

Major Questions Regarding the 3Q Financial Results for the Fiscal Year Ending March 2019

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SEGA SAMMY HOLDINGS INC.

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Pachislot and Pachinko Machines

Q: The planned unit sales of pachislot machines in 4Q is 40,000. Does this number include “Pachislot Beast King Oujya no Houkou” scheduled to be released in March?

A: Yes, the number includes sales of “Pachislot Beast King Oujya no Houkou.”

Q: I would like to ask about the cause and improvement plans for the low approval rate of prototype testing for pachislot machines. Won't such a low approval rate affect upcoming titles in the next fiscal year onward?

A: Each manufacturer is exploring new gameplay and our company is trying a variety of specifications as well. We guess this is the reason for the low approval rate. Just like the time when regulations were revised from No. 4 type to No. 5 type machines, a low approval rate is unavoidable during transition phase by regulation change. It is thought that the approval rate will start to gradually increase again when compatible specifications are found and user needs are apprehended.

Q: By your estimate, what will be the total unit sales of pachinko and pachislot machines for the entire industry in CY2019? I would also like to know how you estimate what proportion the machines of SEGA SAMMY will account for.

A: We can't provide specific numbers as of now as the forecast unit sales for the market is still under careful examination.

The key, we believe, will be how soon replacement of machines conforming to previous regulation to new regulation can be implemented in view of the response of the market for No. 6 type pachislot machines.

In terms of pachinko machines, “Pachinko CR Shin Hokuto Muso Chapter 2” has had unit sales exceeding 60,000 in this period. If we can develop titles with various gameplay that are compatible with new regulations and new voluntary regulation going forward, in terms of the environment, we should be able to achieve unit sales similar to this fiscal year. Since there are several large events this year such as the Rugby World Cup and G20 Summit, when the schedule for voluntary replacement control of

pachinko and pachislot machines becomes clear, this can be reflected in the forecast for next fiscal year.

Q: Regarding the voluntary replacement control of pachinko halls, in the next fiscal year there will be the abdication of the emperor in early spring and the G20 Summit held in Osaka in June, as well as the Rugby World Cup in September. Will replacement with new machines in pachinko halls be voluntary controlled during those periods?

A: Since the voluntary control applies to the entire industry, we cannot comment about it. However, we believe the biggest point will be the Rugby World Cup in September. The key will likely be the degree of overlap between the timing of the voluntary replacement control period and the timing for expiration of machines conforming to previous regulation, as well as the degree to which the replacements are advanced.

Q: It has been more than three months since the sale of No. 6 type pachislot machines was launched, but there doesn't seem to be any that have been a hit. Also, it seems that the utilization of SEGA SAMMY's machines are not doing well. It seems making the medals increase per game bigger while the pay-out ratio is being controlled would make the non-jackpot game not interesting and my impression is that there haven't been any machines that match user needs. If No. 6 type machines are not accepted by users and halls, would that be a matter of low approval rate or the impact of controlling the pay-out ratio? I would like to hear what you think the current issues in No. 6 type machines.

A: That is a difficult question. As for user expectations for the pay-out tilting towards machines conforming to previous regulation, we are observing that this situation is similar to the transitional phase from No. 4 type to No. 5 type machines. Among No. 6 type machines, we aimed for high specifications with "Pachislot SOUTEN-NO-KEN PONYOU," but that may have caused for the difficulty in the gameplay. Therefore, we believe it is important to come up with No. 6 type machines that achieve a good balance of these factors. We believe that the future of the pachislot market as a whole is a larger issue than the situation of No. 6 type machines while both machines conforming to previous regulation and new regulation are installed. Our hope is that the environment the existing users can enjoy No. 6 type machines can be created if we are able to supply new gameplay as we did in the transition phase between No. 4 type and No. 5 type machines, when the machines conforming to previous regulation need to be removed.

Entertainment Contents Business

Q: Regarding the reorganization of the Entertainment Contents Business shown in page 6 of 3Q results presentation, what impact on business results can we expect such as cost reduction and scale-down of development costs, etc.? I also want to ask about the timeline when the game developed under the new organization will contribute to the sales.

A: In our medium-term plan up to 2020, we are positioning the Digital Games area as an area of growth and have invested in numerous titles as part of our endeavour. However, titles released in the past two to three years not being sufficiently accepted in the market and slow down of existing titles have greatly impacted business results. To raise profitability, we must increase efficiency and are therefore aiming to make improvements with new direction through reorganization such as by optimization of development/operation. At the same time, as delays in development within previous organization are a large problem, the organization is being changed so that the development schedule can be managed by Development Facilitation HQ which belongs directly under the President of SEGA Games. Based on the optimization of development/operation and enhancement of management for the development schedule, we anticipate the improvement can be seen over a timeline of some years if new organization functions properly. We are eager to meet the challenge of preparing our new titles from here to the next fiscal year.

Resort Business

Q: With the opening of Phase 1-2 of PARADISE CITY, the facilities should be in full-fledged operation. What are your projections for its performance in the current fiscal year as well as the upcoming fiscal year in terms of fixed costs, sales, etc.

A: We don't have any specific numbers yet, but the number of people visiting the facility is increasing, centering on Japanese customers. In March, the additional facilities of Phase 1-2 including WONDERBOX will all open, so we aim to further increase the number of visitors and make PARADISE CITY profitable in its own in 2019.