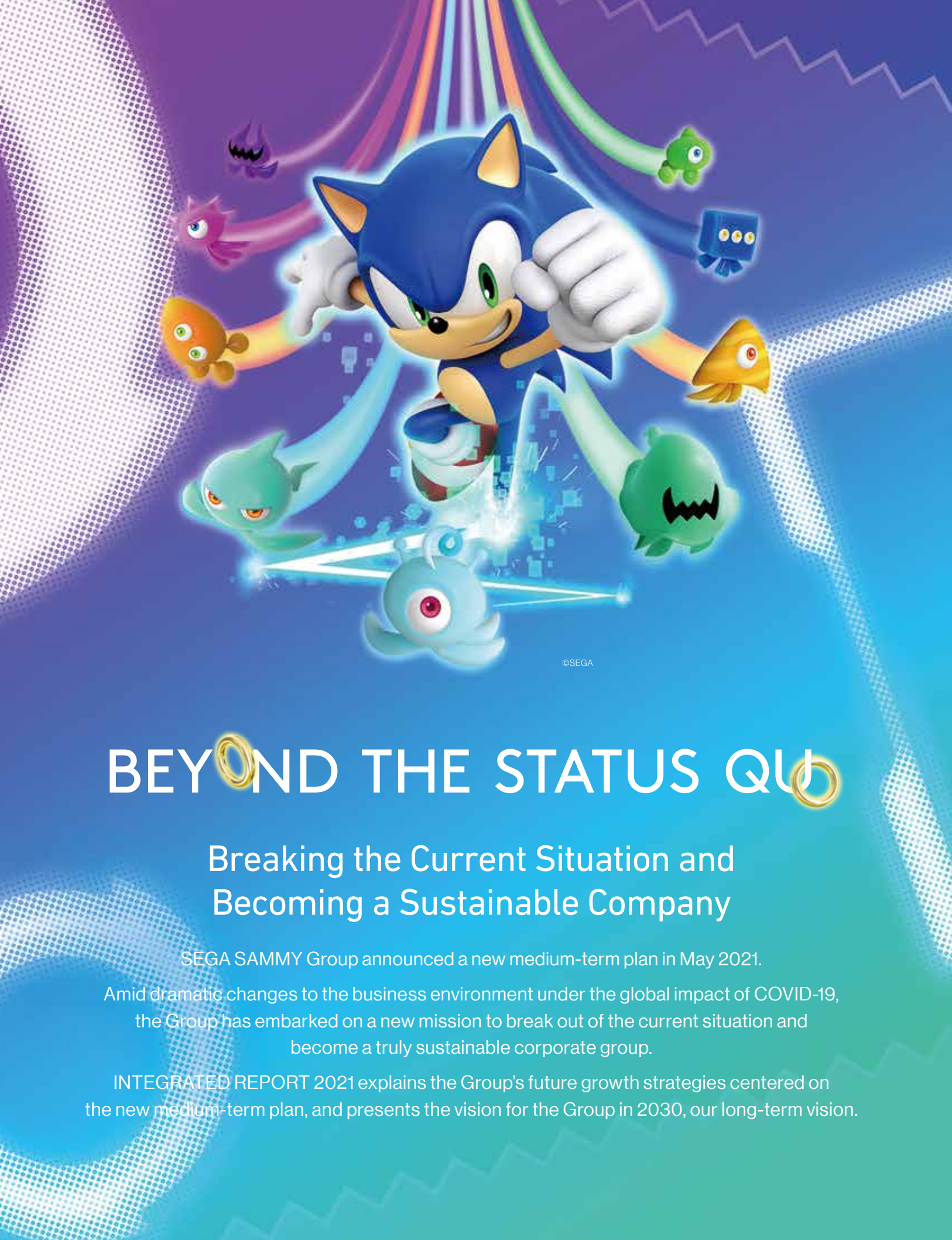


BEYOND THE STATUS QUO



INTEGRATED REPORT 2021

SEGASammy



BEYOND THE STATUS QUO

Breaking the Current Situation and Becoming a Sustainable Company

SEGA SAMMY Group announced a new medium-term plan in May 2021.

Amid dramatic changes to the business environment under the global impact of COVID-19, the Group has embarked on a new mission to break out of the current situation and become a truly sustainable corporate group.

INTEGRATED REPORT 2021 explains the Group's future growth strategies centered on the new medium-term plan, and presents the vision for the Group in 2030, our long-term vision.

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SUSTAINABILITY ACTION REPORT 2021

Provides detailed information and data on activities related to the Group's five key issues (materiality). Please read alongside the INTEGRATED REPORT.



<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/>



Haruki Satomi

President and Group CEO, Representative Director
SEGA SAMMY HOLDINGS INC.

Making Life More Colorful through the Creation of Experiences that Move the Heart

The SEGA SAMMY Group has formulated a long-term vision aiming for 2030. The Group's Mission of "Constantly Creating, Forever Captivating—Making life more colorful—" and our Vision, "Be a Game Changer" which are the reason we exist, remain unchanged.

Guided by these overarching concepts, we seek to become a Global Leading Contents Provider in the Entertainment Contents Business centered on SEGA. We will deliver even more games and other content to global markets. In the Pachislot and Pachinko Machines Business, we are aiming to be No. 1 in sales and utilization share by creating machines from a user-centric perspective and optimizing the product lineup. Finally, in the Resort Business, we will identify opportunities for entry and focus on opening an integrated resort (IR).

We have also begun to explore ways of enhancing sustainability, and will work toward the sustainable improvement of corporate value.

MISSION (Raison d'être)

Constantly Creating, Forever Captivating
— Making life more colorful —

VISION (Ideal self)

Be a Game Changer

Value created by our business
(Value Creation in Core Business)



Materiality to be addressed and key categories



VALUE (Mindset and DNA)
“Creation is Life” × “Always Proactive, Always Pioneering”
Managing the Businesses Based on the Group's Mindset and DNA

Merging business and materiality

The goal of the new medium-term plan is to go *Beyond the Status Quo*. We are aiming to break out of the current situation and become a truly sustainable corporate group. As quantitative goals for the plan, we have set a target of ordinary income of ¥45.0 billion and ROE of over 10% in the fiscal year ending March 2024.

GOAL

Beyond the Status Quo

Breaking the Current Situation and Becoming a Sustainable Company

FY2024/3: Ordinary income **¥45.0 billion**, ROE over **10%**

STRATEGY

Consumer Area
Investment in growth

Pachislot and Pachinko
Machines Business
Shoring up
the earnings base

Certification as
IR business operator*

* For more information on the future direction of the
IR business, see page 44.

Strategic Framework

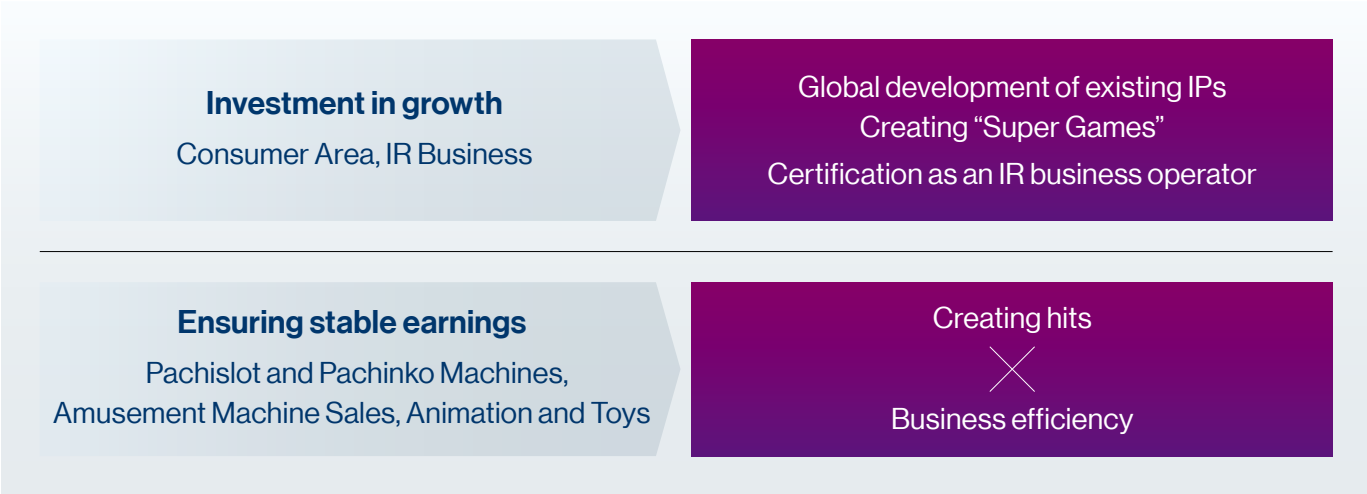
In terms of growth investment, we will focus management resources mainly on the Consumer area and expand the scale of earnings by strengthening the global branding of existing IPs.

Our initiatives will include expanding touch points with users such as by the multiplatform deployment of content and simultaneous worldwide release, prolonging product life cycles by remastering and remaking IPs and other measures, and strengthening user engagement through a mix of media. Over the long run, we aim to

create “Super Games” that can bring in sales of ¥100.0 billion over their lifetimes.

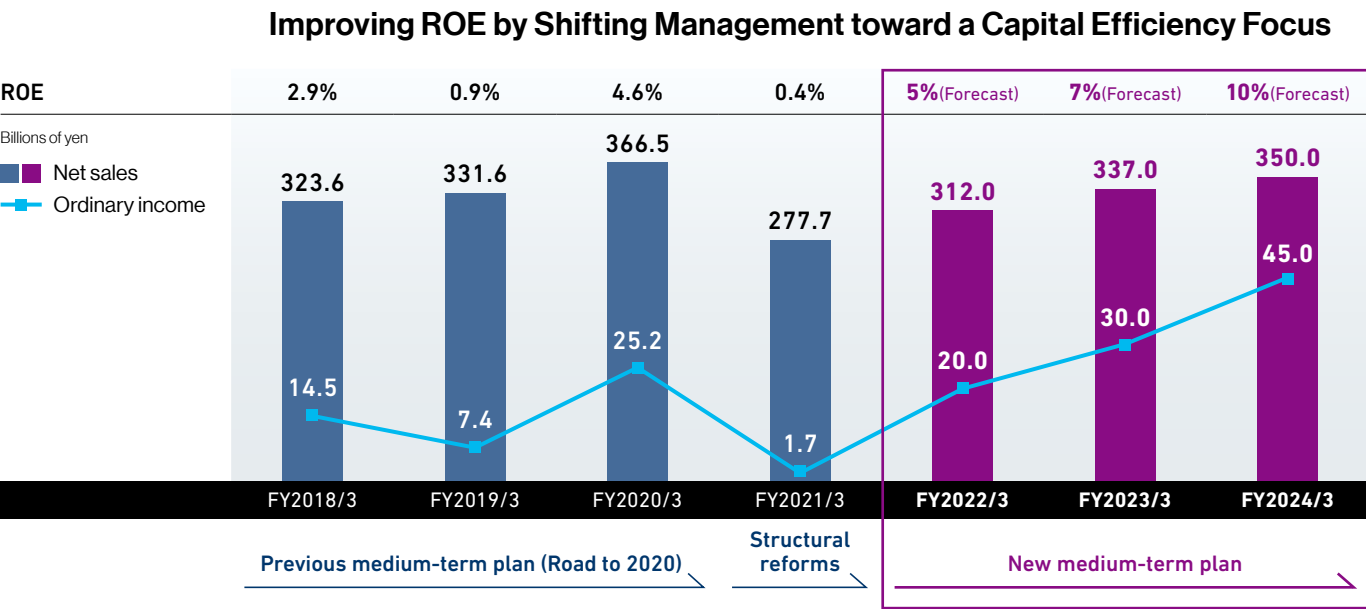
In the Pachislot and Pachinko Machines Business, we are aiming to boost market share by creating machines from a user-centric perspective and optimizing the product lineup, while also working to improve business efficiency and ensure stable earnings.

In the integrated resort (IR) business, we will continue to pursue the possibility of acquiring certification as an IR business operator.



Quantitative Goals

We will improve ROE by shifting management toward a focus on capital efficiency. We had been maintaining a substantial equity capital buffer preparing for entry into the domestic IR business, which meant holding down financial leverage. Going forward, we will optimize the capital structure, shift to a policy of proactive investment, and target an ROE of over 10%.



Breakdown by Segment

We aim to achieve further growth in the Entertainment Contents Business, targeting ¥40.0 billion in ordinary income in the fiscal year ending March 2024. In the Pachislot and Pachinko Machines Business, we will build a business structure that can steadily generate ordinary income at a level of around ¥10.0 billion over three years. The Resort Business will target the fastest possible return to profitability once the COVID-19 pandemic subsides.

		FY2021/3 (Results)	FY2022/3 (Forecast)	FY2023/3 (Forecast)	FY2024/3 (Forecast)
Entertainment Contents	Net 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 Machines	Net 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	Net 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	1.0
Other and eliminations	Net 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	Net 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%

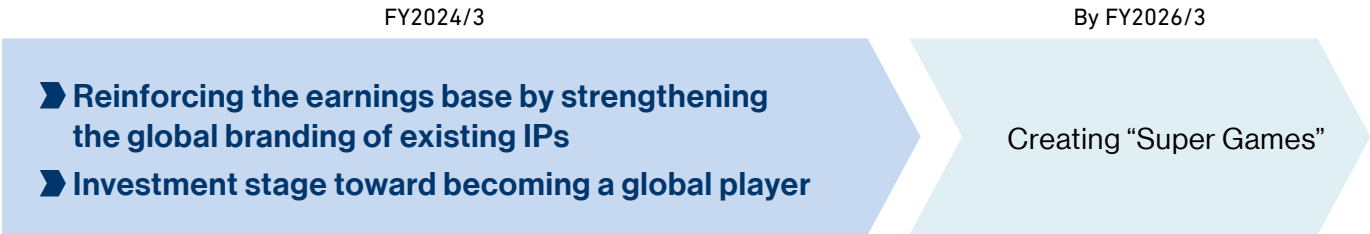
Goals and Strategies for the Entertainment Contents Business

In the Entertainment Contents Business, we have positioned the Consumer area as a growth area for the Group. Over the period of the new medium-term plan, we will expand the scale of earnings by digging deeper into existing IPs and developing them globally. We are also striving to create “Super Games,” major titles that scale globally, by the fiscal year ending March 2026.

Moreover, we will augment development resources in Japan and overseas and actively seek out acquisition opportunities. We will also continue to invest in startups and other ventures. In the Consumer area, we plan additional investments of ¥100.0 billion over the next five years.

Long-Term Goals

Becoming a Global Leading Contents Provider

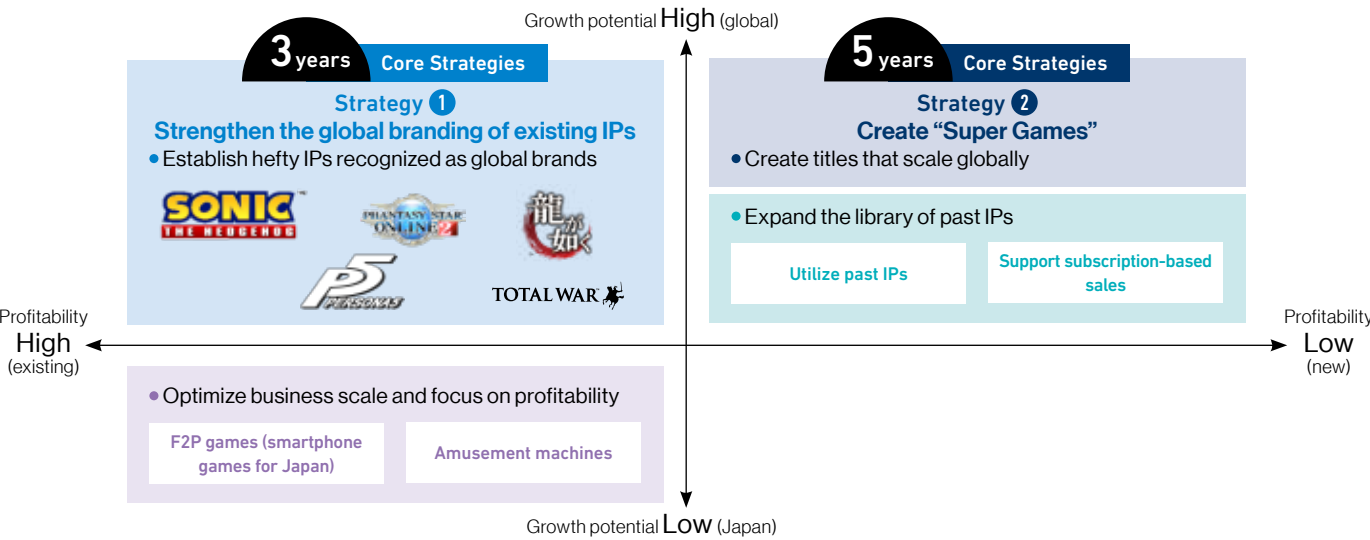


Proactive growth investment
(additional investments of up to ¥100.0 billion over five years)

Strategic Portfolio

The core strategies of the new medium-term plan center around digging deeper into key existing IPs like Sonic, PHANTASY STAR, YAKUZA (Ryu ga Gotoku), Persona, and Total War and offering these to global markets. We are also taking up the challenge of “Super Games” within five years. Also, given our large pool of IPs that enjoy strong global recognition, we will actively leverage past IPs and further develop them, that is, by means of remasters, remakes, reboots, etc.

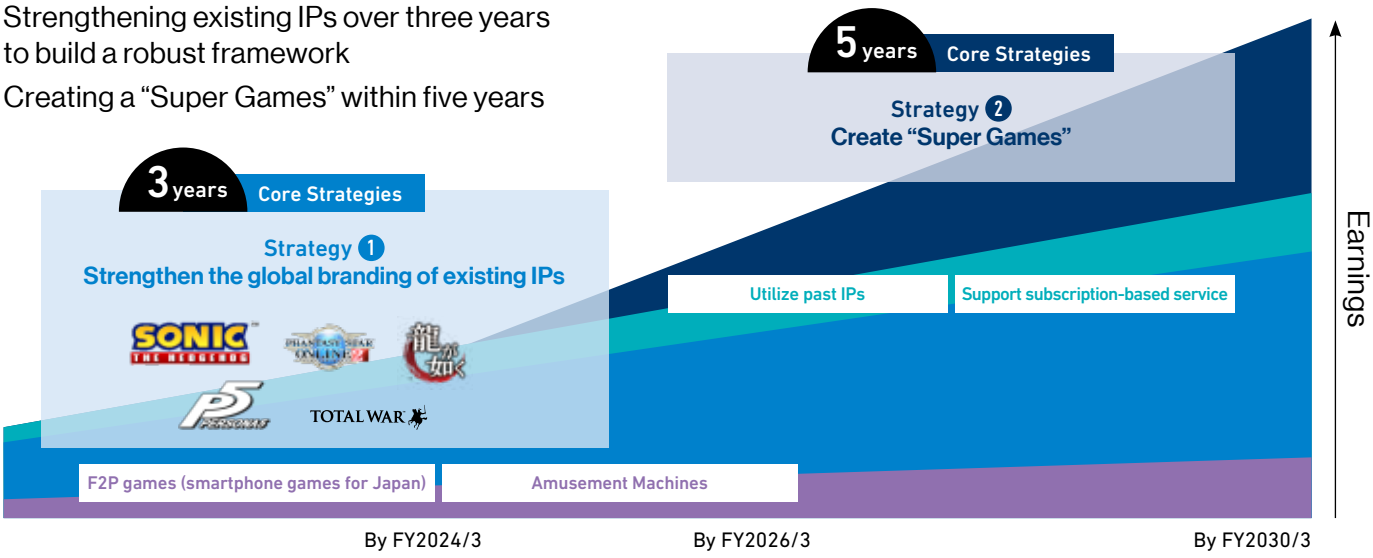
Meanwhile, in Japan, we will cultivate the F2P games (smartphone games) in domestic market and amusement machines into businesses that can secure stable earnings. We will select titles that have done well domestically and use these to target overseas markets as well.



Visualized Earnings Growth

Strengthening existing IPs over three years to build a robust framework

Creating a “Super Games” within five years



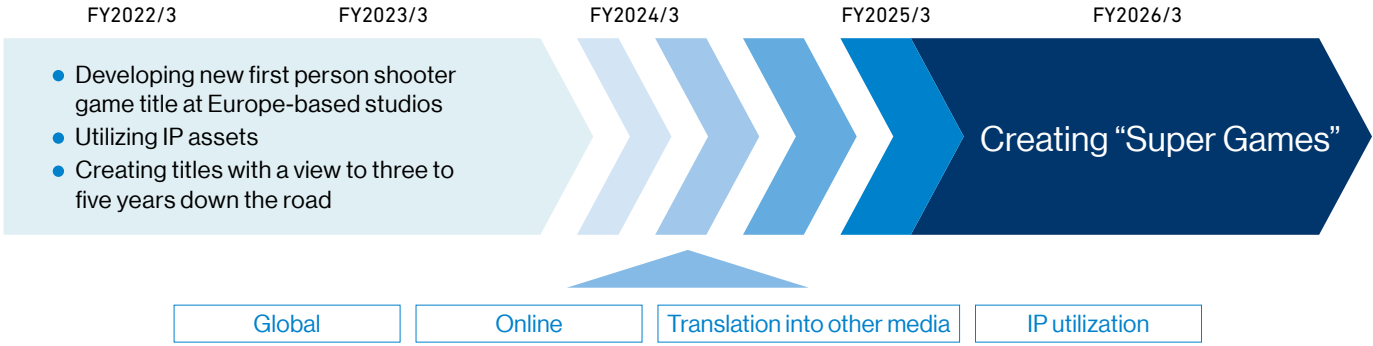
Strategy 1 Strengthen the global branding of existing IPs 3 years Core Strategies

Growing mainstay IPs into global brands

Image of Brand Expansion		
1 Expanding touch points with users	2 Prolonging product life cycles	3 Strengthening user engagement
<ul style="list-style-type: none">Strengthening global roll-outMultipatform supportMultilingual support	<ul style="list-style-type: none">Utilizing IP assetsStrengthening digital salesMultichannel monetization	<ul style="list-style-type: none">Community managementStrengthening the mix of media

Strategy 2 Create “Super Games” 5 years Core Strategies

Taking on the challenge of creating major global titles



Target lifetime sales of ¥100.0 billion

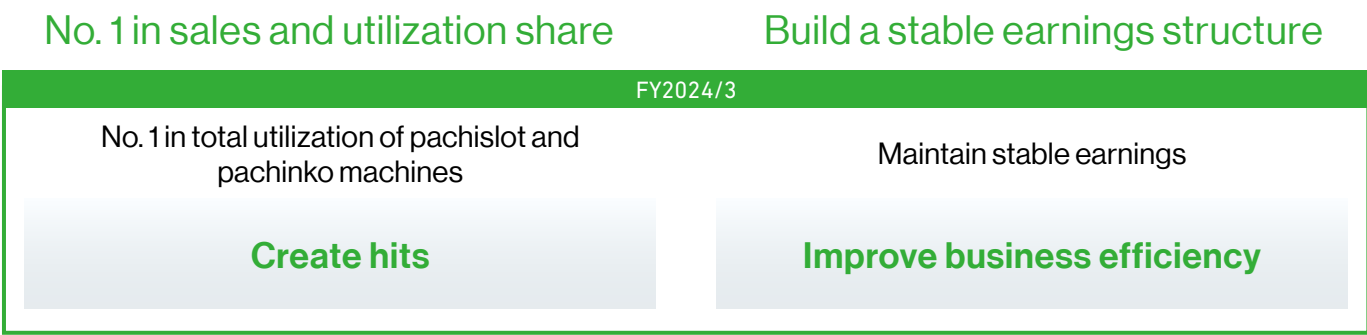
Goals and Strategies for the Pachislot and Pachinko Machines Business

In the Pachislot and Pachinko Machines Business, our aim is to build a stable earnings structure, becoming number one in total utilization of pachislot and pachinko machines by the fiscal year ending March 2024.

Although the pachislot and pachinko machine market as a whole is facing a shrinking number of pachinko halls, the overall number of installed machines has remained at a certain level owing to growth in the number of large halls. We believe there is ample room to ensure profits in this business by increasing machine turnover rates. We will heighten our focus on gaining market share, aiming to become the market leader in terms of sales and utilization as well as installation.

We will also focus both on boosting development efficiency and on achieving greater business efficiency through cost improvements to build a stable earnings structure.

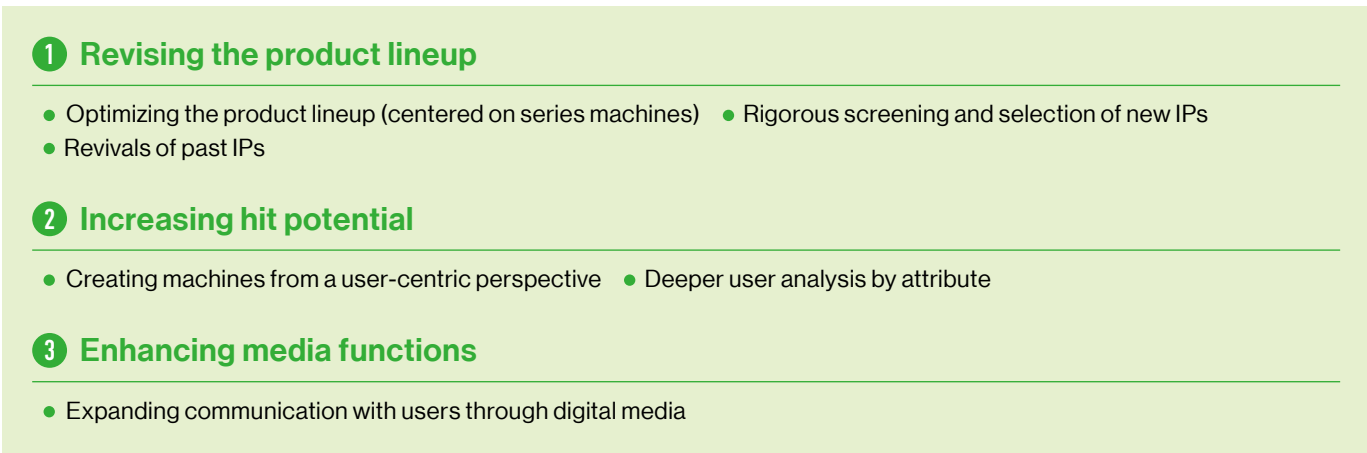
Long-Term Goals



Create Hits

We will revise the product lineup, which in recent years was weighted toward new IPs, and create machines from a thoroughly user-centric perspective. We will organize the lineup around series machines that offer greater hit potential. We will also actively explore reviving past hits while being highly selective about new IPs. Furthermore, we will

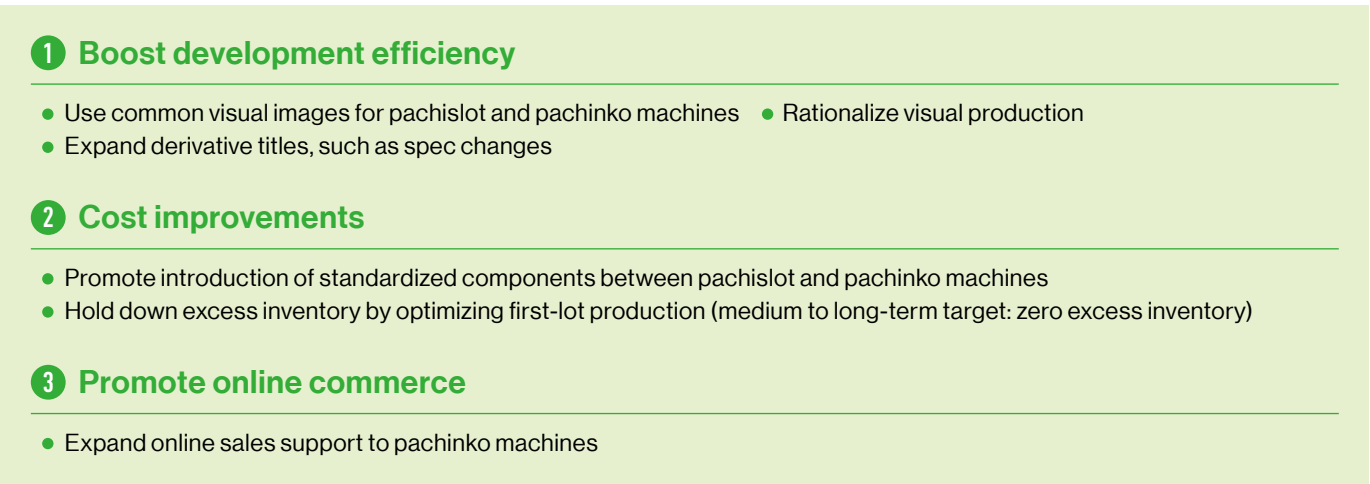
enhance media functions to reach out to users with various announcements. We will also take advantage of the relaxing of industry self-regulation banning TV advertising, carrying out a wide range of marketing including TV ads and digital media.



Improving Business Efficiency

To achieve greater efficiency in development, we will work to incorporate common visual images and other production elements for both pachislot and pachinko machines. We will also develop derivative titles, such as spec changes. Apart from further standardizing components, we will continue to pursue cost improvements, such as holding

down excess inventory by optimizing first-lot production. We will step up digital transformation initiatives, focusing on expanding online sales support launched for pachislot machines to pachinko machines as well.



Goals and Strategies for the Resort Business

Due to the decision by the city of Yokohama to call off the process for selecting business operators for its planned integrated resort (IR) project, the Group has been compelled to reconsider its domestic IR strategy, but will continue to identify opportunities for entry into this business. In other operations, both *PARADISE CITY* and *Phoenix Seagaia Resort* expect recovery in demand going forward and will work to steadily secure earnings.

Long-Term Goals

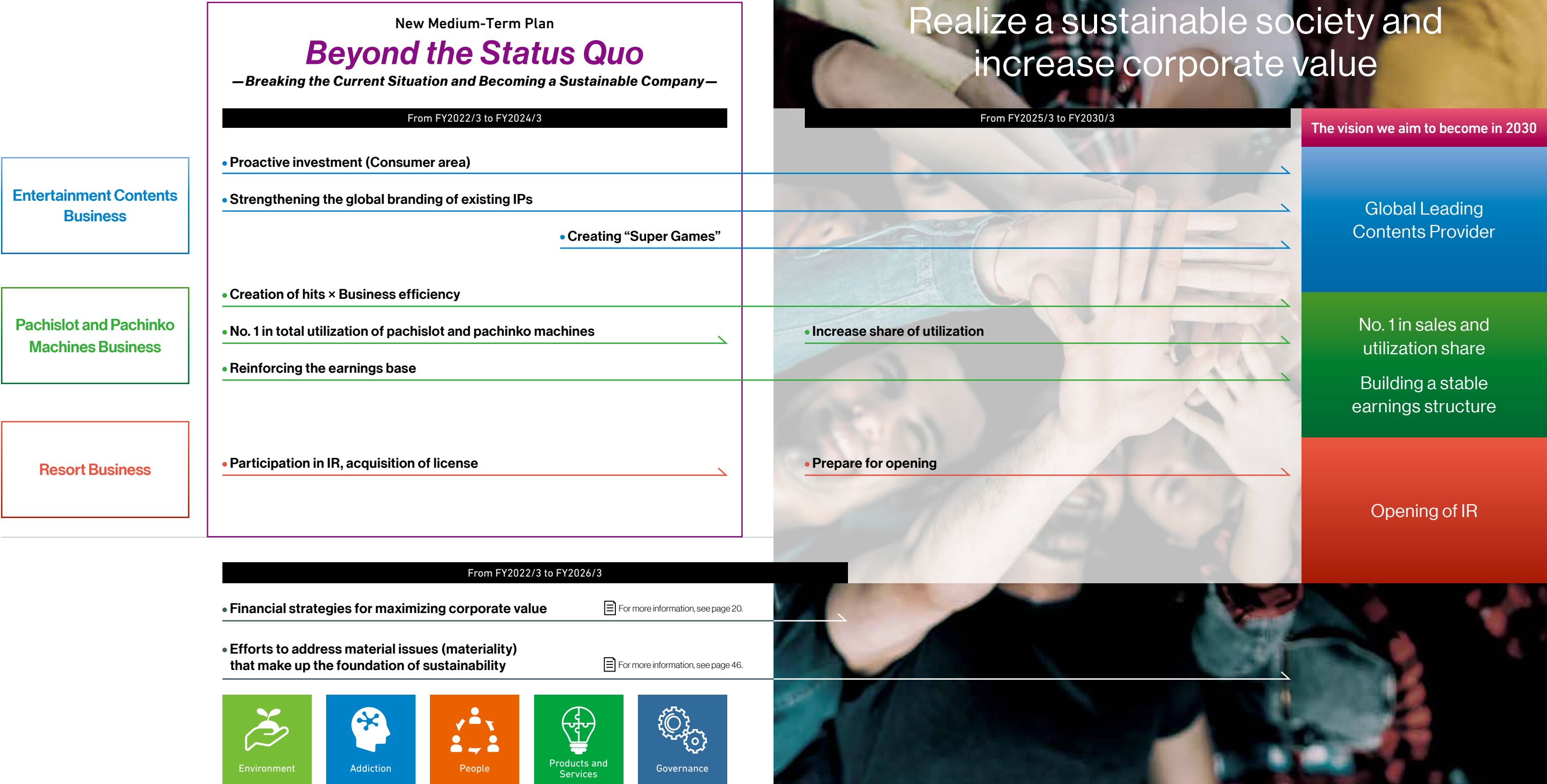


Process Leading up to IR Launch



Medium to Long-Term Map

To achieve our vision for the Group in 2030, we are steadily implementing various measures under the slogan of the new medium-term plan: *Beyond the Status Quo—Breaking the Current Situation and Becoming a Sustainable Company—*.





Hajime Satomi
Chairman, Representative Director



The value we bring to society is the creation of experiences that move the heart

The world now stands at a major turning point. The COVID-19 pandemic has had a profound global impact, bringing about significant shifts in people's values and lifestyles. In this time of uncertainty, companies in every field are struggling to define their future path, wrestling with issues of how they can contribute to society going forward and whether they will be able to provide value.

In the midst of these circumstances, our Group pressed forward with structural reforms. While performance in the Entertainment Contents Business grew on the back of stay-at-home demand, the brick-and-mortar Pachislot and Pachinko Machines and Resort businesses faced serious adversities. Given this business environment and carefully considering the direction the Group ought to take in a post-pandemic context, we felt compelled to make several very painful decisions. We withdrew from the amusement facilities operation business, which could be considered the business in which we first started out. We also called for numerous volunteers for early retirement, including employees who have supported the Group since its inception.

Even in this unprecedented situation, though, I was struck by the fact that, no matter how turbulent society becomes or how much the environment changes, basic human nature will never change—people will always long for experiences that move the heart. People continue to turn to entertainment seeking such experiences. In fact, I don't think there has ever been a year when people felt, as strongly as they did this past year, how wonderful everyday life that has entertainment is. We have the power to create such experiences. And I am convinced that extending that power throughout the world is the true value our Group brings to society. The situation remains uncertain, but keeping this conviction in mind, our Group will continue to create experiences that move the heart through entertainment.

Passing on Leadership to a New Generation

Since the founding of Sammy Industry, the predecessor of Sammy Corporation, and following the birth of SEGA SAMMY HOLDINGS in 2004, I continued to stand at the forefront of Group leadership. In April 2021, however, I passed on the CEO baton to my son, Haruki Satomi, while I remain in the position of Chairman and Representative Director. As CEO, he will now play the central role in steering the management of the Group. Of course, as Chairman, I will also draw on my personal connections and experiences to support the new CEO to the best of my abilities.

The entertainment market we are facing is marked by fast-changing trends. Technology is moving ahead by leaps and bounds. Content that no one has ever experienced before is being generated every day. That's why it is vital to have managers with youthful sensibility who can stay abreast of such trends, and also why I have high expectations for the new CEO, who is still in his forties. Aside from his youth, one of Haruki's greatest assets is his ability to grasp the big picture. Taking the broad view of movements in the world engenders the ability to stay a step ahead of the times, which is crucial for someone in management. From a young age, I always stayed a step ahead of the times, too, which enabled me to grow the company. Going forward, I expect Haruki to place even greater weight on engagement with customers, employees, and other stakeholders as he matures into a CEO who earns the trust of all those around him.

Continuing to Take On Challenges to Achieve Dramatic Growth

The evolution of digital technology in recent years has been monumental, and is bound to accelerate even further. No one knows exactly what the technological landscape will look like 10 or 20 years down the road. But I have no doubt that entertainment will not simply be confined to the digital realm. There will continue to be entertainment in physical spaces. The integrated resort (IR) business in Japan, a business in which our Group continues to pursue opportunities, is truly a form of entertainment where people interact directly, generating excitement. Decisions about the direction of this business still lie ahead, but I believe an integrated resort will be a venue that brings delight to many visitors from around the world.

COVID-19 brought about major changes in the Group. My sense, though, is that this is a runup to a great leap forward for us. Our structural reforms have further bolstered the organization, and we have formulated a long-term vision for the Group in addition to a new medium-term plan. The only thing that remains is for all of our employees to continue to be bold in their pursuit of new challenges. We would like our stakeholders to keep having high expectations for the SEGA SAMMY Group, and ask for their even greater support and cooperation.



Haruki Satomi
President and Group CEO,
Representative Director



We will continue to be a company that can create experiences that move the heart

The SEGA SAMMY Group has declared its mission to be *Constantly Creating, Forever Captivating — Making Life More Colorful*—. This mission has grown even more important amid the rampant, ongoing spread of the COVID-19 pandemic. It was this common mission which enabled our Group, even in the midst of the pandemic, to avoid any missteps.

The declaration of a state of emergency in Japan in the spring of 2020 caused me to reflect on the purpose and meaning of the Group's existence. At the end of the day, entertainment is essentially a peacetime industry, which is generally not enjoyed unless society is at peace. Initially, there was a public outcry against pachinko halls in Japan, with some voices even questioning the significance of entertainment and wondering whether it might be a “non-essential, non-urgent” business. Nevertheless, for their own mental well-being, some customers

continued to visit pachinko halls and spend their leisure time in that way. Of course, it is possible for human beings to live without entertainment. But can life without entertainment truly be considered fulfilling? After their needs for food, clothing, shelter, security and safety are met, people still long for happiness, excitement, and relaxation. Our greatest value lies in having the management resources to provide these things at a high level. I am more convinced than ever that our *raison d'être* is without question to continue to be a company that can create experiences that move the heart.

In terms of management, we anticipated the impact of the pandemic on the Group at every turn, and took swift action in response. At the time of the state of emergency in spring 2020, we assumed the worst-case scenario—that, if the situation dragged on, our net assets might be reduced by as much as half.

Fortunately, the pandemic did not put that level of downward pressure on business performance. In fact, the Consumer area saw a significant upturn in earnings, driven largely by stay-at-home demand. Because the Pachislot and Pachinko Machines and Resort businesses involve physical contact, these sectors faltered. Nevertheless, we were able to stay in the black for the fiscal year ended March 2021, with net sales of ¥277.7 billion, operating income of ¥6.5 billion, ordinary income of ¥1.7 billion, and profit attributable to owners of parent of ¥1.2 billion.

To better position the Group to achieve sustainable growth going forward, during the previous fiscal year we moved ahead with reforms to the business portfolio as well as structural reforms to secure the funds needed for growth.

We have long recognized low profitability in the amusement facility operation business and market contraction in the pachis-

lot and pachinko machines sector as issues for the Group. We have sought to improve business efficiency and asset efficiency to resolve these issues, but the onset of an unprecedented crisis like this pandemic prompted us to take even more drastic reform measures with a sense of urgency.

Some reforms, such as calling for voluntary early retirement, were painful. But we are confident that this will allow us to transform into a sturdier corporate structure than ever before. I believe we have a duty to build the kind of corporate entity that makes those who agreed to take early retirement proud of having been a part of the SEGA SAMMY Group. Going forward, based on a more solid foundation, we will further boost employee motivation and steadily implement the new medium-term plan to achieve substantial future growth, and make our vision a reality.

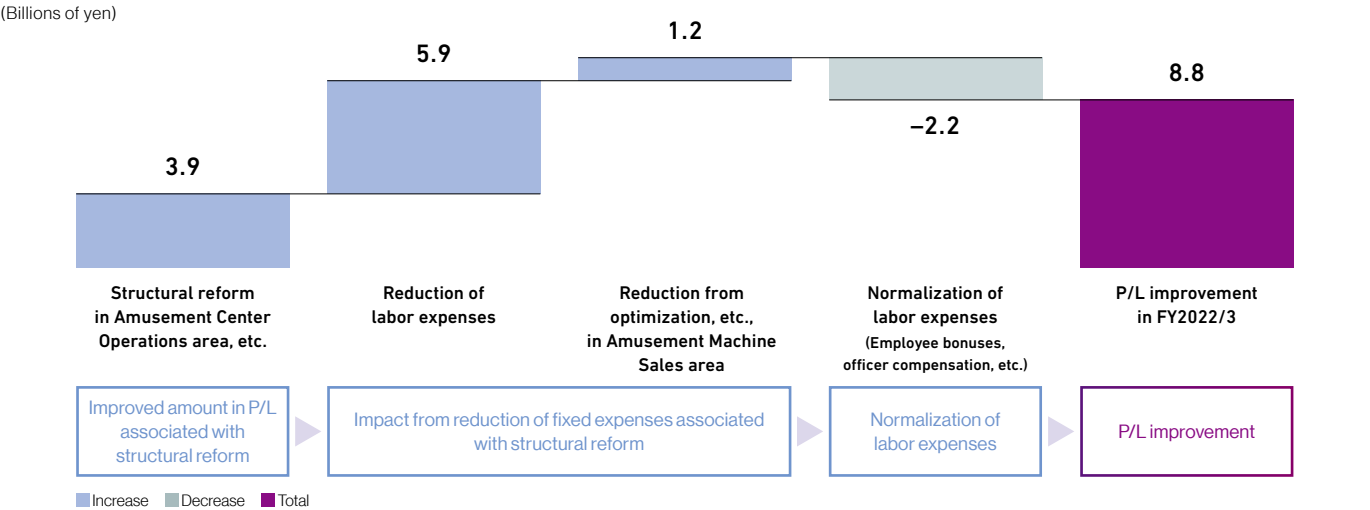
FY2021/3 Results

Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Down 24.2% year on year	Down 76.4% year on year	Down 93.3% year on year	Down 91.2% year on year
¥ 277.7 billion	¥ 6.5 billion	¥ 1.7 billion	¥ 1.2 billion

Impact of Implementation of “Structural Reform”

		P/L impact in FY2021/3
1. Review of Business Structure	• Structural reform expenses in Amusement Center Operations area	¥ -19.1 billion (extraordinary losses)
	• Closure of Orbi Yokohama	¥ -0.5 billion (extraordinary losses)
	• Structural reform expenses in Amusement Machine Sales area	¥ -3.2 billion (extraordinary losses)
2. Reduction of Fixed Expenses	• Call for voluntary retirement, etc.	¥ -9.2 billion (extraordinary losses)
3. Review of B/S	• Gain on sales of investment securities (Sales of shares of Sanrio, etc.)	¥ +11.2 billion (extraordinary income)
	• Gain on sales of non-business real estate (Sales of real estate in Osaka)	¥ +15.2 billion (extraordinary income)

P/L improvement in FY2022/3 associated with “Structural Reform”



Appointed as the New CEO

I was appointed President and Group CEO on April 1, 2021. As new CEO, in May I announced our new medium-term plan, which carries the slogan *Beyond the Status Quo—Breaking the Current Situation and Becoming a Sustainable Company—*. The thinking behind *Beyond the Status Quo* is that sales of the SEGA SAMMY Group fell to ¥277.7 billion in the fiscal year ended March 2021—half the peak level at the 2004 management integration of SEGA and Sammy. I see my management responsibility as CEO is to overcome this situation. That means achieving net sales of ¥400.0 billion in the medium term and more than ¥500.0 billion in the long term, while pursuing management with a focus on capital efficiency and maximizing Group value.

New Medium-Term Plan

As I mentioned earlier, the slogan of the new medium-term plan is *Beyond the Status Quo—Breaking the Current Situation and Becoming a Sustainable Company—*. In terms of metrics for the plan, we are targeting ordinary income of ¥45.0 billion and ROE of over 10% for the fiscal year ending March 2024. I have strong feelings about “break the current situation” that is included in the slogan. Until now, we had to be mindful of the investment capability required to move ahead with the integrated resort (IR) business in Japan, which meant that we needed to enhance equity capital. This was one factor behind our declining capital efficiency. Unfortunately, while we will have to keep looking for other opportunities to enter the IR business here, at the same time we will proactively invest in other growth areas. In particular, we plan to make aggressive additional investments in the Consumer area, which promises sustainable market growth going

To do this, I will carry on the values and the DNA my father inculcated as the former CEO—expressed in the catchphrases “Creation is Life”×“Always Proactive, Always Pioneering”—while working to reform and evolve our management and businesses to stay abreast of the changing times. The environment in which we operate is marked by the growing speed of change, with new technologies and business models being created daily, and we have to embrace these changes and respond to them flexibly. If we keep resting on the laurels of our past successes, we will be quickly left behind by the competition. So, with a sure sense of the crisis we face, all of our employees will continue to work together as we take on new challenges.

forward. I want to achieve substantial growth over the medium to longer term by combining the boost in financial investment with the intellectual property (IP) assets and development capabilities we possess.

On the other hand, it is impossible to achieve sustainable growth simply by pursuing a bigger bottom line. It requires taking a long-term view in management, self-confident of our *raison d’être* in society and with a clear awareness of the ways we make a positive impact on society as a whole. We will steadily address the material issues we have identified—the environment, addiction, people, products and services, and governance—as we strive to become a sustainable company. As all of our employees come together to make the slogan of the new medium-term plan a reality, this will surely tie in to our mission of “Making Life More Colorful.”

Entertainment Contents Business Strategy

For this business, we set a long-term goal, “to be a global leading contents provider.” With the current favorable market environment, now is the time for us to push forward to be a company that can demonstrate its competitive edge on a global scale by fully capitalizing on our IP assets, development capabilities, and financial strengths.

The most critical issue in the new medium-term plan, which covers the first three years, is to expand the scope of our existing IP development and promote the global branding of our IPs. We will get there in three ways: expanding touch points with users, prolonging product life cycles, and strengthening user engagement.

With regard to expanding touch points with users, we will further accelerate the global and multiplatform deployment of content. Until now, the Group has tended to roll out an IP on a single platform and in a single region, or to migrate an IP that succeeds in one region to another region or platform. The disadvantage of this model was that it resulted in poor investment and marketing efficiency. In recent years, digital sales have been expanding in the gaming industry, with distribution methods changing dramatically. Previously, in order to sell products globally it was necessary to have offices and sales staff all over the world. But now we are in an era where digital sales mean that products can be immediately distributed globally. The base of users is also rapidly expanding. In the past, competition in the gaming business mainly centered on developed countries, which had numerous users who could afford costly hardware. Now, with platforms moving into PCs and smartphones, games can be delivered to many people around the world. We will seize opportunities to greatly expand such touch points to generate growth.

In terms of prolonging product life cycles, the mainstream business model until now was to focus for a while on selling a newly released game and then sell its sequel a few years later. Now, however, it is common to keep users playing a single game over a long span by distributing additional content and

frequently updating content. The Group will continue to hone its game development and operation capabilities so that we can create numerous games that continue to attract users for a decade or more.

Finally, in terms of strengthening user engagement, while increasing opportunities for people to come in contact with our content from multiple angles, it is also necessary to grasp the potential needs of users in a timely manner and provide products and services that meet these needs. In developing last year’s movie, *Sonic the Hedgehog*, we received a lot of feedback from Sonic fans all over the world regarding the initial character designs. Based on their opinions, we made improvements and were able to achieve great success. Understanding fan expectations is a key theme for maximizing IP value going forward. If we can gauge fan expectations accurately and provide products and services that far exceed their expectations, the fan base for each IP will further grow, and this in turn will feed into maximum profitability.

The Group will implement these measures over the three years of the new medium-term plan as a run up to creating a “super game”—a major global title. To achieve this, we will consider up to ¥100.0 billion in additional investments over the next five years. To invest proactively in growth, we will be looking not only at development resources and the product pipeline but also more broadly, with acquisitions as an option.

The scale of the gaming market has grown significantly over the last few years and is projected to exceed ¥20 trillion by 2023, with the number of gamers—which includes players, online streamers, and viewers—reaching more than 3.0 billion. If we can create experiences that move the heart that win the support of these gamers worldwide, we can expect huge returns. I am confident that by harnessing the IPs, game quality, and strong brand recognition we have built up over the years, we will be possible to bring accomplish this in this promising market.

Goal

Beyond the Status Quo

—Breaking the Current Situation and Becoming a Sustainable Company—

Materiality



Making Existing IPs into Global Brand



Pachislot and Pachinko Machines Business Strategy

In the fiscal year ended March 2021, the pachislot and pachinko machine industry was hit hard across the board by COVID-19. Pachinko halls were forced to suspend operations and the deadline for removing previous regulation machines was extended, leading to stagnant sales of new regulation machines for manufacturers. But the pachislot and pachinko machine market is by no means extinct—many pachinko halls, with the support of loyal users, have opened their doors again after taking rigorous measures to prevent infection. In the long run, because the scope of this business area is limited to Japan, achieving significant growth in this area may prove difficult. Nonetheless, we continue to position the Pachislot and Pachinko Machine Business as a key business for the Group, one which can maintain high profitability and a strong competitive edge. Our long-term goals in this business are “to be No. 1 in Sales & Utilization Share” and to “build a stable earnings structure.” By achieving these goals, we will work to further augment cash creation.

Currently, in terms of utilization share, Sammy ranks fourth in pachislot machines, second in pachinko machines, and third overall. Our aim is to be number one in total utilization of pachislot and pachinko machines by the third year of the new medium-term plan. The fact that the machines are being utilized means that the proper number of machines are reaching the market. It is also proof that we are able to contribute to the management of pachinko halls, which are our business partners, and that we are gaining the support of users. This is the reason we have focused on “utilization share” and positioned this as the key performance indicator for the business. The key to increasing this indicator is creating hit machines. To this end, we thoroughly revised the lineup, building a new lineup centered on proven IP series, striking a balance between improving the probability of success and achieving stable profitability. In addition, we are

actively exploring the revival of past IPs, using them to create machines with the higher level of gameplay allowed by current regulations. To improve our chances of launching hit products, it is essential that we create machines from a thoroughly user-centric perspective, upgrading to machines that satisfy user demands. By blending a user-centric perspective with our core strengths in machine development, we will create groundbreaking machines that are in tune with the times. Furthermore, we will take advantage of the relaxing of industry self-regulation to pursue TV advertising and digital media and other platforms to reach young people directly with the appeal of our machines.

As we move forward with these measures, it is also critical that we enhance business efficiency to secure a stable profit margin. One move we are planning, to boost development efficiency, is to gradually phase in common visual images for both pachislot and pachinko machines—at present they use different images of the same IP. We will also focus on standardizing components, and continue seeking to optimize lots and control excess inventory. We will also expand the online sales support we launched for pachislot machines to pachinko machines as well, taking the lead in the digital transformation of the industry.

We are moving further ahead with the adoption of ZEEG machine cabinets, aiming to fully migrate all pachislot machines to these cabinets by the fiscal year ending March 2024. We continue to reach out to other companies in the industry as well, seeking to get as many manufacturers on board as possible.

In addition to pachislot and pachinko machines, we plan to secure a new earnings base by entering into new fields. Drawing on the expertise in the gaming field we have cultivated over many years, we started up a new business line, called “m,” centered on the poker game Texas hold ’em. We will continue to seek to expand our business domains.

Creation of Hits

1

Review of product lineup

2

Increase the profitability of a hit

3

Strengthening media functions

Improvement of Business Efficiency

1

Improvement of development efficiency

2

Cost reduction

3

Promotion of e-commerce

Pursuing Sustainable Management

In 2020, the Group redefined the material issues we need to tackle in order to continuously enhance corporate value.

One of these issues is the environment. Climate change is seen as the risk with the greatest potential impact on the world in the future. As a corporate citizen, the Group is expected to do all we can to address this issue. Until now, we have looked at controlling greenhouse gas emissions only within the Group, that is, from a Scope 1 perspective. Now, we are working to expand our focus to Scope 2 and 3 emissions as well. We will work to accurately gauge the power used when operating the amusement machines as well as pachislot and pachinko machines we develop, and quickly identify and act to reduce the environmental impact of the Group’s business activities. Regarding other material issues we have identified—addiction, people, products and services, and governance—we are in active discussions with the various business companies in the process of formulat-

ing a concrete action plan and establishing KPIs, so we can make an announcement in the fiscal year ending March 2022. Going forward, I will make sure top management has sufficient time to discuss matters related to ESG and the SDGs. My view is that it is appropriate to separate management supervision and execution, leaving business decisions to the business companies while the Board of Directors meeting deliberates on matters related to long-term topics affecting our business environment. This approach is leading to the sophisticated corporate governance needed to support the Group. As of June 2021, our Board had a 50-50 ratio of internal and external directors, three of whom were female directors. The addition of diverse skills and knowledge of people from outside the Group better empowers us to consider from multiple angles the kind of organization the Group should aim to be in the midst of major changes in the world.



In Conclusion

In the fiscal year ended March 2021, we pressed forward with structural reforms in the midst of massive, unforeseen changes in the environment. Our biggest achievement was to become a stronger organization through these reforms. Going forward, our sustained growth will depend on further shoring up the strength of the organization. The key to achieving this will be fostering an environment in which diverse human resources can harness their unique abilities and carry out innovative action. We also recognize that strengthening international human resources is a critical issue as we aim for substantial growth overseas. We will develop systems and cultivate an attractive corporate culture that allows people with the ability to create a range of value, regardless of nationality, race, or gender, to come together and each take an active role. Our long-term goal is to foster a workplace atmosphere where diverse human resources can work as a matter of course.

In addition, we revised the personnel evaluation system, adopting a structure where promotions and compensation are decided on the basis of ability and performance rather than seniority.

Going forward, together with a team of people with diverse abilities and together with our stakeholders, the SEGA SAMMY Group will work to build even greater corporate value. I would like to ask for your continued support as we do so.



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



Targeting the further growth of the Group through an optimal capital structure and proactive investment

Implementation of Structural Reforms

As we started out the fiscal year ended March 31, 2021, my biggest challenge as CFO was to secure business funds in the midst of the pandemic, with no way of making profit forecasts or predicting what lay ahead. We completed a series of financing arrangements, including expanding our commitment lines, and, while ensuring our immediate financial safety, pressed forward with full-fledged structural reforms to adapt to changes in the environment.

In the amusement facilities operation business, we had already been aware of a number of issues from the standpoint of returns on investment, and made the decision to divest this business to signal a clear shift of resources to the Consumer area, which is a growth field. We also took steps to streamline fixed

costs, mainly by calling for volunteers for early retirement, and to dispose of non-business assets. In particular, headcount in the Pachislot and Pachinko Machines Business, which the market is shrinking was excessive compared to our competitors. These were difficult management decisions—as this business has long been a pillar of the Group—but our measures have created a framework that will allow us to weather the current harsh environment.

COVID-19 had an enormous impact on the Group, but seizing upon this crisis as an opportunity, we were able to swiftly resolve outstanding management issues and lay the groundwork for the next stage of business growth.

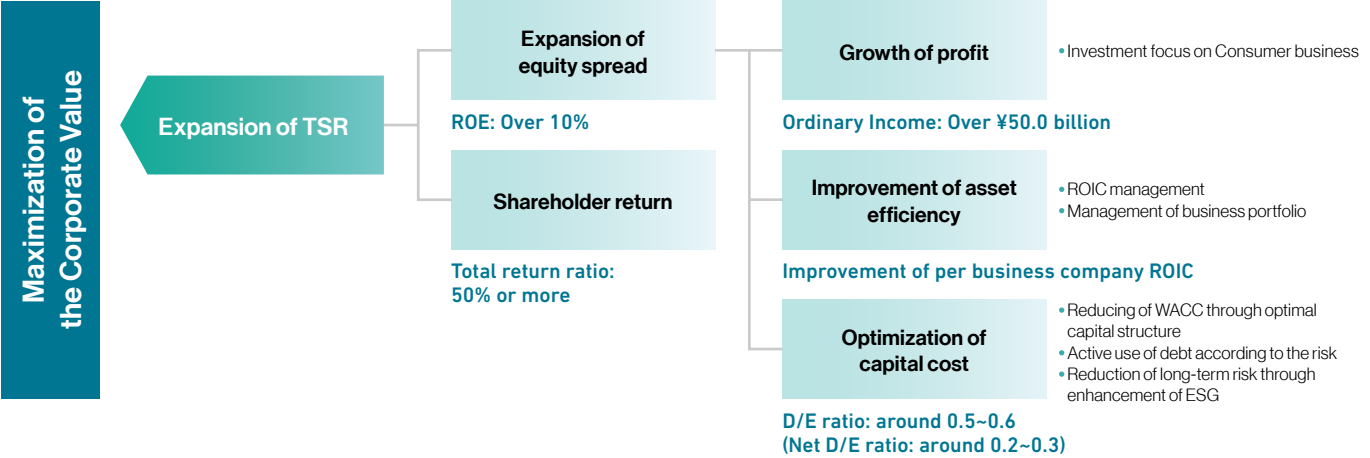
A Management Focus on Capital Efficiency

In tandem with structural reforms on the business side, we decided to fully implement a management framework that focuses on capital efficiency. Guided by the new medium-term plan, the measures we have put in place, including a review of the business portfolio, can be said to represent a dramatic transformation of the management framework across the Group.

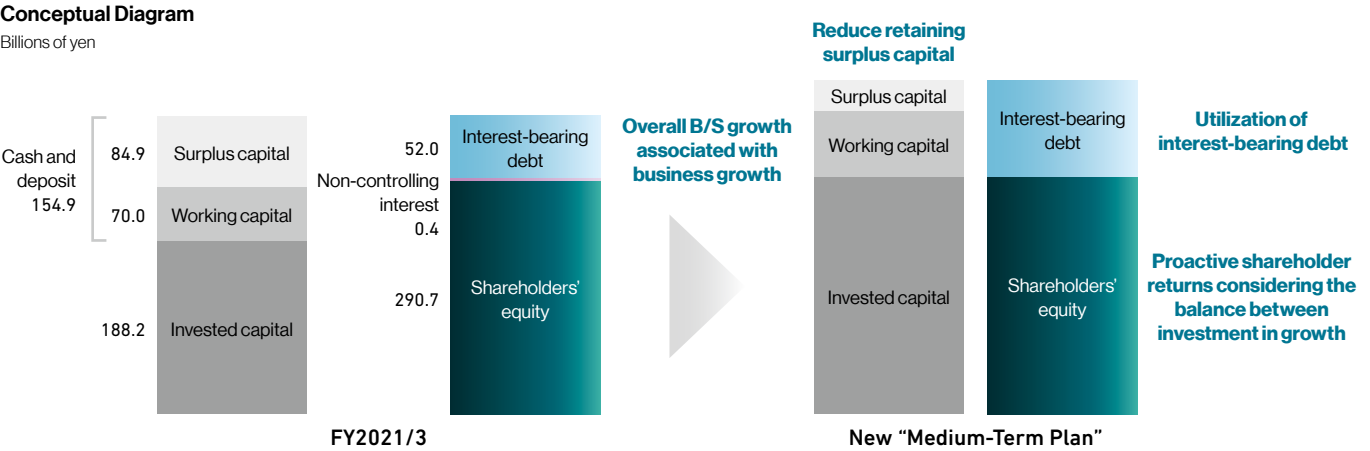
A key financial strategy going forward will be to optimize capital cost, which is one of the three components of ROE. In other words, we will lower the weighted average cost of capital (WACC) through an optimal capital structure. In the past, our view was that the Group's business performance was subject to greater fluctuations than in other industries, and so we followed a financial strategy of setting aside a generous risk buffer. However, excessive cash accumulation has been a hindrance to raising

capital efficiency and has also put downward pressure on stock prices. In the new medium-term plan, drafted after the structural reforms undertaken in the fiscal year ended March 31, 2021, we set out a clear future direction for the Group and carried out a detailed analysis of risk and the capital structure. In procurement, we intend to raise the debt-to-equity ratio by between 0.5 to 0.6 times, on the condition that we maintain an appropriate cash position and rating level. At one point this ratio dropped to about 0.2 times, at the end of March 2021. By making use of interest-bearing debt more aggressively than in the past, we will firmly invest in the businesses planned in the new medium-term plan, while maximizing corporate value under optimal WACC.

Shift to the management focusing on capital efficiency



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



* Invested capital = Total assets excluding cash and deposit – liabilities excluding interest-bearing debt
* Shareholders' equity includes accumulated other comprehensive income

With regard to fundraising, as of the end of March 2021 the combined total of our commitment lines and the unused portion of overdraft lines was ¥213.0 billion. Depending on market interest rates, however, we will also consider issuing corporate bonds and other financing measures.

As we deliberated on the optimal capital structure for the Group, we also decided on a clear policy for shareholder returns. Up till now, we maintained steady annual dividends at ¥40. While being conscious of keeping this as the lower limit, we set targets of a dividend on equity ratio (DOE) of 3% or more and a total return ratio of 50% or more. In this way, we clarified our policy of linking returns with profits and paying out shareholder returns in line with business growth.

We are also introducing ROIC to all of our business companies as an index to measure business investment efficiency.

Growth Investment Plan

The key objective of the new medium-term plan is to clearly position the Consumer area of the Entertainment Contents Business as a driver of growth for the Group going forward, and to focus investment in that area. Our approach to achieve the

The minimum ROIC level for each business is set on the holding company side, based on capital costs. Regarding various measures to raise ROIC, we will work to enhance the ROIC of each business while being in discussions with each business company to confirm progress in achieving the measures and to monitor operational aspects.

These various indicators aren't simply management targets that ought to be achieved—all of them are organically interrelated and form the mechanism by which we can ultimately improve ROE.

The medium-term plan's ROE target of over 10% is the metric we established to achieve an ideal equity spread, using the average WACC for the Group over the past five years as a benchmark.

optimal capital structure I mentioned earlier is premised on this investment strategy. To achieve substantial growth in the Consumer area, the medium-term plan projects additional investments of up to ¥100.0 billion over five years.

We expect to book these additional investments in a variety of ways. So, to say that the investments are going toward consumer games doesn't necessarily mean only R&D.

Success in the Consumer area going forward will depend on factors such as building a media platform to enhance user engagement and fostering vibrant user communities. In fact, it will require strategies that broadly incorporate members of communities other than direct game users. Of course, the amount we invest is less important than the content of our investments, but these kinds of marketing-related investments are also on our radar.

The Group boasts numerous intellectual properties (IPs) capable of growing into global brands through proactive invest-

ment. Increasing the value of each IP will enable us to maximize business profits and ensure more stable profits.

Meanwhile, the Pachislot and Pachinko Machines Business is in a very unique position. The structural reforms we undertook yielded an optimal management scale and put in place a framework that will enable more stable bottom-line contributions than before. We aim to boost our share in the shrinking market by building on our competitive strengths, paying particular attention to ways of eliciting greater support from pachinko halls and users. If we sustain investment on an appropriate scale, I believe this business will continue to generate stable profits, securing annual ordinary income of between ¥10.0 and ¥15.0 billion.

Reducing Long-Term Risks and Building Corporate Value through Stronger ESG Management

The environment in which the Group operates is undergoing rapid changes. We have to seriously address ESG and other sustainability issues, recognizing that these are at the very heart of corporate management. We are also taking proactive measures to address issues that are sure to have an enormous impact on the Group's businesses, in terms of shifts in consumer tastes and values, such as environmental issues that have recently become the subject of intense concern, as well as addiction issues that are closely related to the Group's business.

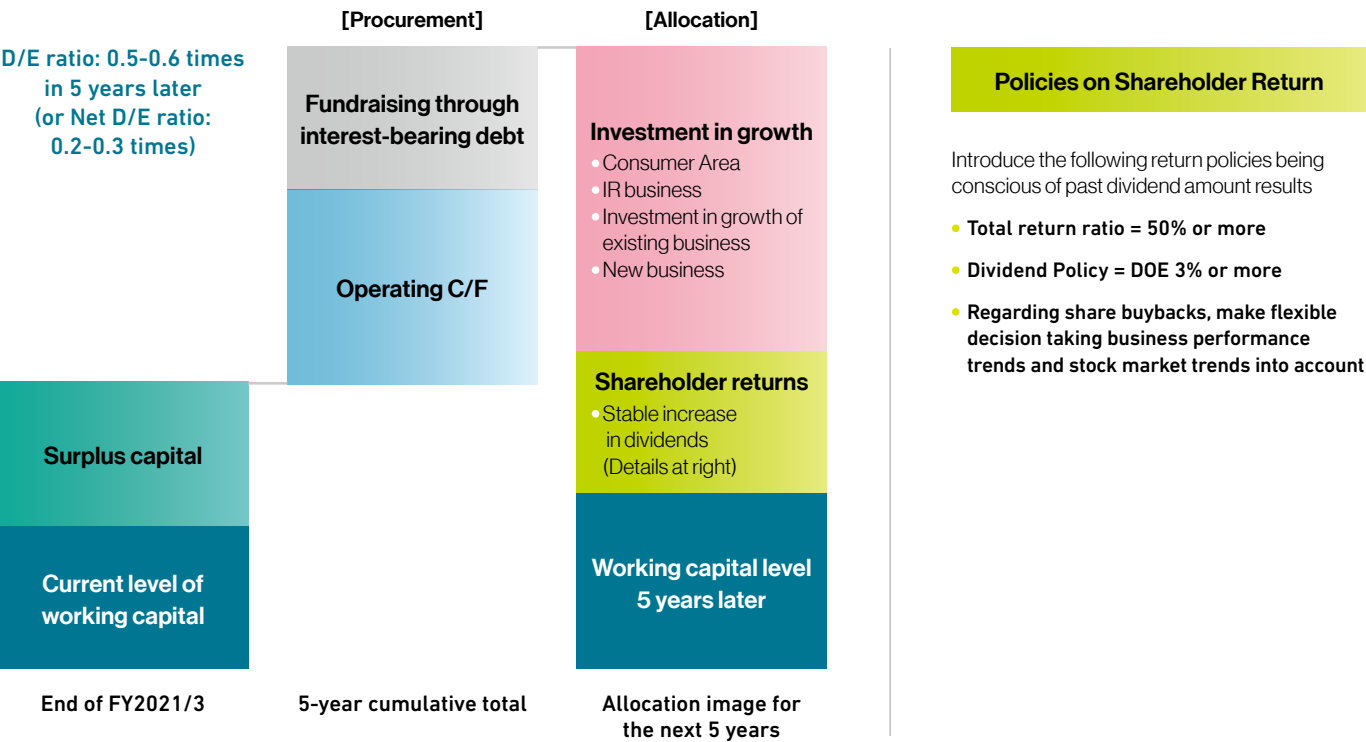
In particular, even though the transition to carbon neutrality could potentially have a major long-term financial impact, we believe that efforts at present are still inadequate. As we work to implement TCFD-based financial disclosure, we are in the pro-

cess of formulating environmental targets for Scope 1 to Scope 3 CO₂ emissions.

We also face a pressing need to promote the diversity of human resources. The Group emphasizes diversity of thinking as well as of race, gender, sexuality, and in other areas. I think the strongest organizations are those where employees with a variety of values can arrive at the best possible solutions by freely engaging in discussions on topics that do not offer a single, clear-cut answer.

We are currently exploring specific actions to deal with the above material issues, taking into account perspectives from outside the Group as well. We plan to announce more about these actions in 2022.

Concept of Investment in Growth and Shareholder Return (FY2022/3-FY2026/3)



Pursuing a Growth Strategy and Realizing an Optimal Capital Structure

Due to the decision by the city of Yokohama to call off the process for selecting business operators for its planned IR project, the Group has been compelled to reconsider its IR business strategy. However, going through the request for proposal (RFP) process in Yokohama gave us great confidence that our Group undoubtedly has one of the top IR teams in Japan. So, we will continue to identify opportunities for entry into the IR business, while also reconsidering our current investment strategies, including resource allocation.

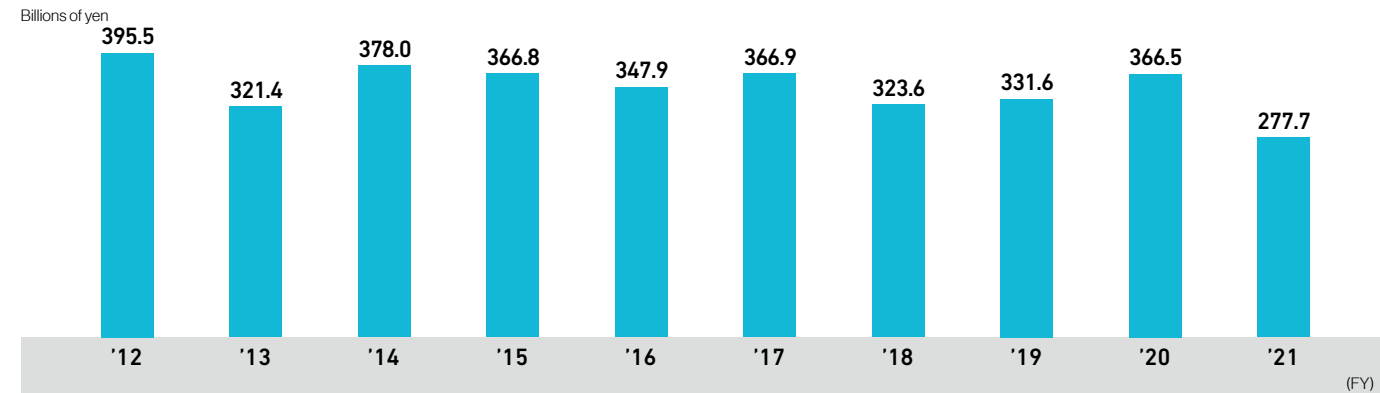
Investors often ask me what the Group will do with surplus capital that can't be used for investment. I believe my duty as CFO is, in line with the corporate strategy, to proactively invest in business growth, boost capital efficiency by achieving an optimal capital structure, and expand the equity spread. I will continue striving to earn the trust of shareholders and investors regarding the future of the Group through ongoing dialogue while making full disclosure of our processes in carrying out financial strategy.

Financial Performance

Net Sales*1

The COVID-19 pandemic impacted the Group's businesses in different ways, leading to a clear divergence in sales performance.

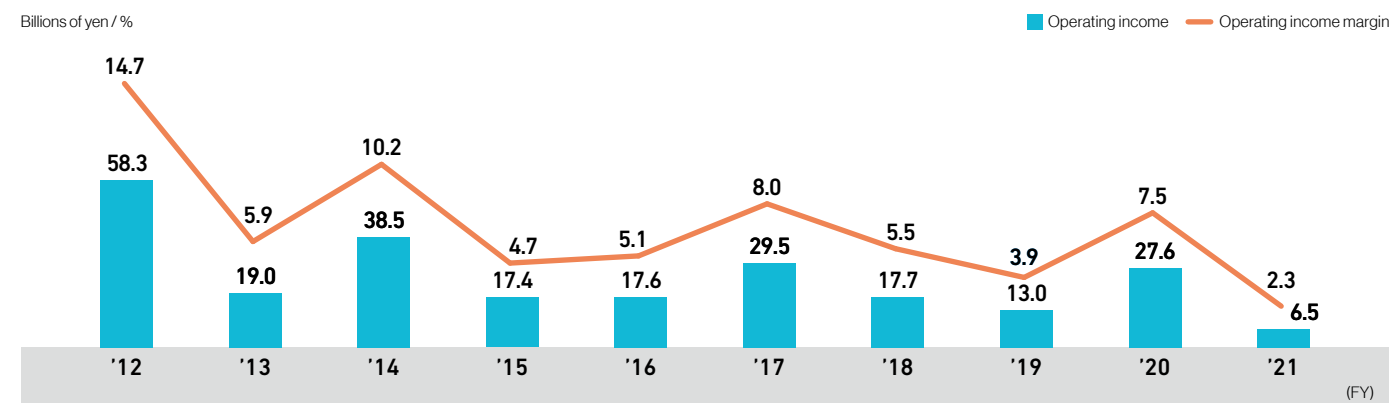
The Consumer area reported a steep rise in sales, but consolidated net sales declined 24.2% year on year to ¥277.7 billion.



¥277.7 billion

Operating Income / Operating Income Margin

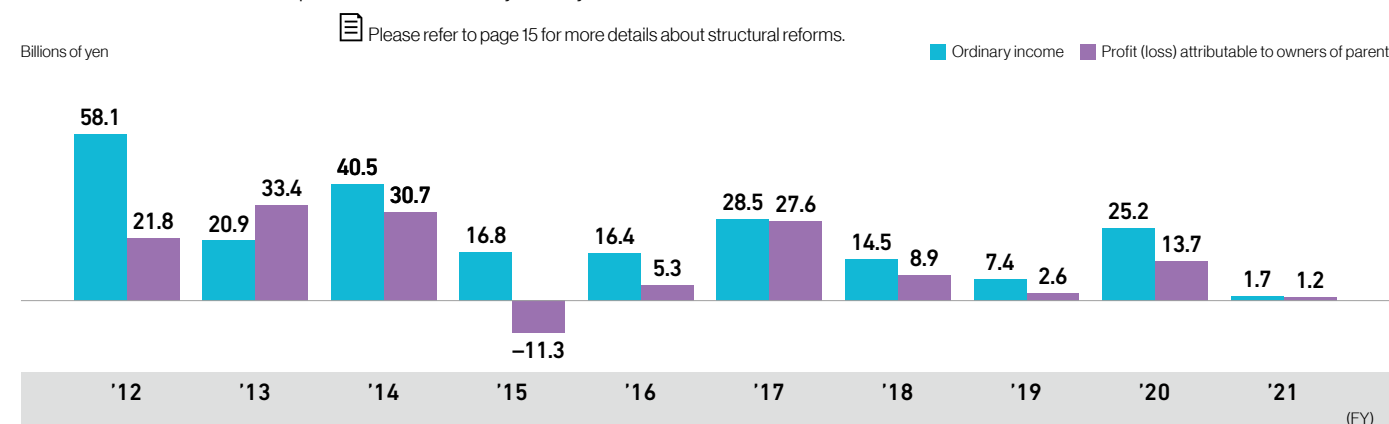
Operating income fell 76.4% year on year to ¥6.5 billion.



¥6.5 billion / 2.3%

Ordinary Income / Profit (Loss) Attributable to Owners of Parent*2

Structural reforms resulted in the booking of substantial extraordinary income and losses. Profit attributable to owners of parent declined 91.2% year on year to ¥1.2 billion.



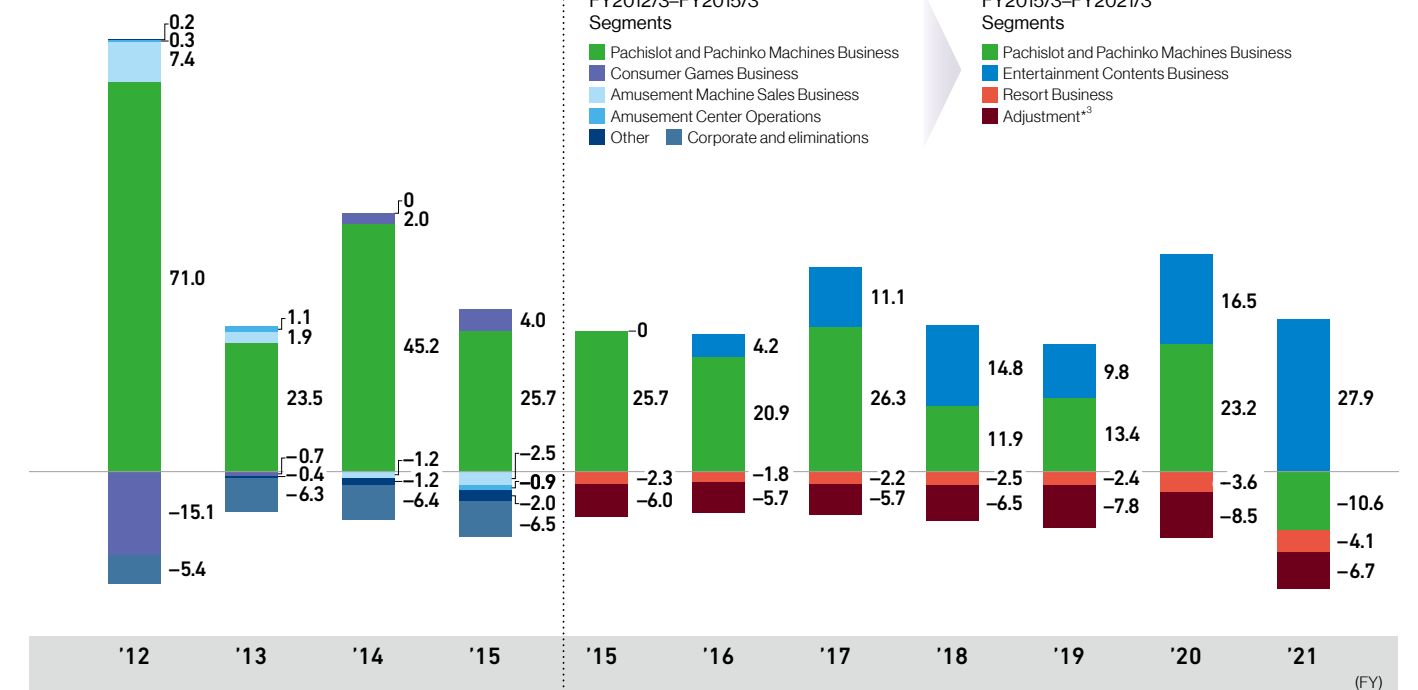
¥1.7 billion / ¥1.2 billion

*1 As the recognition of net sales was changed (1) from a net basis to a gross basis and (2) from a shipment basis to a delivery basis in FY2016/3, figures for FY2015/3 reflect these changes retrospectively.

*2 The Company has adopted the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013) and has presented "net income (loss)" as "profit (loss) attributable to owners of parent" from FY2016/3.

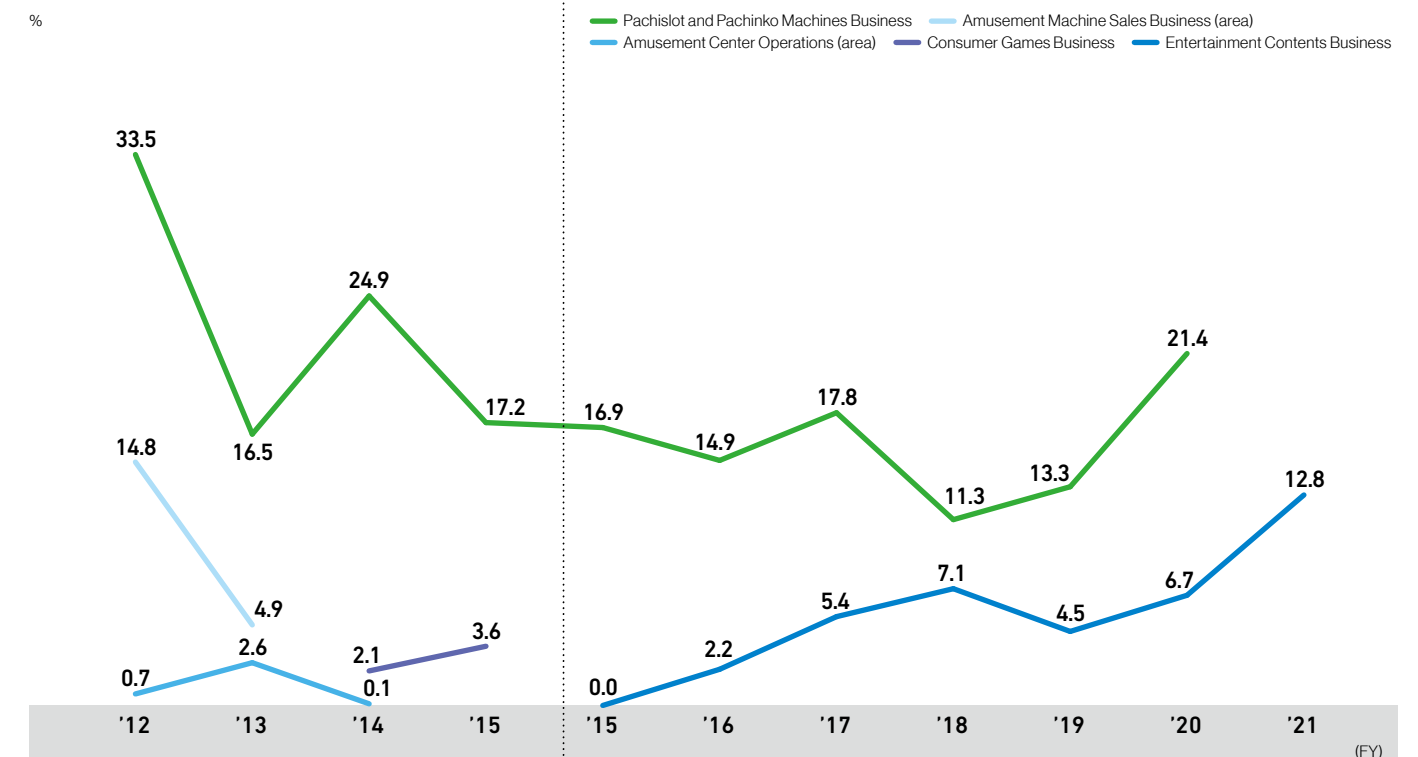
Operating Income (Loss) by Segment*3

Billions of yen



Operating Income Margin by Segment

%

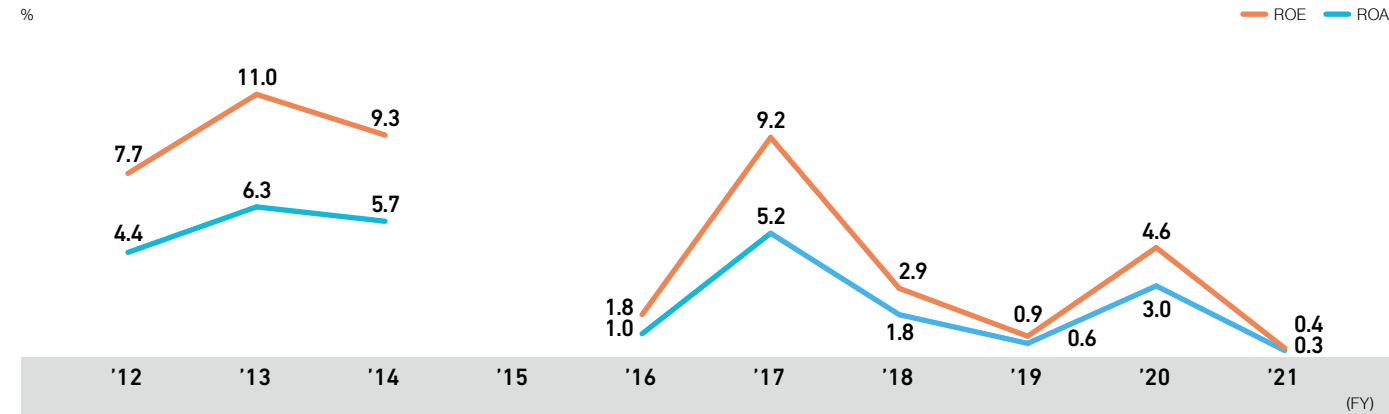


*3 As of the FY2015/3 change in segments, elimination of inter-segment transactions and general corporate expenses that are not allocated to the reporting segment are included in the adjustment to segment income (loss).

ROE / ROA*4

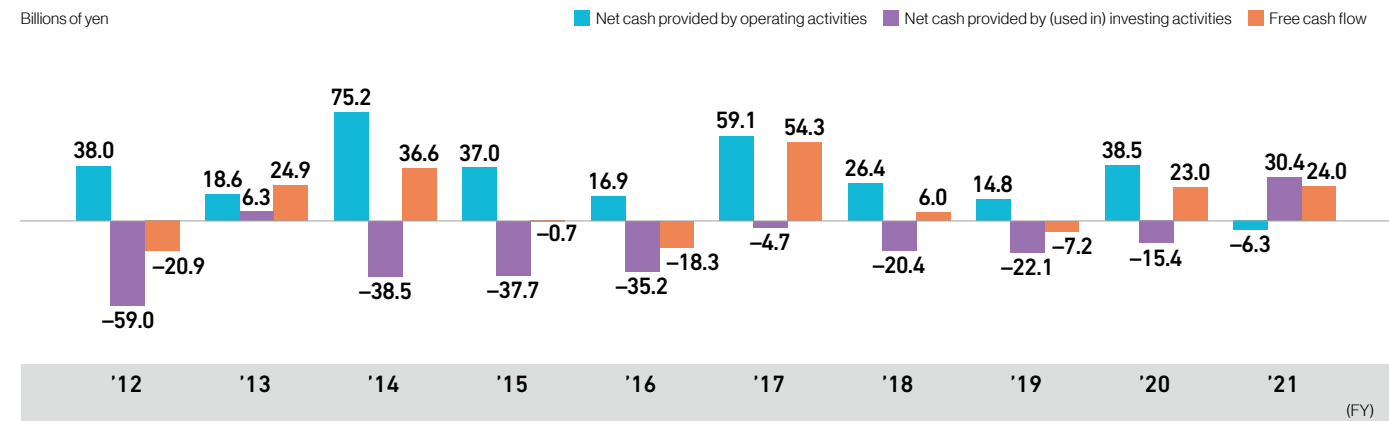
ROE decreased 4.2 points from the previous fiscal year to 0.4%.
ROA decreased by 2.7 points to 0.3%.

*4 ROA = Profit attributable to owners of parent ÷ Total assets



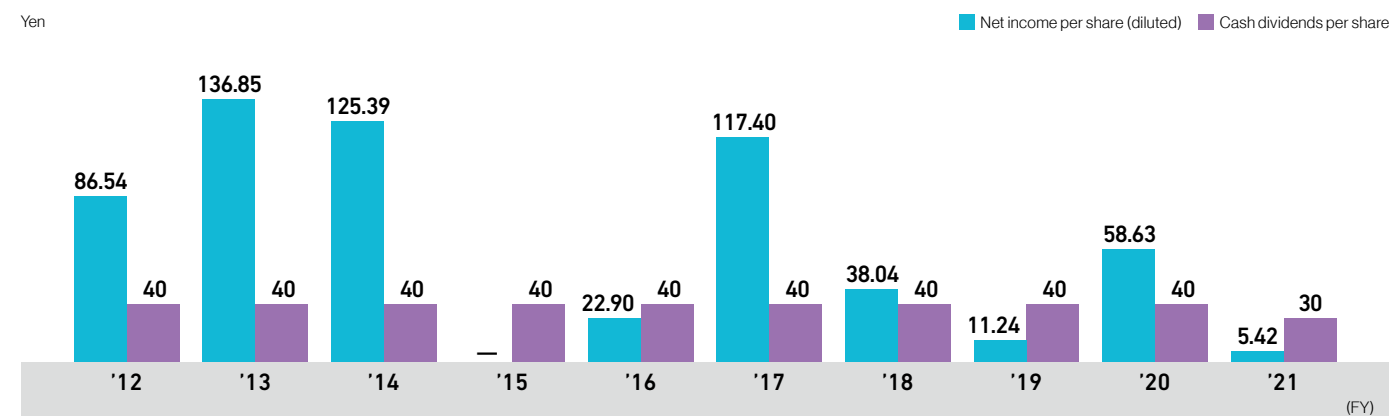
Cash Flows

Cash flow used in operating activities in FY2021/3 was ¥6.3 billion, compared with cash provided of ¥38.5 billion in the previous fiscal year.
Cash flow provided by investing activities was ¥30.4 billion, compared with cash used of ¥15.4 billion in the previous fiscal year.



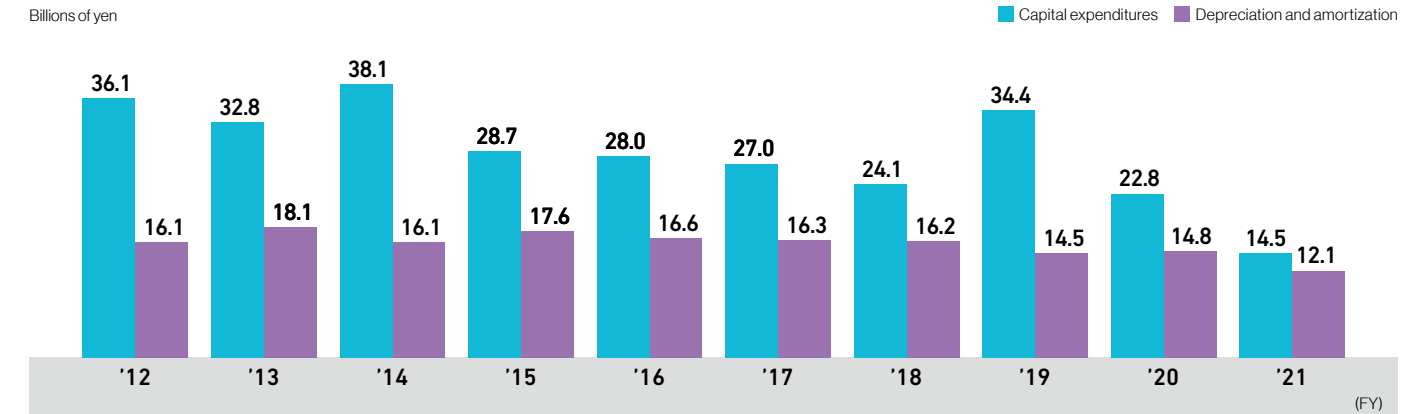
Net Income per Share / Cash Dividends per Share

Net income per share (diluted) decreased by ¥53.21 from the previous fiscal year to ¥5.42.
The Company paid an annual dividend of ¥30 yen per share.



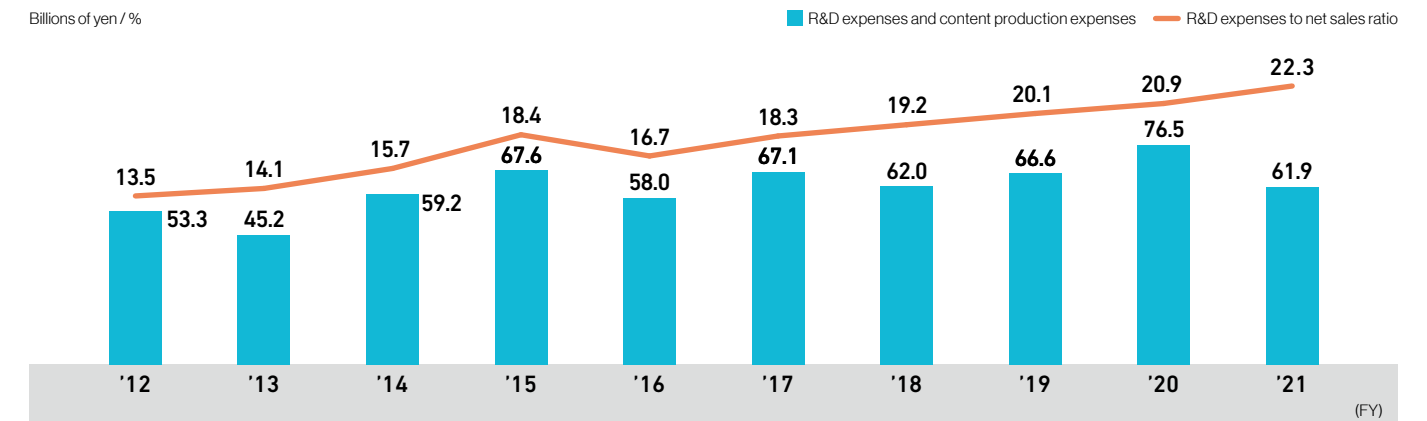
Capital Expenditures / Depreciation and Amortization*5

Capital expenditures decreased 36.4% year on year to ¥14.5 billion.
Depreciation and amortization decreased 18.2% to ¥12.1 billion.



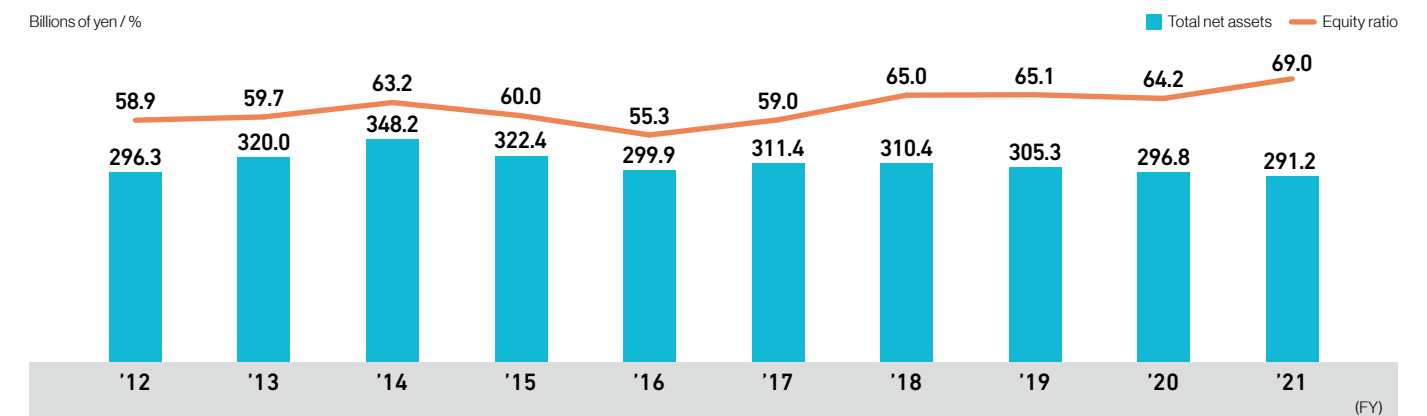
R&D Expenses and Content Production Expenses*5/ R&D Expenses to Net Sales Ratio

R&D expenses and content production expenses declined 19.1% year on year to ¥61.9 billion.



Total Net Assets / Equity Ratio

Total net assets declined ¥5.6 billion from the end of previous fiscal year to ¥291.2 billion.
The equity ratio was rose 4.8 points to 69.0%.



*5 The aggregate calculation method has changed as of FY2014/3. Consequently, R&D expenses and content production expenses include amortization cost of digital game titles. Until FY2013/3, depreciation and amortization included amortization cost of digital game titles.



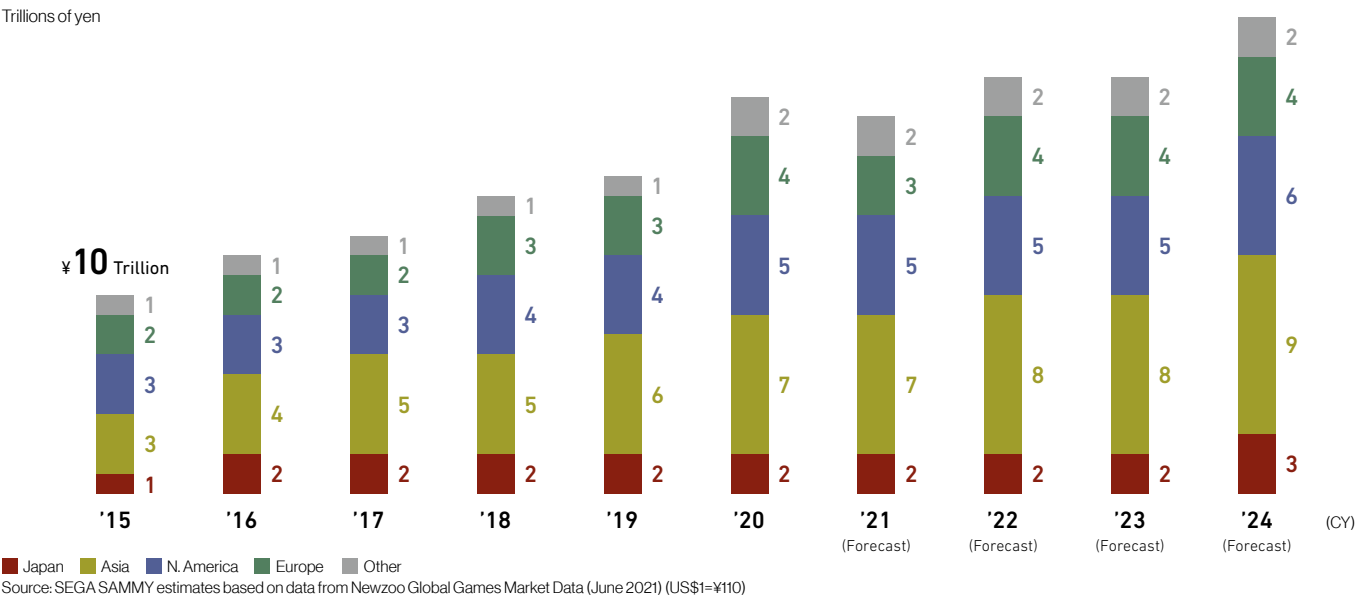
Growth Strategies for the Consumer Area

Market Environment

Ongoing growth in the game content market on a global level

The global market for game content has continued to expand steadily, supported in part by stay-at-home demand during the COVID-19 pandemic. This has been particularly notable in the Asian region, which includes numerous emerging economies. The market there was ¥3 trillion in 2015, but more than doubled in five years to reach ¥7 trillion in 2020. The global market on the whole continues to grow into a massive industry, projected to exceed ¥24 trillion in 2024.

Scale of Game Content Market

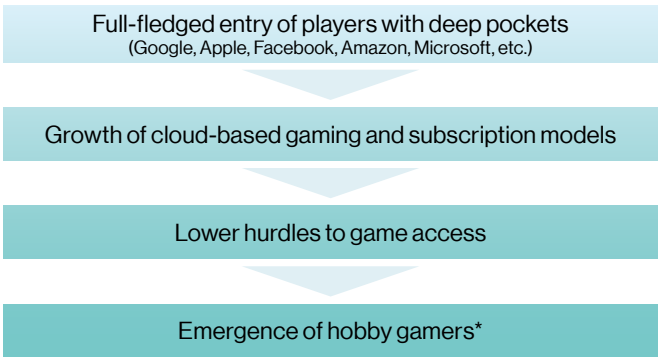


An ecosystem of 3.0 billion users

It is estimated that the number of users who play games on a regular basis currently stands at around 3.0 billion. The world's largest tech firms are investing heavily in the gaming field, in both cloud-based gaming and subscription models as well as existing gaming areas. Hurdles to game access will eventually fall, as an environment takes shape in which anyone in the world can enjoy services at low cost without the need for a costly device. One result has been the emergence of "hobby gamers*," a layer of users who habitually enjoy games at intervals during their daily lives using smartphones or PCs, rather than playing for long periods of time using costly dedicated game consoles connected to televisions. The number of such users is growing every year. The pandemic has also greatly accelerated digital transformation on a global level. Such major changes in the environment are helping to drive a significant increase in the game-playing population.

The way people interact with games is also becoming far more diverse than in the past. Game players are naturally at the center of the ecosystem. The broader ecosystem is also expanding, though, as games draw together many people on a global scale, to encompass not only game players but also, for example, streamers who broadcast their games and their viewers. These factors are also expected to fuel growth in the game population going forward.

Games Grow into Global Industry with 3.0 Billion Users



More Diverse Interactions with Games, Expanding Ecosystem



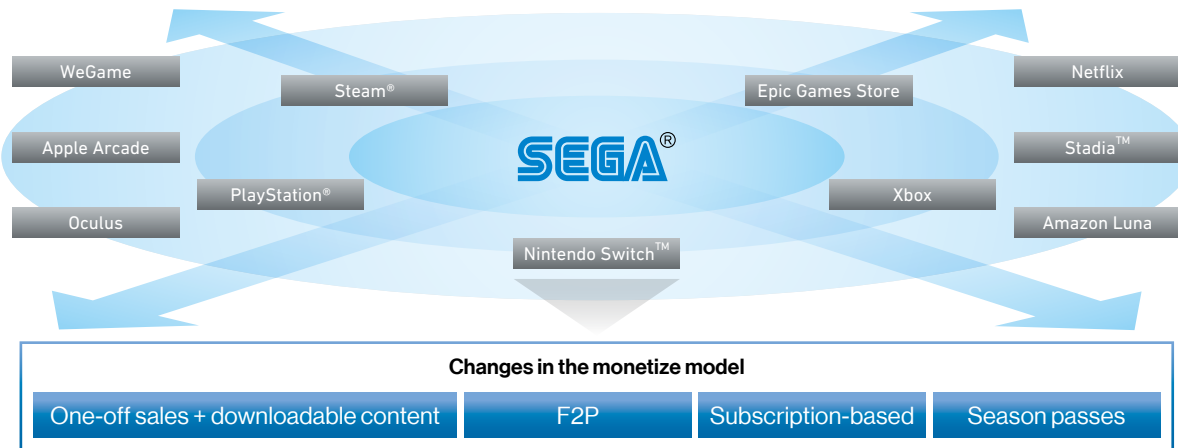
* A term coined by SEGA SAMMY, indicating the layer of users who habitually enjoy games at intervals during their daily lives using smartphones or PCs.

Barriers between devices and regions disappear, points of contact with users increase

Advances in digital transformation are helping barriers in the games market to come down with increasing speed, both between devices and between regions. An environment is taking shape in which a range of game content can be released quickly in every direction, including PlayStation, Switch, Xbox, PCs, and other platforms, as well as emerging cloud-based platforms.

The Group is working to build a multilayered profit model as well, ranging from conventional one-off package sales to free-to-play (F2P), subscription-based, and season pass models. We aim to raise profit levels by continuing to deliver services in ways that are best suited to the market context.

Barriers between devices and regions disappear, points of contact with users increase

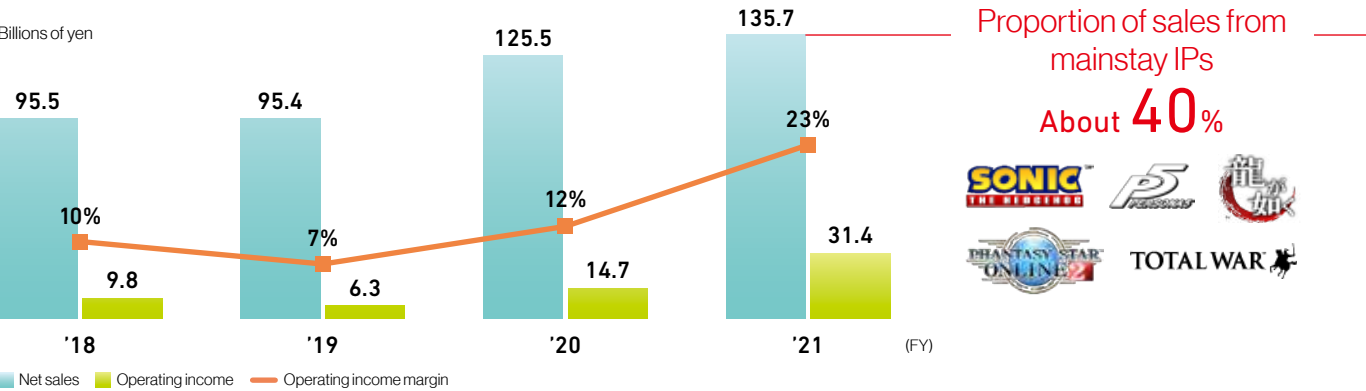


Strategies for the Consumer Area

Mainstay IPs drive medium-term growth in the Consumer area

In the fiscal year ended March 31, 2021, net sales, operating income, and the operating income margin in the Consumer area all increased significantly, owing in part to stay-at-home demand amid the pandemic. Titles positioned as SEGA's mainstay IPs made particularly strong contributions to performance: *Sonic*, *Persona*, *YAKUZA (Ryu ga Gotoku)*, *PHANTASY STAR*, and *Total War* together accounted for about 40% of sales. These mainstay IPs also enjoy robust repeat demand, and are continuing to generate profits for many years.

Consumer Area Performance



Reinforcing a powerful studio network extending across the globe

The development studio network SEGA has built up is among the largest of any Japanese game company. Starting with the acquisition of a studio in the U.K. in 2005, we have steadily expanded the scale of the network and attracted talented personnel. The key IPs of each studio have enjoyed success in various regions and are currently playing a pivotal role in our worldwide expansion. To further strengthen the studio network on a global scale, we will continue to explore acquisitions of studios that show potential, both in Japan and abroad.

Studio Network

	2005	2006	2013	2014	2016	2019
Development studio						
Location	U.K.	U.K.	Canada	Japan	France	U.K.
Developers	About 620	About 160	About 270	About 180	About 110	About 30
Main IPs	TOTAL WAR	FOOTBALL MANAGER	COMPANY OF HEROES	Persona	Legend	TWO POINT HOSPITAL
FY2022/3 New titles (planned)	WARHAMMER	FOOTBALL MANAGER 2022	Age of Empires IV * Published by Microsoft	Yakuza	HUMANKIND	TWO POINT CAMPUS



Q1: Can you give us some specifics about how SEGA plans to grow existing mainstay IPs as global brands over the medium term?

Last year, SEGA ranked No. 1 among global game publishers on the review site Metacritic. To be recognized as a global brand first and foremost means providing high-quality products and services. At the same time, in the expanding global games market, leading publishers with deep pockets, mainly in Europe and North America, are trying to capture users by pouring massive investments into developing and launching AAA titles. To hold our own in this highly competitive environment and to get users to choose SEGA titles, I believe it is critical to manage the portfolio so that we can strategically focus our resources. We merged two companies last year, one focused on the Consumer

area and the other on the amusement machines area, giving SEGA a new framework. Our main objective was to make it easier to reallocate resources in a more agile and more optimal manner by consolidating development resources, better positioning SEGA to compete in global markets. Within this overarching framework, we are working to implement the following specific measures over the medium term. Our three measures are expanding touch points with users, prolonging product life cycles, and strengthening user engagement. I'd like to elaborate using concrete examples.

Grow mainstay IPs as global brands

Pursuing quality and focusing investments

1 Expanding touch points with users

2 Prolonging product life cycles

3 Strengthening user engagement

Regarding expanding touch points with users, one example is *Ryu ga Gotoku (YAKUZA)* in Western countries), a series that has remained popular for more than 15 years. In the past, it has been released on specific platforms and in terms of regions, the Japanese market was the series' main focus. As the game console market softened in Japan, however, we gradually expanded elsewhere into Asia, Europe, and North America. Since then, as we have pushed forward with multiplatform development, including PCs, which offer a large market in Europe and North America, and have been expanding touch points with users, sales of *YAKUZA* have increased with each series released. As a result of expansion in the market, about

70% of sales of *YAKUZA: LIKE A DRAGON*, released in January 2020, are generated overseas. With *LOST JUDGMENT*, the latest title released in September 2021, we took on the challenges of multiplatform development across nine different languages and simultaneous worldwide release. Sales are off to a good start. The global games market is currently very active, with the emergence of new game consoles and the entry of new platformers. We see these as major opportunities for SEGA, and want to greatly expand touch points with users through a dual strategy of multiplatform development and simultaneous worldwide release. With regard to prolonging product life cycles, let me use the

Persona series as an example. In 2020, we launched *Persona 4 Golden* on Steam, a PC platform. This is a remastered version of a title released for PlayStation Vita in 2012. Sales were much stronger than expected, proving that quality titles from the past can do well in today's market. SEGA boasts a rich lineup of IPs, cultivated over a long history. Our strategy is to capture additional market opportunities by remastering and remaking these IPs and releasing them at the level of quality demanded in the

Utilization of IP assets

1 Remaster

Convert past titles to HD animation

2 Remake

Add significant new game features while preserving the gameplay of the original

3 Reboot

Rebuild into new games while preserving the look and feel of the world of the IP

Finally, regarding user engagement, *Sonic* offers a good illustration. In 2020, the live-action movie *Sonic the Hedgehog* was a huge worldwide hit, reaching sixth place in global box office revenues for that year. The secret of the movie's huge success was precisely the strength of the global *Sonic* fan community. We made the movie's character designs public as a pre-release promotion. In response, many fans posted harshly critical comments about the designs on various social media. We listened carefully to these voices and took the criticism seriously, and made major design changes. The result was a marked improvement in fan satisfaction. The fan community became positive influencers for the movie, which spread to the wider public, drawing a big response and driving the huge success of the movie.

Q2: Tell us about SEGA's long-term growth narrative.

Over the medium term, growth will largely be driven by globalization of our existing mainstay IPs. In tandem with that, we will pursue initiatives for long-term growth. As I said earlier, the way people interact with games is becoming more diverse and the ecosystem is growing exponentially. In this context, SEGA wants to go beyond the boundaries of conventional games and take on the challenge of creating super games that excite the gaming community, which is a web of diverse relationships. Keeping our finger firmly on the pulse of gaming trends, which are changing daily, we will anticipate the emerging landscape of the gaming community and move forward with the development of games that strike a chord.

current market. Moreover, we expect further advances in digital sales to free the environment from physical constraints, enabling the sale of titles with a long tail. Fed by SEGA's rich lineup of titles, repeat sales are growing and are currently a major pillar of performance. Going forward, as the platformer-led subscription service market grows, we can expect to see an environment in which users can, over a longer time span, continue to choose and enjoy SEGA content.

This success dramatically increased exposure for the IP, contributing significantly to game sales and giving great impetus to the whole *Sonic* franchise. We have already decided to distribute a new animation series through Netflix, and have been approached with numerous other offers for business opportunities. Our approach—taking feedback from fans to heart and reflecting their concerns in development and in actions to grow the IP—these kinds of actions to build fan engagement have become critical.

So, through the efforts I have outlined, we are aiming to grow our existing mainstay IPs as global brands and achieve the growth targets of the current medium-term plan.

Naturally, we project that the scale of investment in the development of such super games will be sizable. We will need to incorporate new technologies and trends. To this end, we will have to invest from the perspective of developing the pipeline and shoring up our value chains. I think back to when we acquired and consolidated Atlus. This brought us two major benefits. One was the highly appealing, world-class IPs Atlus had developed in the role-playing game genre. The other was the solid localization capabilities of the U.S.-based site. Drawing on these localization capabilities, very Japanese IPs like *YAKUZA* and *HATSUNE MIKU* have been translated using expressions that really resonate with local users, which has

enhanced game quality. The outcome of this is clearly evident in the rising Metacritic scores, which in turn is leading to growing sales in overseas markets. These kinds of acquisitions that enhance our functionality will definitely be a major strength in the long run, and we will continue to proactively explore investments from this point of view.

Also, SEGA over many years has brought game development studios from all over the world into the Group, and maintains the largest global studio network among Japanese game companies. Strengthening this network will lead to further substantial growth in global performance.

For details on the studio network see page 30.

Q3: What do you see as the challenges for growing the Consumer area going forward?

I recognize that SEGA hasn't done as well as we should have in staying in dialogue with the markets. We have to seriously reflect on the fact that, despite drastic changes in the global markets, such as the way users interact with games and the rise of new platformers, we have tended to stick with our own internal reasoning and approaches. There is a mounting sense of crisis that if we do not clearly ascertain the direction the market is moving, we will soon get left behind. Changes in the market have also brought us new awareness—such as how highly past titles have been reevaluated amid the wave of stay-at-home demand. As I said before, even though we boasted a lot of amazing IPs that other companies didn't have, and despite the major opportunities open to us, we weren't able to fully take advantage of them.

This is exactly what the market, dramatically reshaped by COVID-19, brought back home to us. I also have the sense that our collaboration with other companies has been lacking. Now, in part to better respond to rapid changes in the market, we are increasing opportunities to be in communication with our various business partners. More robust collaboration has enabled us to enhance game quality and gain footholds in the development of new services and games. Of course, collaboration brings challenges. But backed by our strong brand recognition and a rich lineup of IPs, SEGA stands firmly in position of strength. This gives me great confidence going forward that we will be able to hold our own even in competition with top global groups.



Entertainment Contents

Entertainment Contents Business

Pachislot and Pachinko Machines

Pachislot and Pachinko Machines Business

Resort

Resort Business

An IP Portfolio That Is a Well-Spring of Value Creation

The Group boasts multiple, highly competitive IPs. We can achieve stable profitability through these IPs and, by more fully capitalizing on them, we are expanding the IP value across numerous areas.



Pachislot and Pachinko
Machines



Consumer Games



Amusement Machines



Toys, etc.

Examples of acquired IP

IP title	First appearance year	Multifaceted rollout	Total editions	Cumulative unit sales / downloads
<i>Shin Megami Tensei</i> series	1992	—	31	Approx. 17.7 million (Units and downloads*2) (Full games and F2P total)
<i>Persona</i> series	1996	—	18	Approx. 15.0 million (Units and downloads)
<i>Total War</i> series	1996	— — —	—	More than 37.8 million (Units and downloads)
<i>Football Manager</i> series	2004	— — —	—	More than 24.0 million (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</i> series	1991		—	More than 1.38 billion (Units and downloads*2) (Full games and F2P total)
<i>Puyo Puyo</i> series	1991*1		—	Approx. 35.0 million (Units and downloads*2/IDs/users) (Full games and F2P, Amusement Machines-registered IDs total (Total for registrations after IP acquisition))
<i>Sakura Wars</i> series	1996	—	—	Approx. 5.7 million (Units and downloads) (Full games and F2P total)
<i>Ryu ga Gotoku</i> series	2005	—	164	Approx. 17.0 million units (Full games total)
<i>Virtua Fighter</i> series	1993		—	More than 18.0 million (Units and downloads/IDs) (Full games and F2P total. Total number of IDs in Amusement Machines.)
<i>ALADDIN</i> series	1989	—	14	Approx. 560 thousand units (pachislot and pachinko machines and amusement machines total)
<i>Beast King</i> series	2001	—	15	Approx. 510 thousand units (pachislot and pachinko machines and amusement machines total)
<i>PHANTASY STAR</i> series	1987	—	—	Approx. 9.00 million users*3
<i>CHAIN CHRONICLE</i> series	2013	— —	3	Approx. 25.0 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 Total for domestic and overseas versions of *PHANTASY STAR ONLINE 2* and *PHANTASY STAR ONLINE 2 NEW GENESIS*

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	—	65	Approx. 11.5 million (Units and downloads*2) (Full games and F2P total)
<i>Hokuto No Ken Series</i>	2002		35	Approx. 2.99 million units (pachislot and pachinko machines total)
<i>SOUTEN-NO-KEN Series</i>	2009	—	13	Approx. 480 thousand units (pachislot and pachinko machines total)