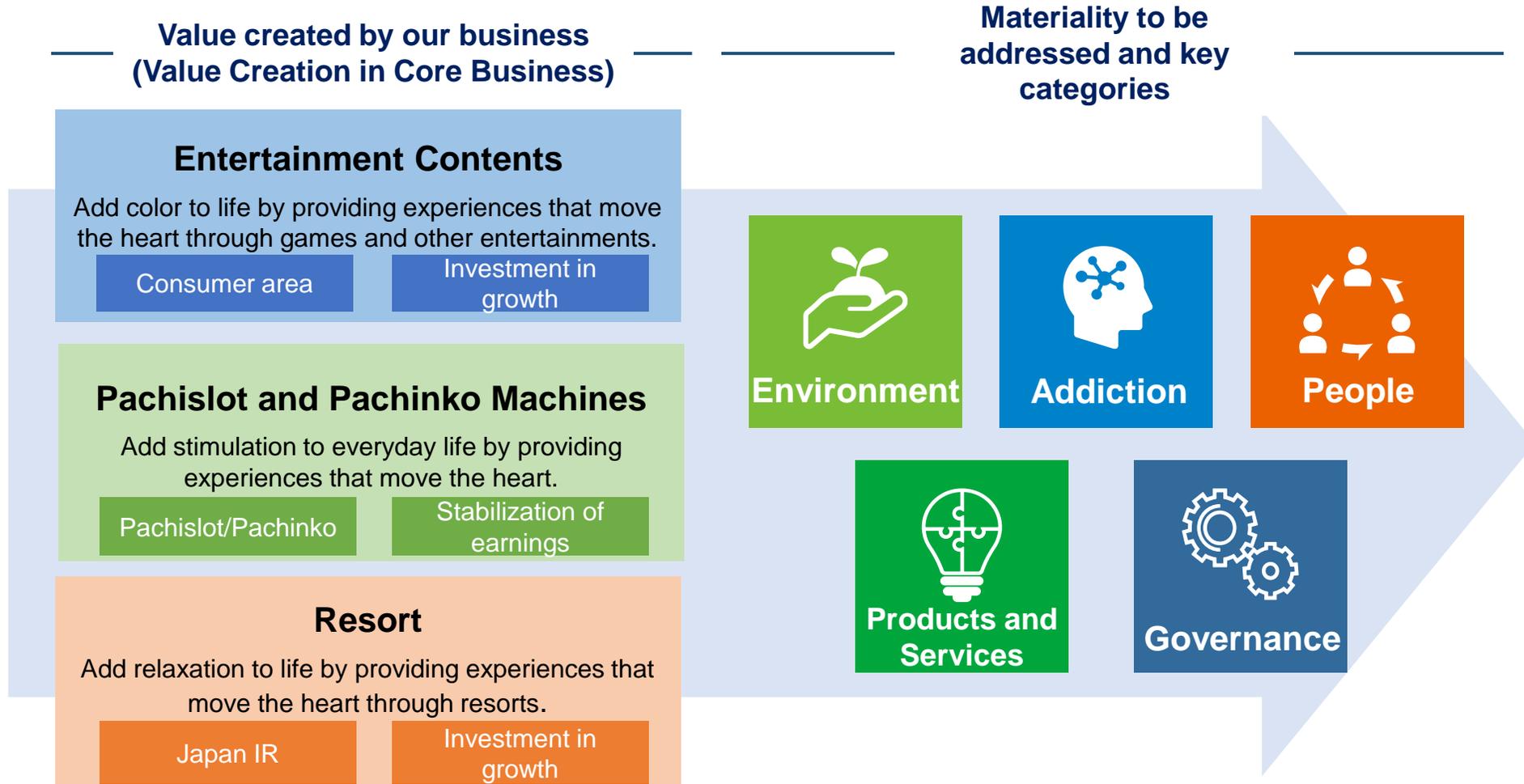
Introduce the following return policies being conscious of past dividend amount results

- Total return ratio: 50% or more
- Dividend Policy: DOE (Dividend on Equity Ratio) 3% or more
- Regarding share buybacks, make flexible decision taking business performance trend and stock market trend into account



To work on setting quantitative goals and strengthening the action plans

“Constantly Creating,
Forever Captivating”
—Making Life More Colorful—



Realize a sustainable society and
increase corporate value by
responding to society's needs

Materiality to be addressed	 Environment	 Addiction	 People	 Products and Services	 Governance
Points of initiatives	<ul style="list-style-type: none"> ● In the process of studying the financial impact of environmental burden 	<ul style="list-style-type: none"> ● Mitigate and prevent addiction 	<ul style="list-style-type: none"> ● Enhance Job Satisfaction ● Increase Diversity ● Eliminate Inequality 	<ul style="list-style-type: none"> ● Develop innovative products ● Improve the quality of products and services ● Supply safe and trusted products 	<ul style="list-style-type: none"> ● Reinforce Corporate Governance
Items to respond (Examples)	Response to SCOPE3 and TCFD, diversity promotion, compliance with revised GC code, etc.				

- ✓ Structuring Board of Directors and Audit & Supervisory Board with high independency and diversification

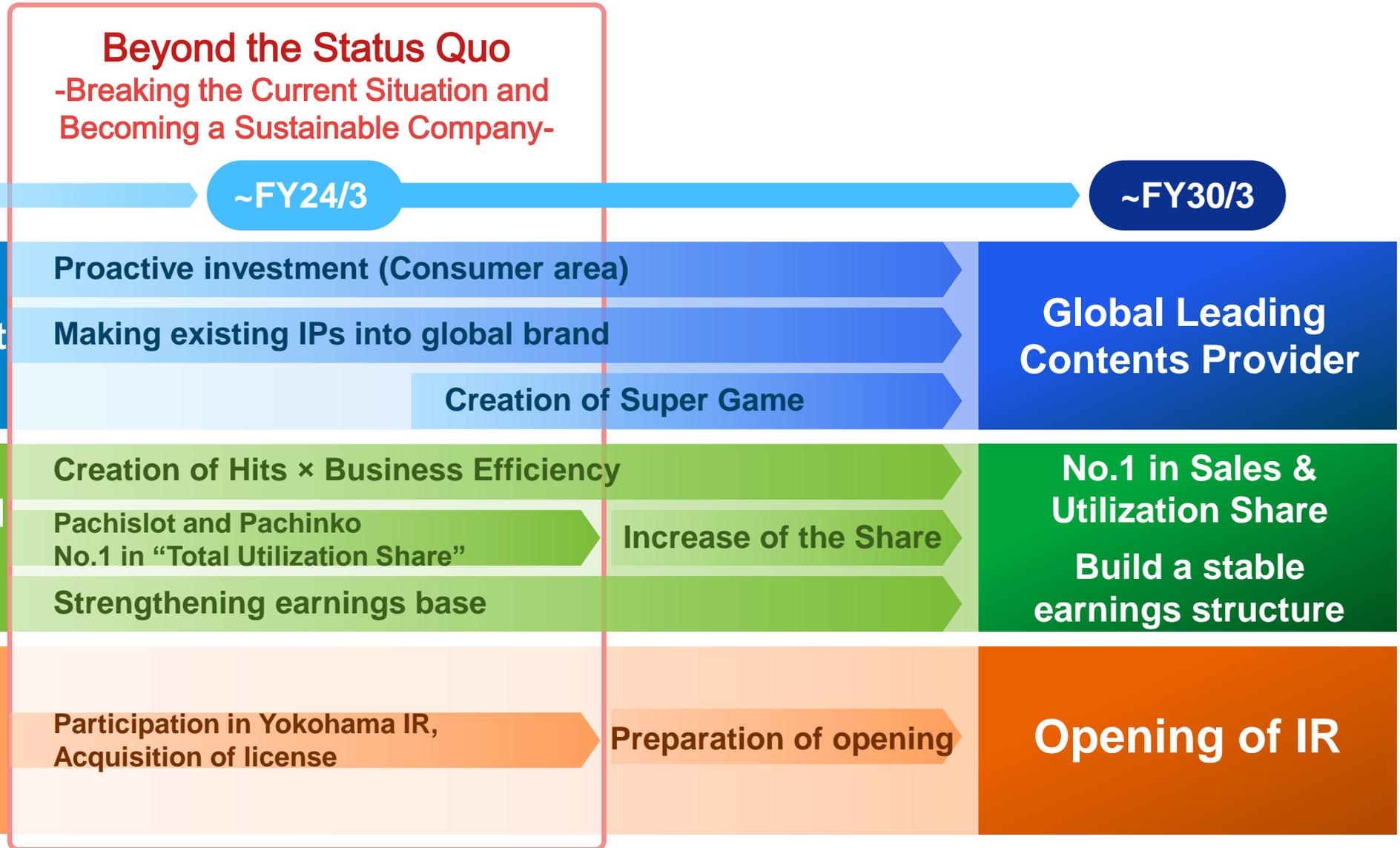
【Management structure】

	Current		As of June 24, 2021 (*)	
	Board of Directors	Audit & Supervisory Board	Board of Directors	Audit & Supervisory Board
Number of members	8 members	4 members	8 members	3 members
Independent and external (ratio)	2 members (25%)	2 members (50%)	4 members (50%)	2 members (66%)
Woman (ratio)	1 member (12%)	-	3 members (37%)	1 member (33%)

- ✓ Introduction of ROE linked medium-term stock compensation system*

*Matters to be approved in 17th Ordinary General Meeting of Shareholders scheduled on June 24, 2021

Medium to Long-Term Map





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

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 website for more information of products and services of SEGASAMMY.

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

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