

Major Questions Concerning Results for Year Ended March 2018

May 31, 2018

SEGA SAMMY HOLDINGS INC.

<Major questions about the financial results for the fiscal year ended March 31, 2018>

■ Pachislot and Pachinko Machines

Q: What are the causes of the substantial increase in the estimated number of units of pachinko machines sold in the fiscal year ending March 31, 2019?

The utilization rate of the machine sold in the past, “Pachinko CR Shin Hokuto Muso”, and the machine that was launched in April, “Pachinko CR Nisemonogatari”, were strong, and they fetch high prices on the used machine market. There have therefore been repeat sales of “Pachinko CR Nisemonogatari”. In the fiscal year ending March 31, 2019, sales of the old standard machines such as “Pachinko CR Nisemonogatari”, “Pachinko CR Hokuto No Ken 7 Hyakuretsuranbu” and “Pachinko CR Shin Hokuto Muso Chapter 2”, which is the successor machine of “Pachinko CR Shin Hokuto Muso”, will mainly be promoted to achieve sales of not less than 200,000 units.

In addition, from the fiscal year ending March 31, 2020 onward, mainly the new standard machines will be sold. With the new standard machines, the function of the new setting/configuration will be made available. New forms of play should be provided. By utilizing a long development period, we intend to prepare better titles.

■ Entertainment Contents Business

Q: What are the causes of the substantial increase in the estimated sales in the digital game field for the fiscal year ending March 31, 2019?

In addition, what will happen to the profit level if the sales growth falls below the estimates?

In the fiscal year ending March 31, 2019, the number of new titles to be launched is planned to be increased from the previous fiscal year. With the titles already launched in April, “Pro Soccer Club wo Tsukurou! Road to World” and “kotodaman,” the business saw relatively good sales. We intend to firmly achieve revenues without loss. If these titles do not become hits, profitability has already been rising because the period of amortization has almost expired despite the declining sales of the existing titles.

The business model of this segment can aim for profitability of 20% or more for the entire digital game field if a new title becomes a hit. However, there is a base for securing operating profit of around 3 to 4 billion yen with the existing titles without a hit. We therefore intend to achieve the target by creating hits in the future.

Q: Repeat sales of the package games seem to be strong. What measures are taken?

Sales of the package games are growing in the Asian markets. The Company has its business base primarily in Taiwan to implement measures for direct sales. To increase sales, layout advice is provided directly to the local distributors and retailers.

In addition, the ratio of the online distribution of the package games has been increasing. In the

purchase of titles for consoles, the ratio of downloads has been increasing in Europe and America. Moreover, we provide after-sales services, such as the distribution of additional elements to encourage play for long periods of time, which drives an increase in repeat sales. In addition, the ratio of downloads is highest in the distribution of the games for personal computers, and we therefore strengthened our relationship with the operator of the STEAM platform and added the package titles released in the past in the distribution of new titles to personal computers, together with price reductions and other promotional campaigns, as part of the strategy for increasing repeat sales.

■ **Resort Business**

Q: What are the specifics and investment scale of the domestic IR business?

As shown by the case of Macao, a company that enters the IR business from scratch succeeds in the business. Our company is accumulating the necessary expertise, and we therefore think that the Company is ready to enter the IR business. In addition, as the IR business is conducted in Japan, the Company should have the advantages of a Japanese company. The developments for the fiscal year ending March 31, 2019 will depend on the progress of the bill for IR. Accordingly, the timing of the announcement of the business specifics will be considered by checking the progress of the bill.

As for the investment scale, the internal rate of return is important. The investment scale is estimated at a level corresponding to a minimum yield of 15% to 20%. The bill provides that an area of a casino must be 3% or less of the total area. In that point, we intend to examine the profitability appropriately in consideration.

Q: In the domestic IR business, will the Company go it alone or enter into a partnership with someone? What intentions does the Company have at the present time?

Once we launch the IR business in Japan, we will aim to win a majority. If only foreign company is selected in the domestic IR business, most of the profits may flow overseas. We therefore consider that the involvement of a Japanese company is essential. Our company has steadily accumulated expertise through the joint venture business in PARADISE CITY in Incheon, South Korea. Currently, about 50 employees of the Company are working at PARADISE CITY. We intend to increase this number in the future to accumulate additional expertise.

As for the progress of the domestic IR business, the Company is in negotiations with a range of candidates for business partners and is preparing for a partnership/alliance. The specifics will be announced at an appropriate time when the conditions for announcement are met.

For entry into the IR business, preparations are being made for Sega Sammy's single entry without any partners, and at the same time the possibility of partnerships with foreign-affiliated operators is also being considered. As shown by the case of Macao, in entering into a partnership with a foreign-affiliated operator, the partner is also required to have integrity. In this regard, we consider that our Company's integrity is guaranteed by the casino license that it obtained in Nevada, America, which will be an advantage in the selection of a partner.

End.

*The content in this material, including the business outlook, is the judgment of the Company's management based on the currently available information.

It should therefore be noted that this content involves risk and uncertainty, and the actual results may differ materially from this content in future due to various influences.