

Entertainment Contents

Entertainment Contents Business

Pachislot and Pachinko Machines

Pachislot and Pachinko Machines Business

Resort

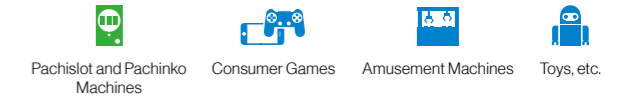
Resort Business



PHANTASY STAR ONLINE 2 NEW GENESIS
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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.



Examples of acquired IP

IP title	First appearance year	Multifaceted rollout	Total editions	Cumulative unit sales / downloads
Shin Megami Tensei series	1992		31	Approx. 17.7 million (Units and downloads* ²) (Full games and F2P total)
Persona series	1996		18	Approx. 15.0 million (Units and downloads)
Total War series	1996		—	More than 37.8 million (Units and downloads)
Football Manager 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
Sonic the Hedgehog series	1991		—	More than 1.38 billion (Units and downloads* ²) (Full games and F2P total)
Puyo Puyo 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))
Sakura Wars series	1996		—	Approx. 5.7 million (Units and downloads) (Full games and F2P total)
Ryu ga Gotoku series	2005		164	Approx. 17.0 million units (Full games total)
Virtua Fighter series	1993		—	More than 18.0 million (Units and downloads/IDs) (Full games and F2P total. Total number of IDs in Amusement Machines.)
ALADDIN series	1989		14	Approx. 560 thousand units (pachislot and pachinko machines and amusement machines total)
Beast King series	2001		15	Approx. 510 thousand units (pachislot and pachinko machines and amusement machines total)
PHANTASY STAR series	1987		—	Approx. 9.00 million users * ³
CHAIN CHRONICLE 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
SEGA feat. HATSUNE MIKU Project Series	2009		65	Approx. 11.5 million (Units and downloads* ²) (Full games and F2P total)
Hokuto No Ken Series	2002		35	Approx. 2.99 million units (pachislot and pachinko machines total)
SOUTEN-NO-KEN Series	2009		13	Approx. 480 thousand units (pachislot and pachinko machines total)

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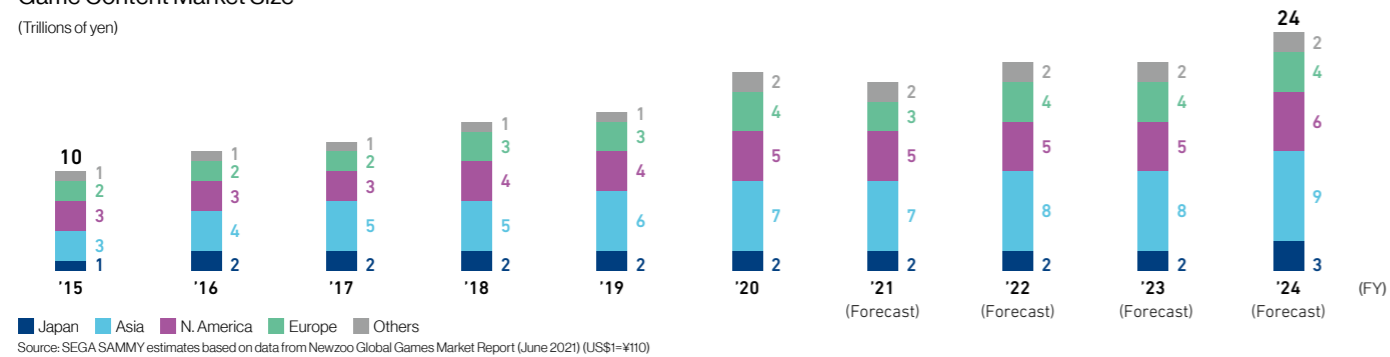
In addition to drawing on our abundant IP assets to roll out content globally, the Group will work to expand business value by taking advantage of our broad business portfolio.

External Environment

The global game content market continues to grow against the backdrop of rising download sales and the proliferation of game distribution platforms. Amusement Machine Sales and Amusement Center Operations market have been in a recovery trend due to steady performance of prizes and other factors, but these sectors were subsequently hard hit by the outbreak of COVID-19.

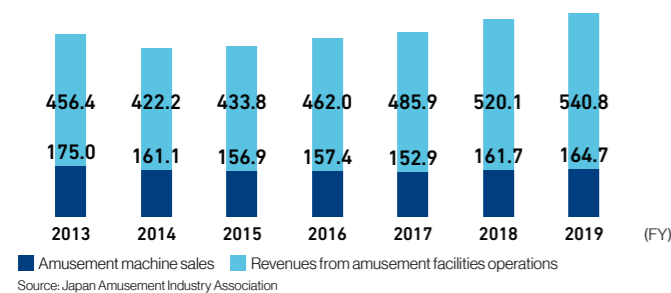
Game Content Market Size

(Trillions of yen)

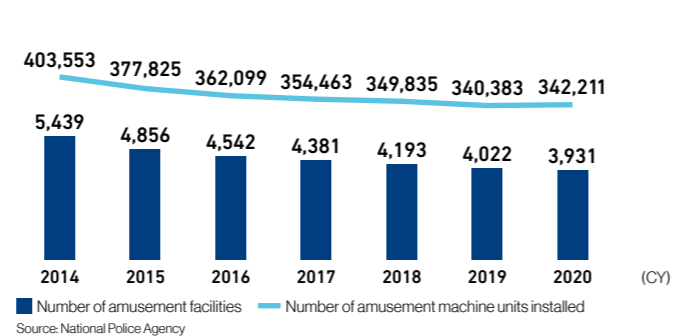


Domestic Amusement Machine Sales and Revenues from Amusement Facilities Operations

(Billions of yen)



Number of Amusement Facilities and Amusement Machine Units Installed



Business Overview

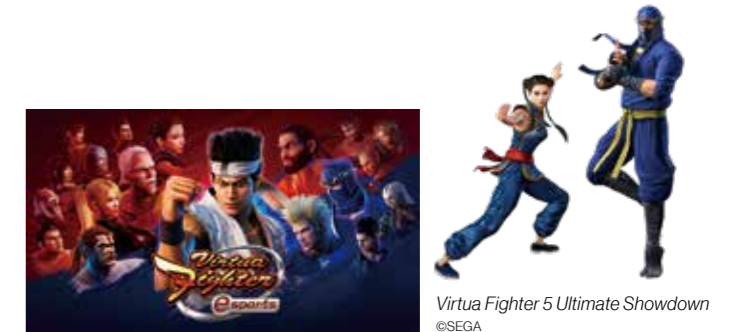
Ensuring steady earnings through expansion across a range of areas

SEGA SAMMY's Entertainment Contents Business has expanded into various entertainment domains, each of which presents different market growth potential and levels of competition. Leveraging its well-balanced portfolio, the Group is generating stable income without relying excessively on any specific IP, title, or business activity.

Consumer Area

We will expand the scale of profits by digging deeper into key existing IPs and developing them globally.

To capitalize effectively on our abundant IP assets, including dormant titles, we will further develop these IPs by means of remasters, remakes, and reboots, etc., as well as offers them to subscription-based services.



Amusement Machine Sales Area

By streamlining the product lineup, we will optimize business scale and shift development resources to the Consumer area, a growth area, and aim to improve return on investment by focusing on strong-performing prize categories.

Animation and Toys Area

In the Animation area, in addition to producing animations of our major IPs, such as *Detective Conan*, *Anpanman*, and *LUPIN THE 3rd*, the Group is focusing on the animation licensing and merchandising businesses.

The Toys area is expanding to encompass a broad target audience, including mainstay educational toys, character goods, and products for adults.



Anticipated Opportunities and Risks Responses

Opportunities

Ongoing growth in the game content market

The market for game content is expanding on the back of growth in Western and Asian markets. In addition, with the advent of various game distribution platforms and the increase in download sales, the potential for further growth is expanding.

Risks

Rising development costs

The development costs of game content are on the rise due to the response to the new technologies and the longer development periods required. There is a risk of not being able to realize expected returns on investment.

Expanding touch points with users

- Strengthening global roll-out
- Multiplatform support
- Multilingual support

Prolonging product life cycles

- Utilizing IP assets
- Strengthening the digital sales
- Multichannel monetization

Strengthening user engagement

- Community management
- Strengthening the mix of media

Achievements in FY2021/3

Consumer Area

New full game* titles were released, including Western versions of *Persona 5 Strikers* and *YAKUZA: LIKE A DRAGON*, as well as *Football Manager 2021*. Coupled with brisk sales of repeat titles, this resulted in a total of 41,770 thousand units sold (compared with 28,570 thousand units sold year on year). Newly released F2P* titles, including *Re:ZERO –Starting Life in Another World– Lost in Memories* and *HATSUNE MIKU: COLORFUL STAGE!*, also performed well alongside existing titles.

*The Consumer area is divided into the following three business models.

Full games	Mainly disc-based and download sales of full games for home video game consoles and PCs. (Sales of additional download content are not included.)
F2P	Mainly free-to-play based game content along with item-based sales, etc., mostly for smartphones and PCs.
Other	Sales of additional download content, consignment sales of other companies' titles, contract development, title transfer, bundled titles for platformers, sales of products other than game software.

FY2021/3 (Results)

Net sales: **¥135.7 billion** Operating income: **¥31.4 billion**



Persona 5 Strikers
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HATSUNE MIKU: COLORFUL STAGE!
© SEGA / © CPI / © CFM

Amusement Machine Sales Area, Amusement Center Operations Area

In the Amusement Machine Sales area, we chiefly sold mainstay products such as the *UFO Catcher*® crane game series and prizes for these games. In the Amusement Center Operations area, in line with the transfer of shares of a subsidiary engaged in amusement facilities operations at the end of December 2020, results from the subsidiary were excluded from consolidated reporting from the third quarter of fiscal year 2021.

FY2021/3 (Results) *Amusement Machine Sales Area Performance

Net sales: **¥35.7 billion** Operating loss: **¥1.6 billion**

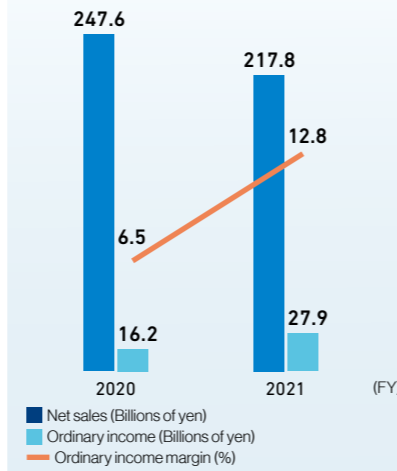
Animation and Toys Area

Performance in the Animation and Toys area remained solid. In Animation, although COVID-19 caused a delay in the release of the film *Detective Conan the Movie The Scarlet Bullet*, a special omnibus film taken from the *Detective Conan* TV animation series, *Detective Conan: The Scarlet Alibi*, was released. We also recorded revenues from other animation production and distribution. In Toys, alongside mainstay products, we sold new products such as *Fun to change mouse covers! Sumikkogurashi Personal Computer Plus*.

FY2021/3 (Results)

Net sales: **¥23.2 billion** Operating income: **¥2.1 billion**

Entertainment Contents Business Performance



Initial D THE ARCADE
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The trademarks Porsche, Porsche Crest, Porsche Logotype, Carrera and 911 are used under license of Porsche AG.



Detective Conan: The Scarlet Alibi
© Goshō Aoyama / Shogakukan / YTV / TMS 1996

To Be a Global Leading Contents Provider

Outlook Going Forward

We are positioning the Consumer area as a growth business for the Group, with a strategic focus on the global development of key existing IPs. To this end, we are pursuing initiatives such as expanding touch points with users, prolonging product life cycles, and strengthening user engagement. We will also cultivate the F2P games for smartphones in domestic market, amusement machines, etc., into businesses that can secure stable earnings.

In the fiscal year ending March 2022, we expect to see a drop off in repeat sales in the Consumer area following an upswing in the previous fiscal year. In the Amusement Machine Sales area, we expect to improve profitability through fixed cost reductions.



PHANTASY STAR ONLINE 2 NEW GENESIS
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FY2021/3 (Results)

Net sales: ¥217.8 billion
Operating income: ¥27.9 billion
Ordinary income: ¥27.9 billion

FY2022/3 (Forecast)

Net sales: **¥213.0 billion**
Operating income: **¥23.0 billion**
Ordinary income: **¥25.0 billion**

Consumer Area

For full games, we anticipate a drop off in repeat sales following an upswing in the previous fiscal year, as well as higher costs due to an increase of new titles. Meanwhile, in F2P, we have started the global roll-out of *PHANTASY STAR ONLINE 2 NEW GENESIS*.



FY2022/3 (Forecast)

Net sales: **¥140.0 billion**
Operating income: **¥21.0 billion**

Amusement Machine Sales Area

We plan to improve profitability due to the effect of fixed cost reduction through structural reform. We also plan to release mainstay products such as the *UFO Catcher*® crane game series and prizes for these games as well as new products.



FY2022/3 (Forecast)
Net sales: **¥43.0 billion**
Operating income: **¥1.7 billion**

Animation and Toys Area

In Animation, *Detective Conan the Movie The Scarlet Bullet* has been a hit and we expect to record revenue from other animation production and distribution as well. In Toys, we will continue to sell new and mainstay products.



FY2022/3 (Forecast)
Net sales: **¥26.5 billion**
Operating income: **¥1.8 billion**

Pachislot and Pachinko Machines

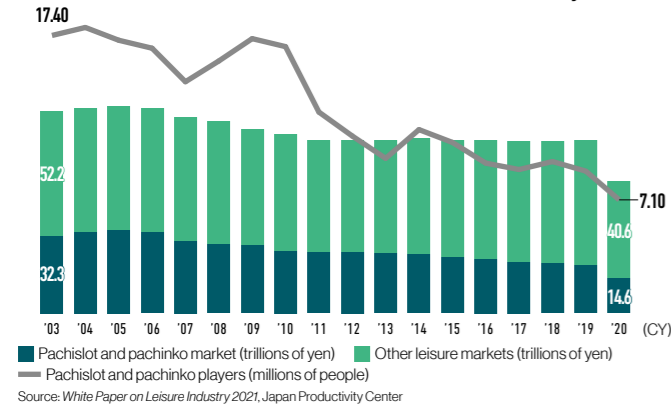
Pachislot and Pachinko Machines Business

As an “innovator in the industry,” SEGA SAMMY will launch new initiatives and strive to generate stable profits by enhancing profitability.

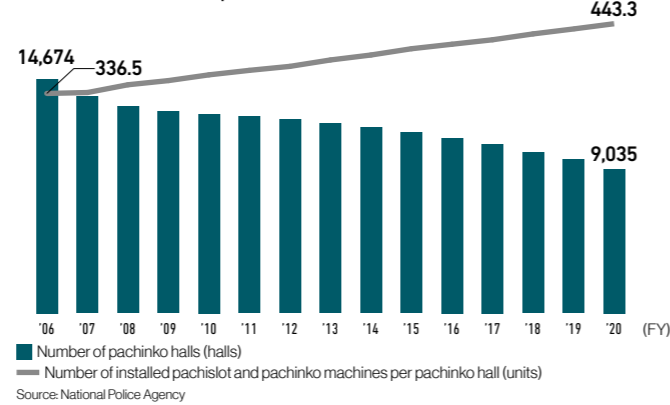
External Environment

Along with the slow decline of the player population since 1995, there has been a long-term downtrend in the overall number of pachinko halls, as well as in the number of machines installed and in annual machine turnover. On the other hand, the opening of large halls and an increase in locations of major hall operators has caused a rise in the number of machines installed per store.

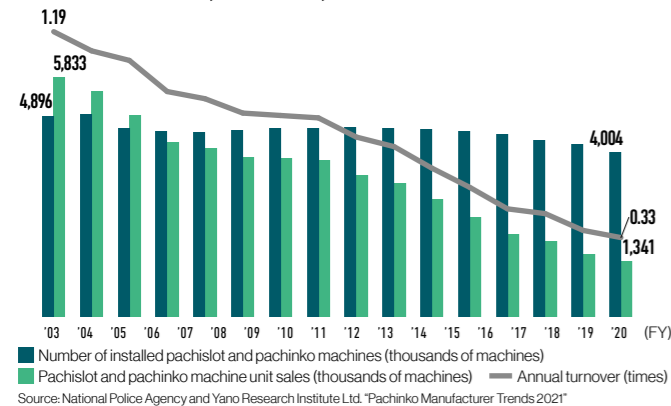
Market Size and Number of Pachislot and Pachinko Players



Numbers of Pachinko Halls and Installed Pachislot and Pachinko Machines per Pachinko Hall

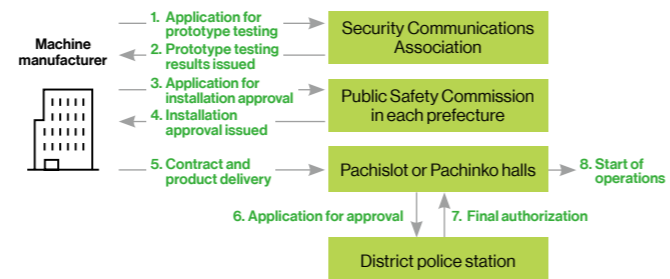


Pachislot and Pachinko Machines: Number of Installed Machines, Unit Sales, and Annual Turnover



Pachislot and Pachinko Machine Approval Process

When marketing a new pachislot or pachinko machine, manufacturers are required to go through multiple step licensing processes in accordance with the Entertainment Establishments Control Law.



For more information on market data, see pages 77-78.

Business Overview

The Pachislot and Pachinko Machines Business draws on a powerful IP lineup and industry-leading development capabilities to supply products that meet the demands of a diverse fan base. We are working to develop and market machines with innovative gameplay that will help bring vitality to the market for both pachislot and pachinko machines. We are also seeking to lower costs and environmental impact through measures centered on component reuse.

A powerful IP lineup and strong development capabilities

SAMMY has an IP lineup that boasts strong brand awareness, led by titles in the popular *Hokuto No Ken* series.

Sammy's Strengths
Multiple well-performing series



P Shin Hokuto Muso Chapter 3
©Buronson & Tetsuo Hara / NSP 1983
Approved No.KOU-111
©2010-2013 Koei Tecmo Games Co., Ltd.
©Sammy

Pachislot ANEMONE Psalms of Planets
Eureka Seven HI-EVOLUTION
©2018 BONES/Project EUREKA MOVIE
©BANDAI NAMCO Sevens Inc.
©Sammy



Series	Number of titles in series	Cumulative unit sales	Series	Number of titles in series	Cumulative unit sales
<i>Hokuto no Ken</i>	35	Approx. 2,990,000 units	<i>Hokuto Muso</i>	7	Approx. 210,000 units
<i>ALADDIN</i>	14	Approx. 560,000 units	<i>Eureka Seven</i>	6	Approx. 160,000 units
<i>Beast King</i>	15	Approx. 510,000 units	<i>Monogatari Series</i>	11	Approx. 140,000 units
<i>SOUTEN-NO-KEN</i>	13	Approx. 480,000 units	<i>Code Geass</i>	3	Approx. 60,000 units

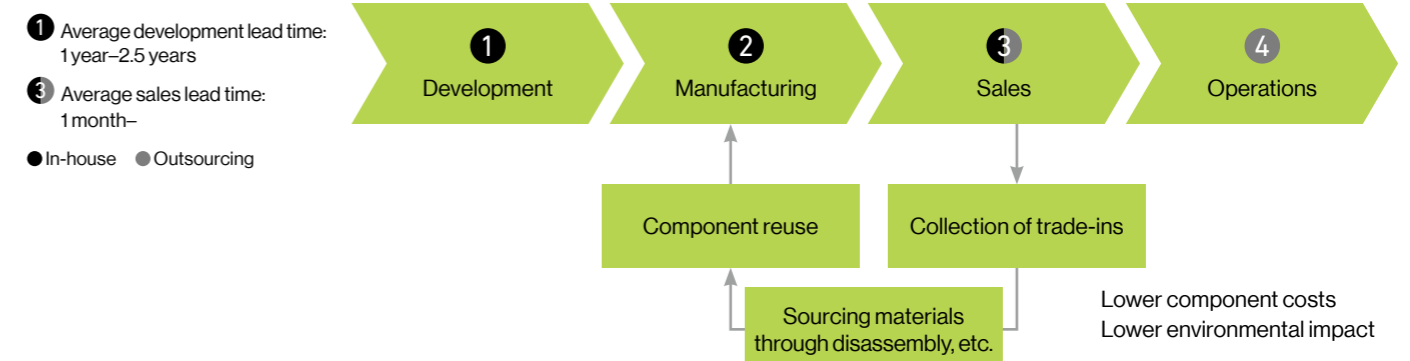
Note: As of March 31, 2021

Lowering costs and raising profitability

Pachislot and pachinko businesses are characterized by a reliance on electronic components that carry a high cost ratio. The Group is working to raise development efficiency and lower costs, such as through the reuse of materials.



Value Chain of the Pachislot and Pachinko Machines Business



Anticipated Opportunities and Risks	Responses
<p>Opportunities</p> <p>Possibility of expanding user base As the scope of development has expanded due to changes in regulations, machines conforming to the new regulation may expand the user base.</p> <p>Growing demand for new regulation machines If new regulation machines win the support of users, we can expect greater demand and an increase in the player population.</p>	<p>Create hit machines</p> <ul style="list-style-type: none"> Revise the product lineup Increase hit potential Enhance media functions <p>Improve business efficiency</p> <ul style="list-style-type: none"> Raise development efficiency Lower costs Promote online commerce
<p>Risks</p> <p>Decline in the player population The decline in the player population may undermine the purchasing power of hall operators and affect unit sales volume.</p> <p>Loss of users due to new regulation machines New regulation machines may fail to win broad acceptance among users, accelerating the decline in the player population.</p> <p>Risk of approval status The approval rate*, which has remained at a low level due to the recent revision of regulations, may have a significant impact on sales.</p> <p>* The rate of obtaining successful prototype testing results in the pachislot or pachinko machines licensing process.</p> <p>Component risk There is a risk of losing sales opportunities due to the inability to procure components.</p>	

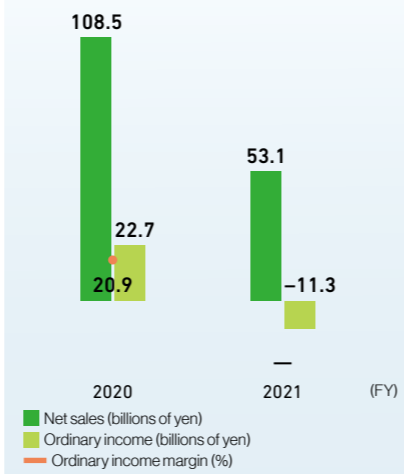
Achievements in FY2021/3



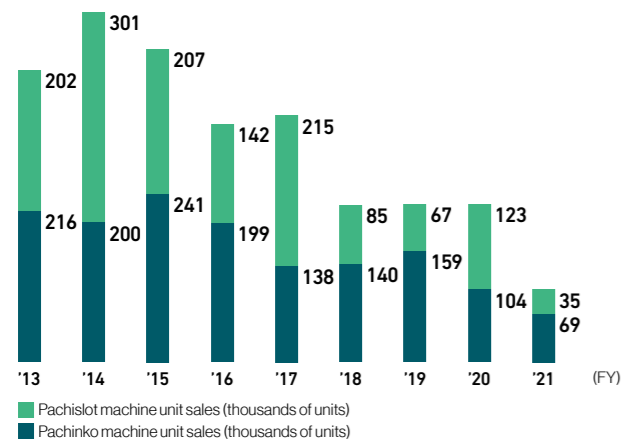
New machines launched during the year included *Pachislot Hokuto no Ken Shukumei* and *P Shin Hokuto Muso Chapter 3*. Performance was impacted by factors including the shuttering of pachinko halls amid the COVID-19 pandemic, however, with full-fledged sales activities only resuming in the second half and the deadline for removing previous regulation machines getting pushed back, weakening demand for new regulation machines. As a result, we sold 35,000 pachislot units (down from 123,000 units a year earlier) and 69,000 pachinko units (down from 104,000 units). As a result of booking a valuation loss, largely on components, the Pachislot and Pachinko Machines Business recorded an operating loss for the first time.

Pachislot Hokuto No Ken Shukumei
©Buronson & Tetsuo Hara/COAMIX 1983, ©COAMIX 2007 Approved No.YRG-121 ©Sammy

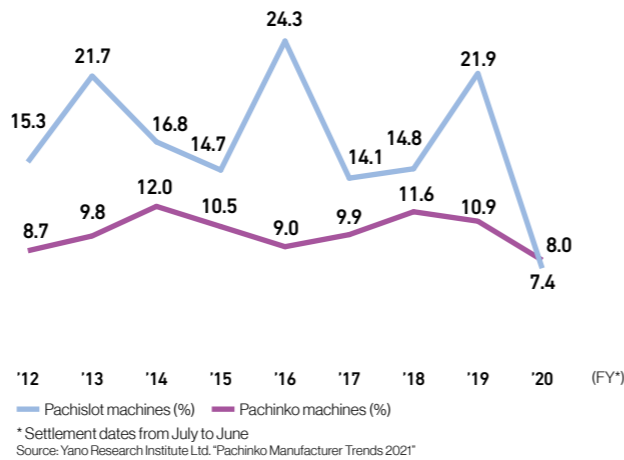
Pachislot and Pachinko Machines Business Performance



Pachislot and Pachinko Machine Unit Sales



Market Share of Pachislot and Pachinko Machines



Major Titles Sold in FY2021/3

		Month Delivered	Unit sales
Pachislot	<i>Pachislot Hokuto No Ken Shukumei</i>	March 2021	17,456
	<i>Pachislot The Seven deadly Sins</i>	November 2021	6,207
	<i>Pachislot Initial D</i>	January 2021	5,369
Pachinko	<i>P Shin Hokuto Muso Chapter 3</i>	December 2020	43,901
	<i>P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO</i>	August 2020	10,223
	<i>P (Monogatari) Series Secondseason</i>	February 2021	6,560



P Psalms of Planets Eureka Seven HI-EVOLUTION ZERO
©2017 BONES/Project EUREKA MOVIE ©BANDAI NAMCO Entertainment Inc. ©Sammy



Pachislot The Seven deadly Sins
©Nakaba Suzuki/Kodansha/The Seven Deadly Sins Project, MBS ©Nakaba Suzuki/Kodansha/The Seven Deadly Sins TVSP Project, MBS ©Nakaba Suzuki/Kodansha ©Sammy

Build a Stable Earnings Structure

Outlook Going Forward

We have started to roll out pachislot and pachinko machines that comply with new regulations. We are revising the product lineup and creating machines from a thoroughly user-centric perspective, centering on series machines that offer greater hit potential. We are also working to improve business efficiency, including raising development efficiency and lowering costs.

The deadline for removing previous regulation machines falls in the fiscal year ending March 2022. We will work to meet replacement demand by launching new titles, including mainstay titles, and recover profitability. Although we project lower fixed costs in line with recent structural reforms, we also anticipate higher advertising expenses and other operating costs due to factors including an influx of newly launched titles and the lifting of restrictions on TV advertising.



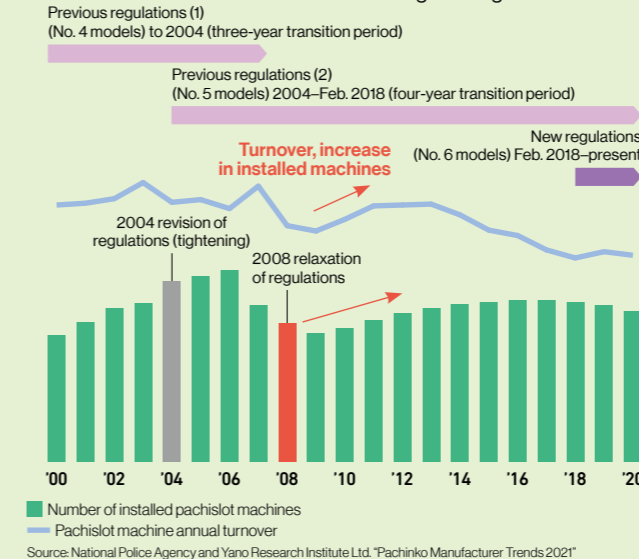
Pachislot CODE GEASS Lelouch of the Rebellion 3
©SUNRISE / PROJECT GEASS Character Design ©2006 CLAMP•ST ©SUNRISE / PROJECT GEASS Character Design ©2006-2008 CLAMP•ST ©SUNRISE / PROJECT G-AKITO Character Design ©2006-2011 CLAMP•ST ©BANDAI NAMCO SEVEN'S INC. ©Sammy



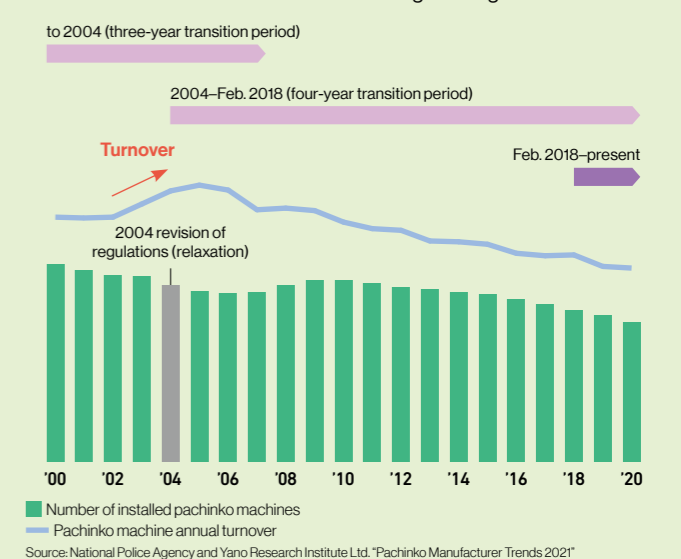
Market Environment under Revised Regulations

The need to replace pachislot and pachinko machines under revised regulations will cause a temporary downswing in the number of installed machines and in turnover. In such cases, however, the launch of hit machines typically tends to drive recovery. When pachislot regulations were last revised, the subsequent appearance of hit machines boosted the purchasing motivation of hall operators and fueled improvement in turnover.

Pachislot Market environment and changes in regulations



Pachinko Market environment and changes in regulations



Major Titles Sold to Date in FY2022/3

		Month Delivered
Pachislot	<i>Pachislot Angel Beats!</i>	April 2021
	<i>Pachislot GAMERA</i>	June 2021
Pachinko	<i>P Kabaneri of the Iron Fortress</i>	April 2021
	<i>P Hokuto No Ken 8 Kyuseishu</i>	May 2021
	<i>P Cho Hane Beast King</i>	June 2021
	<i>P SOUTEN-NO-KEN Tengoku</i>	July 2021



Pachislot GAMERA
©KADOKAWA ©Sammy



P Hokuto No Ken 8 Kyuseishu
©Buronson & Tetsuo Hara/COAMIX 1983, ©COAMIX 2007 Approved No.YTA-212 ©Sammy

Resort Business

To make the Resort Business a pillar of the Group over the medium to long term, we are building up our know-how in the integrated resort business in parallel with strengthening the profitability of existing resort facilities.

External Environment

Concrete moves toward the opening of an integrated resort in Japan.

The Integrated Resort Development Bill, which includes casinos, was enacted in July 2018, and moves toward the establishment of an integrated resort, which the government regards as essential for Japan to become “a tourism-oriented country,” are gaining momentum.

Candidate locations and operators will be selected in the future.

Anticipated Opportunities and Risks		Responses
<p>Opportunities</p> <p>Commercialization of a domestic IR business</p> <p>If integrated resorts are realized in Japan in the future and our group's entry into the market is realized, there is a strong possibility that this business will become a major revenue source.</p>	<p>Risks</p> <p>Risks of entering into domestic IR business</p> <p>Delays in legislation related to integrated resorts will have a major impact on our group's long-term scenario. There is also a risk that investment may not be recovered unless the Company is selected as a business entity.</p> <p>Risks associated with response to addiction issues</p> <p>Neglecting to respond adequately to addiction issues and other social issues could expose the Group to social criticism or render sustained development of the industry impossible.</p>	<p>Acquisition of know-how for the success of IR business</p> <ul style="list-style-type: none"> • Deployment of personnel to <i>PARADISE CITY</i> • Development and operation of resort facilities • Addiction countermeasures <p>For details see page 49.</p> <ul style="list-style-type: none"> • Acquired gaming machine manufacturer and distribution licenses in Nevada.

Achievements for FY2021/3

The number of facility users at *Phoenix Seagaia Resort* continued to fall sharply due to the impact of COVID-19, declining 34.3% year on year. However, there were signs of recovery in individual demand, such as an increase in facility users of 10% year on year in October and November 2020, buoyed by the Go to Travel campaign. In addition, the business incurred expenses related to its move into the domestic Integrated Resort (IR) market. Overseas, *PARADISE CITY*, operated by PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method) saw substantial declines in the drop amount (amount of chips purchased by customers at the table) and

the number of guests in January to December 2020, with year-on-year declines of 66.2% and 54.5%, respectively, due to the impact of COVID-19 and other factors.

* Results for PARADISE SEGASAMMY Co., Ltd. are posted with a three-month delay due to a December fiscal year-end

FY2021/3 (Achievements)

Net Sales: **¥6.3 billion** Ordinary loss: **¥8.9 billion**

Outlook Going Forward

We forecast a moderate recovery at the *Phoenix Seagaia Resort* on the back of stepped-up measures aimed at individuals, while losses at *PARADISE CITY* are likely to narrow as travel restrictions ease.

Future IR Business Strategy

The Company needs to review its IR business strategy following the City of Yokohama's decision to call off its selection process for IR operators. However, we are confident that the Company is now one of Japan's top companies in the IR field after accumulating various expertise and know-how through sustained investment in the IR business over many years. We plan to continue seeking opportunities to participate in IR projects in order to capitalize on this expertise.

Business Overview

Through the operation of resort facilities, the Group is working to acquire development and operational expertise to enter the integrated resort field in Japan.

Phoenix Seagaia Resort

Japan's leading resort complex

Phoenix Seagaia Resort offers Japan's finest resort stays, taking advantage of an ideal environment—such as three accommodation facilities including the *Sheraton Grande Ocean Resort*, a world-class convention center that can hold up to 5,000 people, as well as *Phoenix Country Club*, one of Japan's preeminent golf courses, and a tennis club—all surrounded by a vast, nearly 700-hectare grove of Japanese black pines spreading roughly 11 kilometers north-south along the coast of the Pacific Ocean in Miyazaki Prefecture. By continuously improving the value of the facilities, the Group is working to strengthen its ability to attract customers while accumulating know-how in the operation of resort facilities.



©Phoenix Resort



The North Country Golf Club

(Chitose, Hokkaido)

As part of its activities to promote sports and contribute to the community of Chitose City, the Company runs *Sega Sammy Cup Golf Tournament* and operates it as a facility for snow activities, *North Snowland in Chitose*, in winter.

PARADISE CITY

South Korea's first IR facility

PARADISE CITY, operated by PARADISE SEGASAMMY Co., Ltd., a joint venture with the PARADISE GROUP of South Korea, is the first IR facility in South Korea with hotels, casinos, commercial facilities, convention halls, and clubs. We aim to be the top IR facility in North-east Asia by providing high-quality space and services, and are accumulating development and management know-how with a view to entering the IR business in Japan.



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