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**SEGA**Sammy

SEGA SAMMY HOLDINGS



# Undertaking bold structural reforms, recovering a growth trajectory

Following the completion of the final year of the Road to 2020 medium-term management strategy that the SEGA SAMMY Group began implementing in fiscal year 2018, the Group was planning to enter a new phase targeting further growth in fiscal year 2021, but with the onset of COVID-19, the Group is facing a crisis across its business areas.

This Integrated Report 2020 aims to convey to stakeholders the path by which the Group is undertaking reforms to transform the business structure into one that can adapt to changing market conditions, pursuing a swift turnaround in profitability, and recovering a growth trajectory.

## Reforming the Business



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## Structure to Sustainably Generate Profit



DISCUSSION POINTS 2020

For the convenience of stakeholders when engaged in dialogue with us, we have issued **DISCUSSION POINTS 2020**, which summarizes particularly important points. Further, we disclose comprehensive ESG information in the “Social Responsibility” section of our website, accessible via the URL at right.



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

**Cautionary Statement with Respect to Forward-Looking Statements**  
Statements in this integrated report 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”), including SEGA CORPORATION and Sammy Corporation, 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 you 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 you should not place undue reliance on them. You also should not assume 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 intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation. [This INTEGRATED REPORT includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.]

**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/>



## A Message from the CEO

### The Social Value of Entertainment

With the rampant worldwide spread of the novel coronavirus (COVID-19), we would like to express our deepest sympathies to all those affected and pray for the earliest 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 spread of this virus.

In the midst of this unprecedented crisis, entertainment has often been categorized as a “non-essential, non-urgent” activity. In that sense, I feel that this pandemic differs in quality from the many challenges the Group has faced so far in its history. To overcome this adversity, the Group must transform its business model, including the ways in which we provide services and products, in response to sweeping changes in society. On the other hand, even if the current disaster is prolonged, I believe the essence of entertainment will never change. Since the dawn of history, when faced with unimaginable crises, human beings have sought daily refreshment and enjoyment from entertainment. Entertainment has been passed down and evolved to suit the times, helping to form cultures that make the world a richer place and contributing to the development of society.

Under public health measures directing people to refrain from going out, many entertainment facilities which involve contact between people have been forced to suspend their operations. On the other hand, new ways of playing and enjoying the arts using the internet are showing signs of growth. This is a testament to people's desire for entertainment no matter what the circumstances. If people's hearts are not healthy and content, they will be unable to overcome the overwhelming feeling of being locked up that pervades society. I am proud to lead a company that can create such wonderful entertainment. I feel more strongly than ever that this entertainment is the greatest value we can offer to society.



**Entertainment Is Precisely the Greatest Value  
Our Group Can Offer to Society.**

### Breakthrough Power for a Post-COVID Era

Our Group is part of an industry that relies on hit products. If a company puts out a big hit, it can boost its market share and even dominate the field. Naturally, there are no set rules for how to go about making a blockbuster title. What I can say from my experience so far, however, is that if you strive to create something new while drawing on “breakthrough power,” it is sure to pay off in the end. In other words, if a company has the courage to pursue innovative ideas, and persists in striving to create products and services to the most excellent possible level, users will respond with great enthusiasm. Making the movie *Sonic the Hedgehog* was my

long-cherished dream ever since the birth of the SEGA SAMMY Group. It took more than 10 years from conception, but the movie was finally released in the U.S. in February 2020, becoming a huge hit. I think it was “breakthrough power” that made this happen.

Going forward, to create value that exceeds the expectations of our customers, we will continue striving to foster a culture with “breakthrough power,” 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 experiences that move the heart to people — the essence of the SEGA SAMMY Group — even in a post-COVID era. We would like to ask our investors and stakeholders for their continued support.

November 2020

#### Hajime Satomi

Chairman and Group CEO (Representative Director)  
SEGA SAMMY HOLDINGS INC.





SEGA SAMMY Group Mission

Mission Pyramid Shared Across the Group

SEGA SAMMY has established a Mission Pyramid, shared across the Group, to guide the business activities of SEGA and SAMMY and other group companies. The Mission Pyramid consists of Value (Mindset/DNA), Mission (Raison d'être), and Vision (Ideal self). The Group is striving to ensure that all its employees clearly understand the Mission Pyramid and work together to enhance corporate value.

**SEGA****Sammy** GROUP MISSION

**Value** (Mindset / DNA)

“Creation is Life” × “Always Proactive,  
Always Pioneering”

**Mission** (Raison d'être)

“Constantly Creating, Forever Captivating”  
— Making life more colorful —

**Vision** (Ideal self)

**Be a Game Changer**



# Strengths That Realize Growth

1

## A Business Portfolio That Can Handle Changes in the Environment

The Group has built up a balanced business portfolio spanning a wide range of entertainment domains, and has grown its various business areas while seizing diverse profit opportunities and hedging risks. Although operations have been impacted by the recent pandemic, the Group is undertaking structural reforms and taking other measures to shift to a business structure that can adapt flexibly to changes in the environment.

### Pachislot and Pachinko Machines Business

- Pachislot Machines • Pachinko Machines
- Planning of pachislot and pachinko game content for PCs and smartphones
- Gaming Machines

#### Addressing a wide variety of needs with industry-leading development capabilities

In the Pachislot and Pachinko Machines Business, the Group is developing pachislot and pachinko machines, games for PCs and smartphones that use pachislot and pachinko content, and gaming equipment for casinos. Drawing on industry-leading development capabilities, the Group supplies products that meet the needs of a diverse fan base. We are working to develop and market machines with innovative gameplay that will help revitalize the market for both pachislot and pachinko machines.



Pachislot DISC UP  
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P Psalms of Planets Eureka Seven  
HI-EVOLUTION ZERO  
©2017 BONES/Project EUREKA MOVIE  
©BANDAI NAMCO Entertainment Inc.  
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### Entertainment Contents Business

- Consumer Games • Amusement Machine Sales
- Amusement Center Operations • Animation and Toys

#### Developing a wide range of business centered on consumer games

The Group is aiming to grow its business by leveraging SEGA's outstanding development capabilities, which have helped to launch innovative products across multiple areas. We are also working to maximize profits by expanding content globally, mainly in the Consumer Games area, such as games for smartphones and PCs.

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FIST OF THE NORTH STAR LEGENDS ReVIVE  
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©SEGA



Sonic Mania  
©SEGA



Total War: THREE KINGDOMS  
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Sakura Wars the Animation  
©SEGA/SAKURA PROJECT



Football Manager 2020  
© Sports Interactive Limited 2019,  
Published by SEGA Publishing Europe Limited.



Fate/Grand Order Arcade  
©TYPE-MOON/  
FGO ARCADE PROJECT



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# Strengths That Realize Growth

2

## Hit-Making Power “Innovative DNA”

Throughout its history, the SEGA SAMMY Group has produced numerous hits. These kinds of hits become our IPs\* and they are not limited to a single medium, but spread across a wide range of fields such as pachislot, pachinko, consumer games, amusement machines, animation, and toys. There is no end to the SEGA SAMMY Group’s journey to discover the next big hit.

\* IP: Intellectual property



### Beast King series

The first *Beast King* title was released in 2001. This was the machine that set off the AT\* machine boom, which is a central chapter in the history of pachislot machines. With its “Savannah Chance,” the innovative, medal-increasing gameplay that overturned conventional concepts of pachislot, *Beast King* attracted a wide range of fans and became a huge hit, generating sales of 140,000 units. Subsequent series have continued to evolve and continue to attract users even today.

\* Models equipped with assist time functions.



Beast King  
©Sammy



Pachislot Beast King  
Oujya no kakusei  
©Sammy

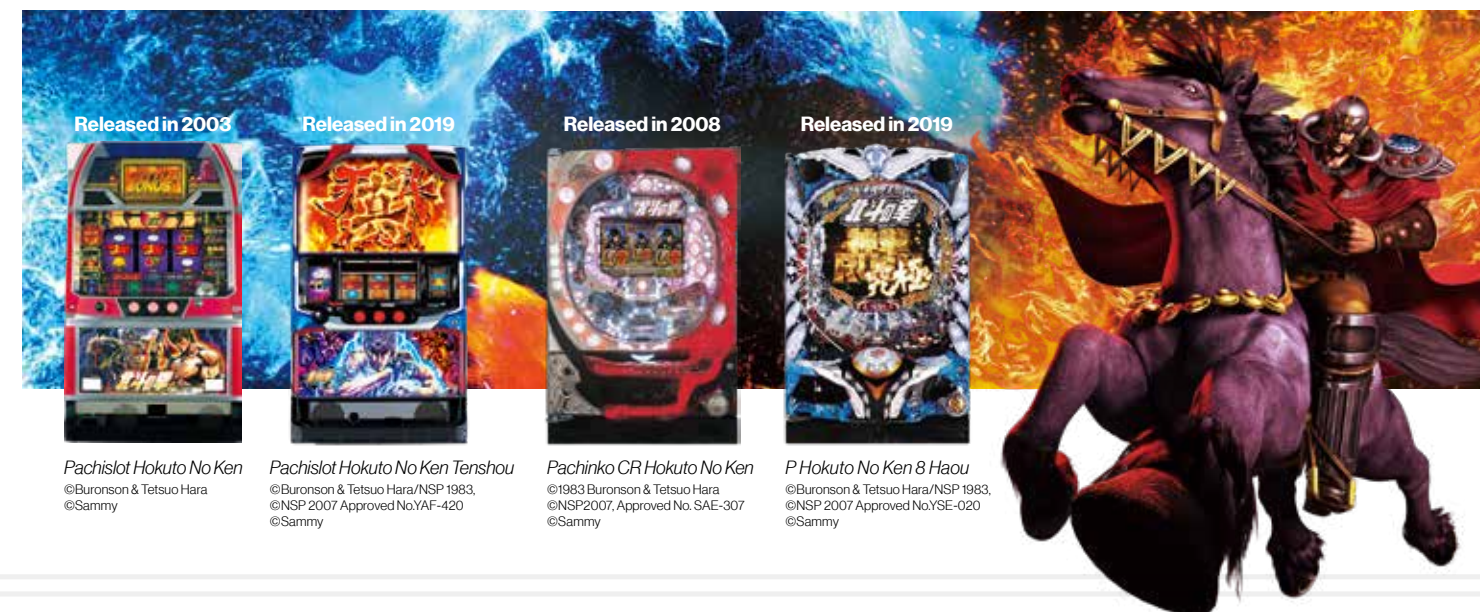
Approx.  
**510,000** units  
Cumulative unit sales

(Pachislot and pachinko machines and amusement machines total)

Approx.  
**2.97** million units  
(Pachislot and pachinko machines total)

### Hokuto No Ken series

The initial *Pachislot Hokuto No Ken* machine boasts the largest sales volume ever in the pachislot market, with cumulative sales of approximately 620,000 units. Including pachinko machines, the total number of machines sold in the series is about 2.97 million, leading the pachislot and pachinko machine market.



Released in 2003



Pachislot Hokuto No Ken  
©Buronson & Tetsuo Hara  
©Sammy

Released in 2019



Pachislot Hokuto No Ken Tenshou  
©Buronson & Tetsuo Hara/NSP 1983,  
©NSP 2007 Approved No.YAF-420  
©Sammy

Released in 2008



Pachinko CR Hokuto No Ken  
©1983 Buronson & Tetsuo Hara  
©NSP2007, Approved No. SAE-307  
©Sammy

Released in 2019



P Hokuto No Ken 8 Haou  
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©NSP 2007 Approved No.YSE-020  
©Sammy



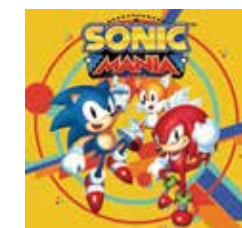
©SEGA

### Sonic the Hedgehog series

*Sonic the Hedgehog*, SEGA’s iconic IP, appeared in 1991 as a high-speed action game in which *Sonic* runs through game stages, passing through various ups and downs and loops at the speed of sound. This innovative IP continues to win the hearts of users around the world. The live-action movie *Sonic the Hedgehog*, released in 2020, was a huge hit worldwide.

Over **1.14** billion  
(Units and downloads\*)  
\* Including F2P title downloads

Released in 2017



Sonic Mania  
©SEGA

Released in 2019



Team Sonic Racing  
©SEGA

Released in 2005



Ryu ga Gotoku  
©SEGA

Released in 2020



Yakuza: Like a Dragon  
©SEGA

### Ryu ga Gotoku series

The IP that showcases “SEGA innovation,” *Ryu ga Gotoku* introduced a novel concept to the gaming scene in 2005, and has been a huge hit ever since, with a cumulative total of 14 million package sales to date. The series has garnered tremendous support due both to its innovative method of having real actors appear in its games, just like in a movie or drama, and to its unique gameplay.

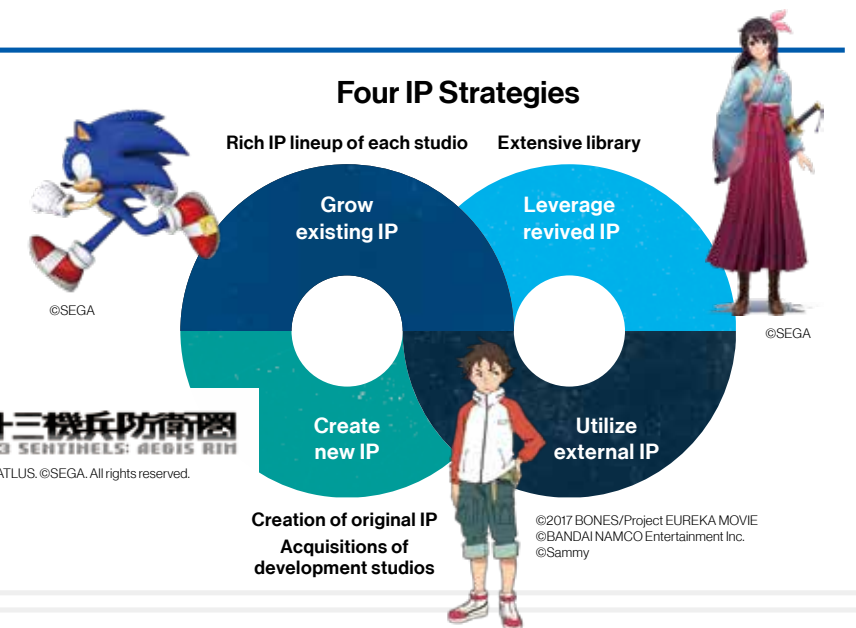
Approx. **14** million (Units)  
(Full games total)



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### Expanding profit opportunities by maximizing the value of the Group’s IP













SEGA SAMMY is carrying out an IP strategy centered on four categories: existing IP, new IP, revived IP, and external IP. By fully leveraging the IP lineup, the Group will expand profit opportunities and maximize IP value, which will lead to sustainable growth in corporate value.







































IP Portfolio

Examples of acquired IP














IP title		First appearance year	Multifaceted rollout				Total editions	Cumulative unit sales / downloads
<i>Shin Megami Tensei series</i> 		1992			—		30	Approx. <b>17.4 million</b> (Units and downloads*2) (Full games and F2P total)
<i>Persona series</i> 		1996			—		18	Approx. <b>13.1 million units</b>
<i>Total War series</i> TOTAL WAR 		2000	—		—	—	—	More than <b>34.3 million</b> (Units and downloads)
<i>Football Manager series</i> 		2004	—		—	—	—	More than <b>22.0 million</b> (Units and downloads)

Examples of IP developed in-house

IP title	First appearance year	Multifaceted rollout	Total editions	Cumulative unit sales / downloads
<i>Sonic the Hedgehog series</i> 	1991	   	—	More than 1.14 billion (Units and downloads*2) (Full games and F2P total)
<i>Puyo puyo series</i> 	1991*1	   	—	Approx. 32.0 million (Units and downloads*2/IDs) (Full games and F2P, AM-registered IDs total (Total for registrations after IP acquisition))
<i>Sakura Wars series</i> 	1996	  	—	Approx. 4.1 million units (Full games and F2P total)
<i>Ryu ga Gotoku series</i> 	2005	 	—	 Approx. 14.0 million (Units and downloads) (Full games total)
<i>ALADDIN series</i> 	1989	 	—	 Approx. 560 thousand units (pachislot and pachinko machines and amusement machines total)
<i>Beast King series</i> 	2001	 	—	 Approx. 510 thousand units (pachislot and pachinko machines and amusement machines total)
<i>PHANTASY STAR series</i> 	1987	 	—	 Approx. 5.50 million users*3
<i>CHAIN CHRONICLE series</i> 	2013	 	—	 Approx. 22.0 million (Units and downloads*2) (Full games and F2P total)

\*1 SEGA CORPORATION acquired the rights in 1998. Figures for cumulative unit sales are the totals for titles that SEGA sold after acquiring the rights.  
\*2 Including downloads of free-to-play titles \*3 Domestic total for PHANTASY STAR ONLINE 2

Examples of IP licensed from third parties

IP title	First appearance year	Multifaceted rollout	Total editions	Cumulative unit sales / downloads
<i>SEGA feat. HATSUNE MIKU Project series</i> 	2009	—	  	64 Approx. 6.4 million (Units and downloads) (Full games and F2P total)
<i>Hokuto No Ken series</i> 	2002	   	34	Approx. 2.97 million units (pachislot and pachinko machines total)
<i>SOUTEN-NO-KEN series</i> 	2009	 	—	 Approx. 480 thousand units (pachislot and pachinko machines total)

Strengths That Realize Growth

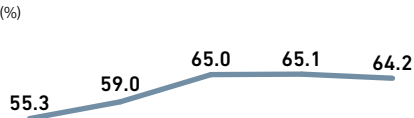
3

Strengths

A Robust Financial Foundation

Many of the Group's businesses are “hit-making businesses,” in which continuous investment in development is required to generate hit titles, and the presence or lack of a hit has a significant impact on earnings. Financial stability and cash flow generated by the Pachislot and Pachinko Machines Business and other segments underpin stable development investment, and are also the foundation that enable the Group to continue doing business in pursuit of future growth, even amid harsh operating conditions.

Equity Ratio

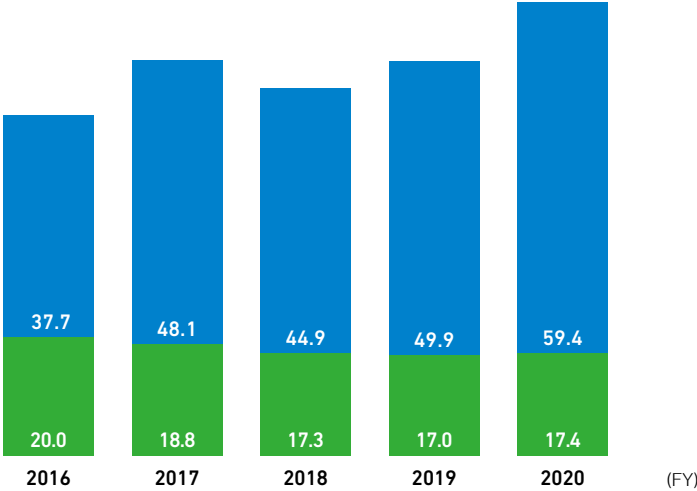


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A robust financial foundation enabling steady investment in development

R&D Expenses and Content Production Expenses

(Billions of yen)



■ Pachislot and Pachinko Machines Business  
■ Entertainment Contents Business

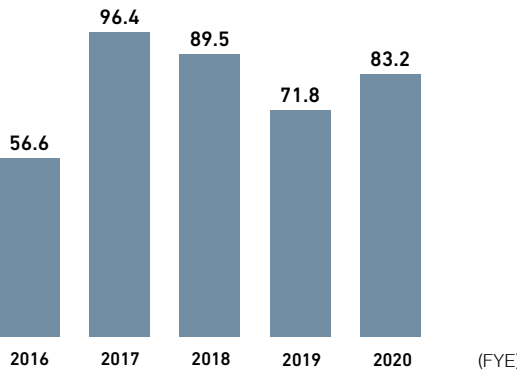


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Net Cash

(Billions of yen)



Debt-to-equity ratio

(times)

