



FY Ending March 2019 2nd Quarter Results Presentation

November 2, 2018

[Disclaimer]

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These contents involve the risk and uncertainty and the actual results may differ materially from them.

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Thank you for taking time out of your busy schedules to be here today.

My name is Yoichi Owaki, Vice-President, Senior Executive Officer, and the Managing Director of the Finance & Accounting Division at Sega Sammy Holdings.

Following the relocation to our new office, we have decided to hold our results presentations on here at the Light House from this time.

We will be using the facility not only to host events such as business meetings, new product launch events, and general shareholders' meetings for our group companies, but also as a venue for social events for group employees.

We look forward to seeing everyone here again in the future.

Results Highlights

	2018/3		(JPY Billion) 2019/3		2Q Results
	Results Through 2Q	Full Year Results	Results Through 2Q	Full Year Forecast	
Sales	194.7	323.6	171.0	390.0	<ul style="list-style-type: none"> ◆ Sales and profits decreased from the same period in last fiscal year. ◆ Both Pachislot and Pachinko Machines Business and Entertainment Contents Business performed strongly versus plan.
Operating Income	26.8	17.7	10.2	21.0	
Operating Income Margin	13.8%	5.5%	6.0%	5.4%	Full Year Forecast <ul style="list-style-type: none"> ◆ Discern approval status of Pachislot machines in Pachislot and Pachinko Machines Business. ◆ Closely investigating impact of the delay on launch of new titles as well as trend of each title in digital games area.
Ordinary Income	25.2	14.5	9.1	16.0	
Income before income taxes	25.6	12.4	10.6	17.0	
Profit attributable to owners of parent	17.7	8.9	6.7	12.0	
ROA*	-	1.8%	-	-	

* ROA = Profit attributable to owners of parent / Total assets



* For more details, please see "FY Ending March 2019 2nd Quarter Appendix"

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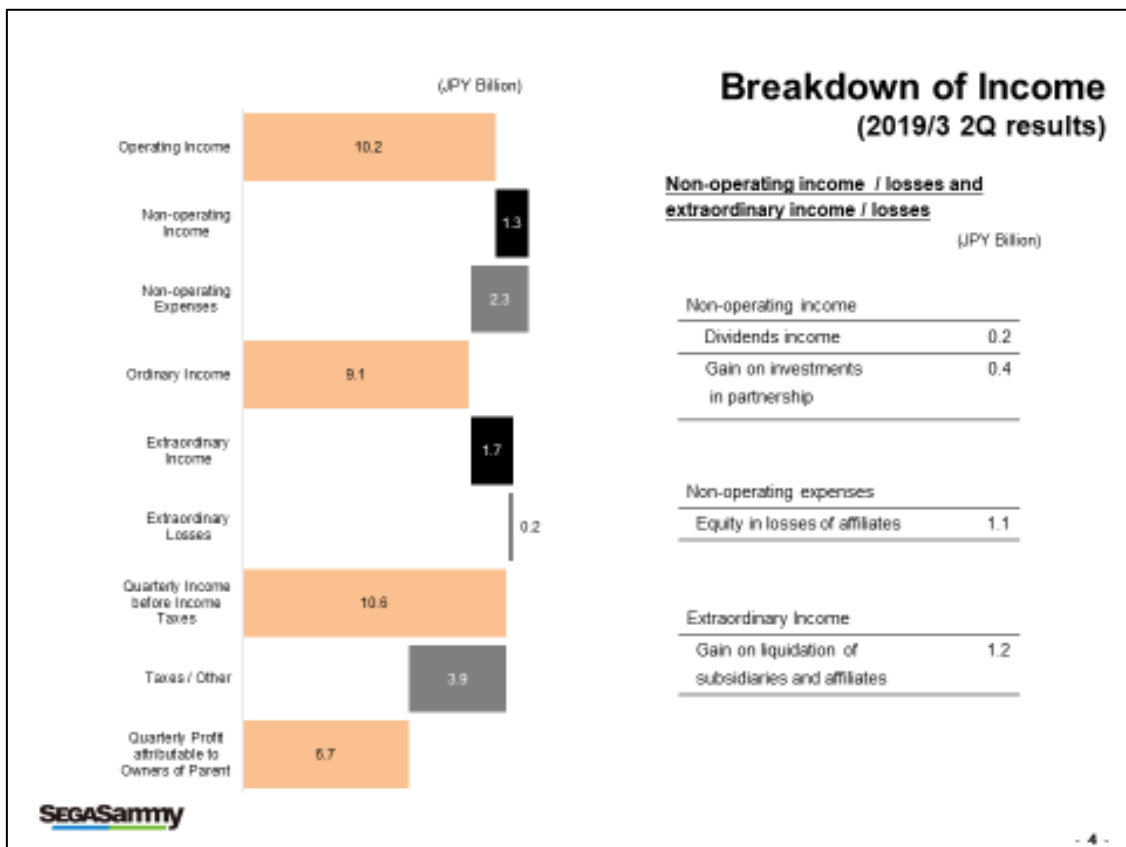
I would now like to present our performance results for the second quarter of the fiscal year ending March 2019.

Please take a look at page 3 in your results presentation document.

In the second quarter, sales and profits decreased compared to the same period in the previous fiscal year, but from a profit perspective, all segments exceeded their projected performance.

In addition, we have the key points that we need to assess in the second half of this fiscal year. The first is the approval status of Type-6 pachislot machines in the Pachislot and Pachinko Machines Business and the sales status of each title.

The other point is the launch schedule for new titles in the digital games area and the future income level. We will closely investigate these points in the second half of this fiscal year.



Next, please take a look at page 4 of the document.

The breakdown of income for the second quarter results is as you can see here.

Non-operating expenses include the actual results for April to June for Paradise City. The margin of loss decreased compared to the same period in the previous fiscal year.

With regard to extraordinary income, we recorded a gain of 1.2 billion yen on liquidation of subsidiaries and affiliates due to the dissolution and liquidation of Sega Sammy Busan.

Consolidated Costs and Expenses

(JPY Billion)

	2018/3		2019/3		(Main factors)
	Results Through 2Q	Full Year Results	Results Through 2Q	Full Year Forecast	2019/3 2Q Results
R&D Expense / Content Production Expense	30.7	62.0	30.8	73.3	—
Cap-ex	10.3	24.1	17.8	32.1	Increased in association with the relocation of headquarters
Depreciation	8.2	16.2	7.4	14.8	—
Advertising	7.8	15.4	8.4	22.1	Expense in association with launch of new titles in Entertainment Contents Business incurred

SEGA Sammy

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Please look at page 5.

R&D costs remained flat compared to the same period last year. Expenses decreased mainly in the Pachislot and Pachinko Machines Business while increasing in the digital games area and the amusement machine sales area.

Capital expenditure increased due to the relocation of our headquarters.

Consolidated Balance Sheet				Consolidated Balance Sheet Summary	
(JPY Billion)				Main factors	Change
	As of end of 2018/3	As of end of 20, 2019/3	Change		
Current Assets	272.3	265.3	-8.8	Current Assets	
Cash and Deposits	157.8	94.1	-63.7	Cash and deposits decreased with payment of interest-bearing debt and purchase of securities for short term investment.	-8.8
Securities	24.6	46.9	+22.3		
Non-Current Assets	201.1	214.6	+13.5	Non-current Assets	
Current Liabilities	84.4	104.3	+19.9	Tangible fixed assets increased in association with relocation of headquarter and investment securities increased.	+13.5
Short-term loans payable	15.8	15.3	-0.5		
Corporate Bonds	10.0	15.0	+5.0		
Non-Current Liabilities	78.5	59.6	-18.9	Liabilities	
Long-term loans payable	38.6	29.5	-9.1	Accounts payable and payable related to non current assets increased while interest-bearing debt decreased with redemption of corporate bonds and payment of loans payable.	+0.9
Corporate Bonds	22.5	10.0	-12.5		
Total Liabilities	163.0	163.9	+0.9		
Total Net Assets	310.4	314.2	+3.8		
Total Assets	473.4	478.2	+4.8		
Equity ratio	65.0%	65.1%	+0.1 pt		

Next, please look at the consolidated balance sheet on page 6.

The decrease in cash and deposits was due to the conversion of some cash into short-term securities with the aim of improving capital efficiency, as well as the payment of interest-bearing debts.

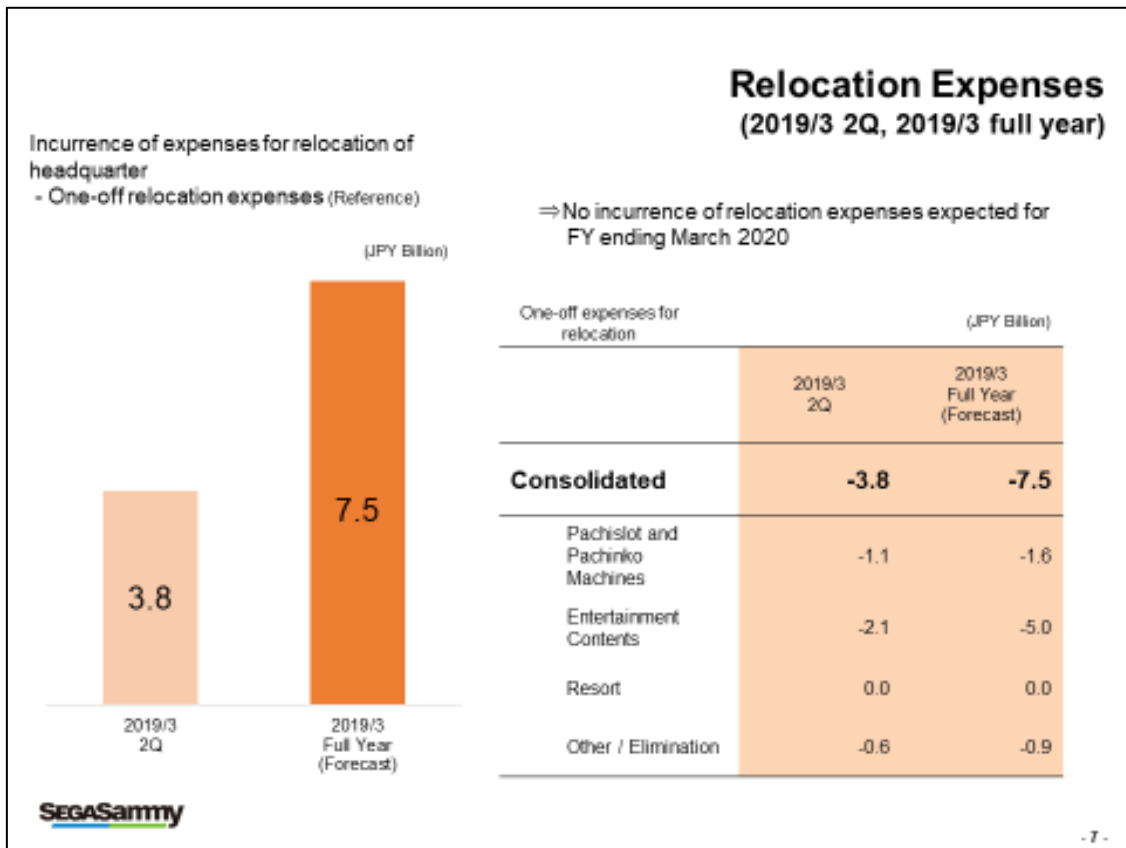
At the same time, non-current assets increased due to the acquisition of tangible fixed assets associated with the relocation of our headquarters and additional investment in Paradise Sega Sammy.

Our cash flows are currently under auditing, and the details will be provided in our quarterly report, but as reference, for the cumulative second quarter, we forecast;

Cash Flow from Operating Activities to be minus 1.6 billion yen,

Cash Flow from Investing Activities to be minus 17.2 billion yen,

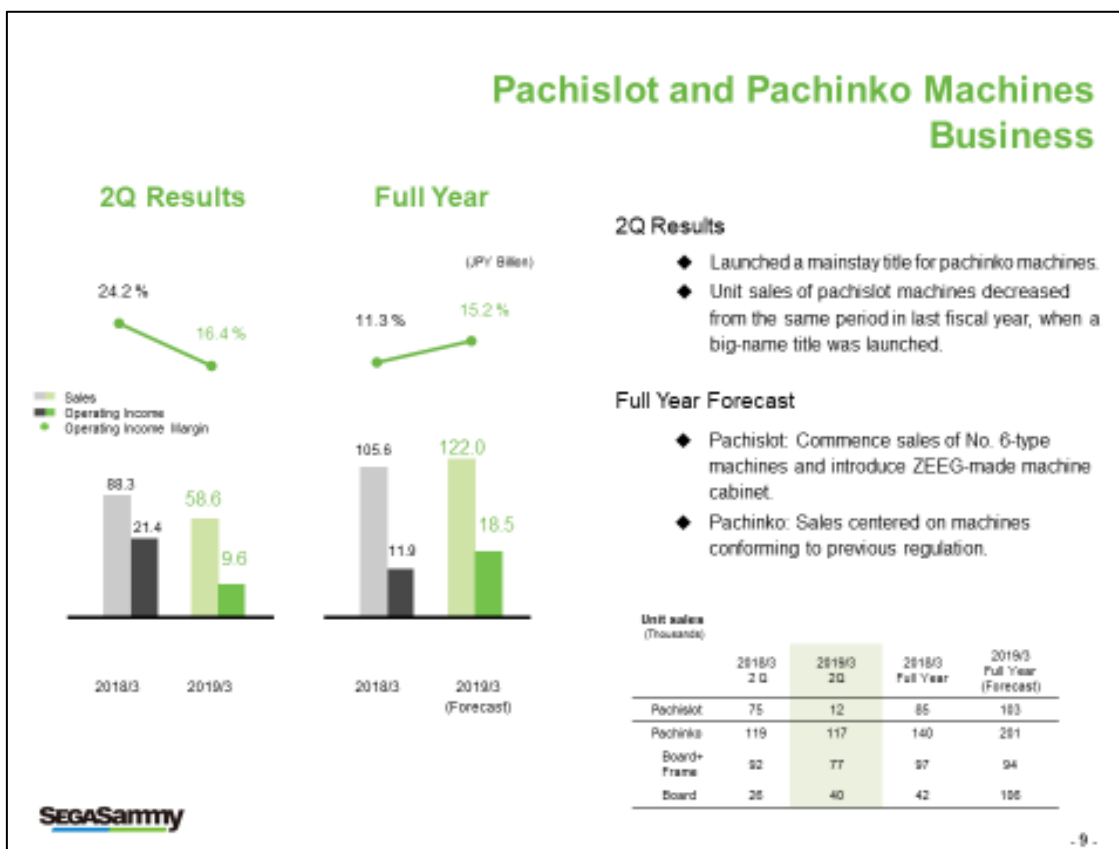
and Cash Flow from Financing Activities to be minus 22.2 billion yen.



Next, page 7 shows the actual results for our relocation expenses.

Consolidated costs and expenses through the second quarter totaled 3.8 billion yen. In addition to accelerated depreciation and overlapping rents, which have already been incurred, in the second quarter we recorded expenses for equipment purchases.

We forecast that expenses of 7.5 billion yen will be incurred this fiscal year but the actual result transitioned lower than our initial projections at the present.



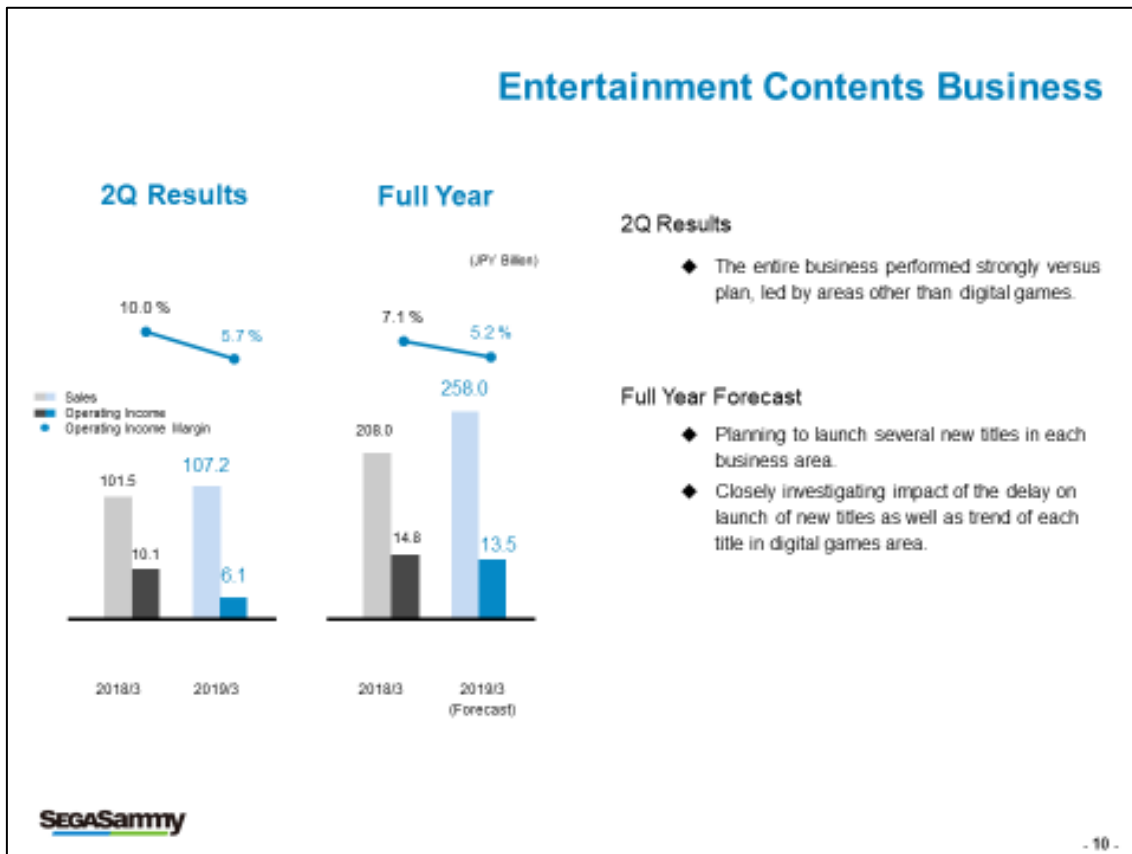
The following pages present the results for each segment.

Please look at page 9.

In the Pachislot and Pachinko Machines Business, unit sales of pachinko machines in the second quarter were roughly the same as those in the same period last year, as a result of sales of multiple titles, including the mainstay title “CR Shin Hokuto Muso Chapter 2.” Unit sales of pachislot machines decreased from the same period last year when a big-name title was launched.

As to the forecast for the full year, we will launch our first Type-6 pachislot machine “CHAIN CHRONICLE” next week.” Also, as we indicated in the consolidated financial statements, the pachislot mainstay title “SOUTEN-NO-KEN PONYOU” has been approved.

In terms of pachinko, we are moving forward with the development of machines conforming to the new regulations while sales continue to center on machines conforming to the previous regulations. As I mentioned earlier, in the Pachislot and Pachinko Machines Business, it is necessary to carefully assess the approval status of Type-6 pachislot machines and the sales status of each product.

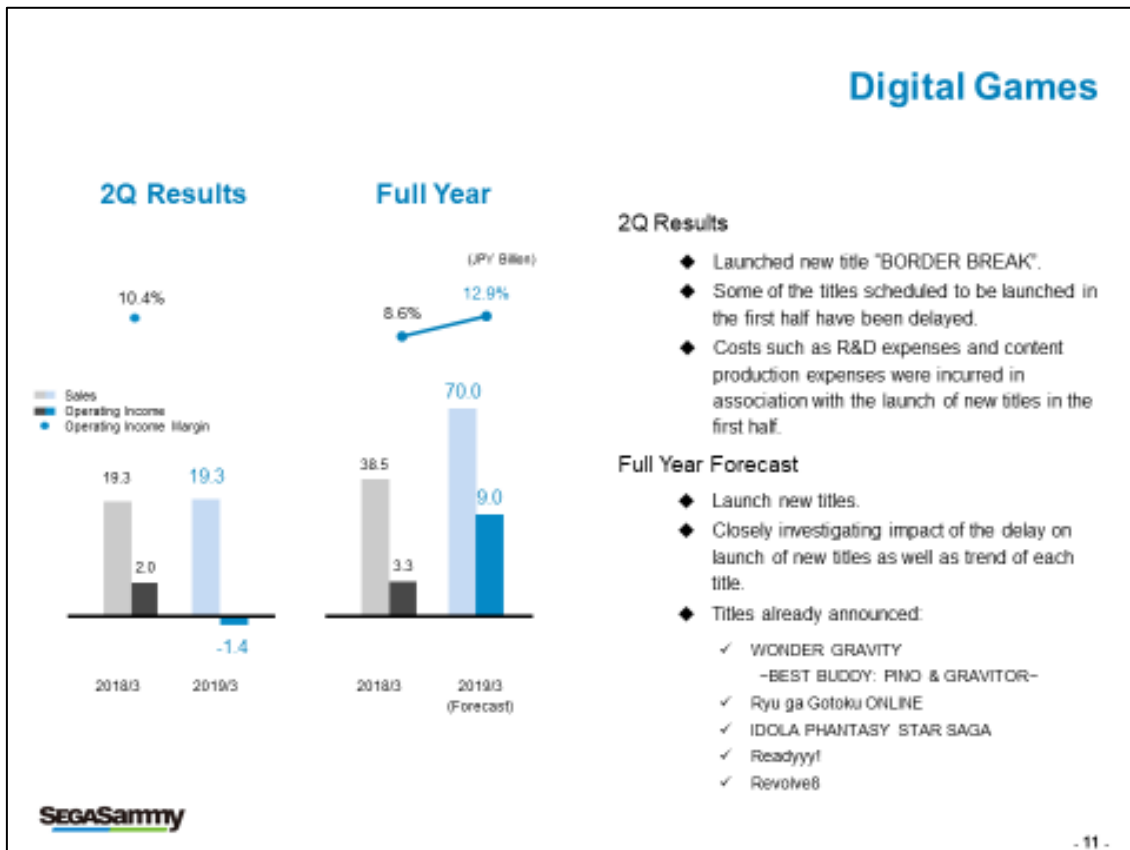


Next, please look at page 10.

In the Entertainment Contents Business, sales increased and profit decreased in the second quarter compared to the same period in the previous fiscal year. Except for the digital games area, the business performed better than originally projected, so the segment as a whole remains healthy.

In the second half of this fiscal year, we are also planning to launch new titles in each area, but we need to closely investigate the factors such as the launch schedule, sales and operating conditions of each title.

The following pages present the results for each business area.



Please take a look at page 11.

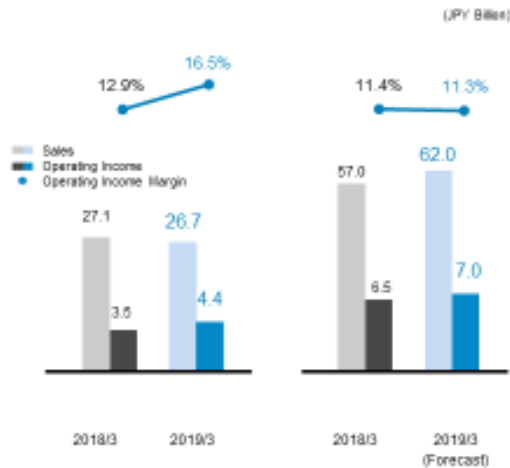
In the digital games area, we launched a new title, "BORDER BREAK," during the second quarter, which had a successful start. As a result, sales of the segment increased compared to the first quarter.

However, we continued to record an operating loss in the second quarter, due to factors such as write-down of titles around 1 billion yen.

Delays in launch of some titles and other issues may have an impact on the result of the second half of this fiscal year. We are therefore carefully investigating the launch schedule, operation and other status.

Packaged Games

2Q Results



2Q Results

- ◆ Solid performance centered on repeat titles.
- ◆ Main titles:
 - ✓ Ryu ga Gotoku 3 (PS4)
 - ✓ Sonic Mania Plus

Full Year Forecast

- ◆ Launch new titles.
- ◆ Main titles:
 - ✓ Project JUDGE (working title)
 - ✓ Total War: THREE KINGDOMS

	Unit sales of packaged game (Thousands)			
	2018/3 2Q	2018/3 2Q	2018/3 Full Year	2018/3 Full Year (Forecast)
New Title	3,150	1,880	8,130	7,000
Repeat Title	5,500	9,300	9,200	13,000
Total	8,650	11,180	17,330	20,000

SEGA Sammy

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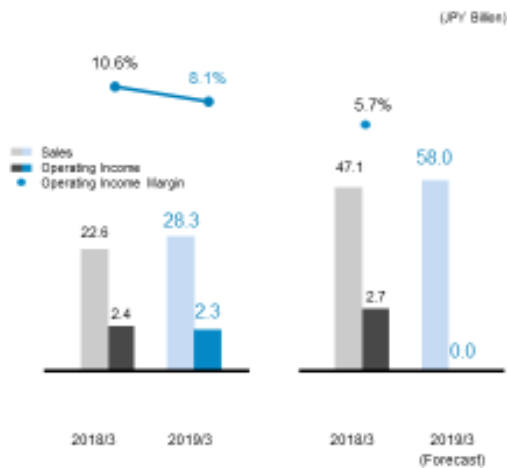
Next, please look at page 12.

In the packaged games area, our profits increased in the second quarter mainly due to the success of repeat titles such as “Ryu ga Gotoku 3” for PlayStation 4 and “Sonic Mania Plus.”

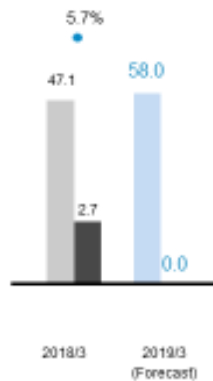
During the second half of this fiscal year, we plan to release titles such as “Project JUDGE (working title)” and “Total War: THREE KINGDOMS” targeting year-end holidays. We also forecast that repeat sales will remain healthy.

Amusement Machine Sales

2Q Results



Full Year



2Q Results

- ◆ Launched new video games and CVT kits.
- ◆ Main titles:
 - ✓ Fate/Grand Order Arcade
 - ✓ O・N・G・E・K・I
 - ✓ StarHorse3 SeasonVII GREAT JOURNEY

Full Year Forecast

- ◆ Launch new video games.
- ◆ Main title:
 - ✓ WCCF FOOTISTA 2019
- ◆ Discern impact from titles of which operation was suspended.

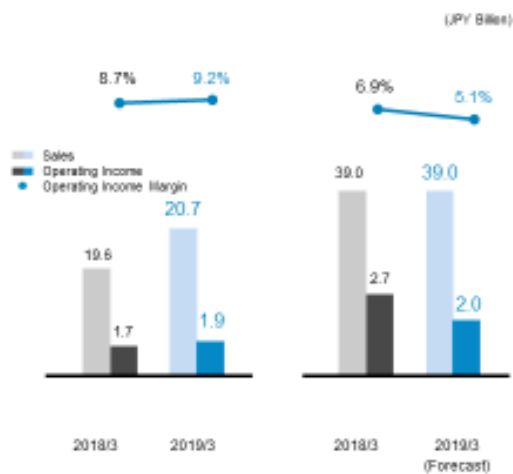
Let's move on now to page 13.

In the amusement machine sales area, we launched titles including "Fate/Grand Order Arcade" and "O・N・G・E・K・I" in the second quarter, which performed well.

In the second half of this fiscal year, we plan to launch a new title in the popular "WCCF" series, but we will also assess the impact of suspended utilization of "SOUL REVERSE," which we began selling last fiscal year.

Amusement Center Operations

2Q Results



2Q Results

- ◆ Newly introduced video games performed solidly.
- ◆ Solid performance of the prize field continued as well.

Full Year Forecast

- ◆ Continue efforts including strengthening operation centered on prizes.

Domestic amusement centers: No. of stores/YoY sales rate comparison

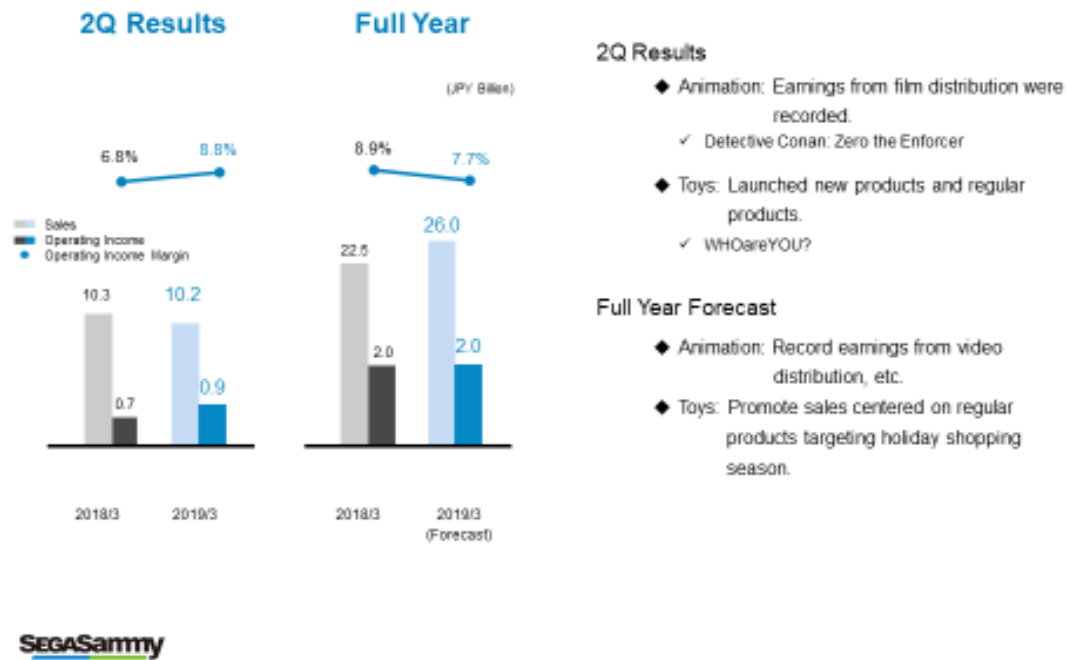
	2018/3 2Q	2019/3 2Q	2018/3 Full Year	2019/3 Full Year (Forecast)
No. of stores	189	189	189	189
YoY Sales Rate comparison (%)	101.5	104.5	101.9	100.5

Next, please look at page 14.

The Amusement Center Operations business continued to perform well. In the second quarter, due to utilization of new video game titles such as “Fate/Grand Order Arcade” and the prize field continuing its strong performance from the previous fiscal year, sales of existing stores continued to perform well, with the year-on-year sales rate comparison for existing stores at 104%.

In the second half of this fiscal year and beyond, we will enhance amusement center operations, focusing mainly on the prize field, which continues to perform well.

Animation / Toys

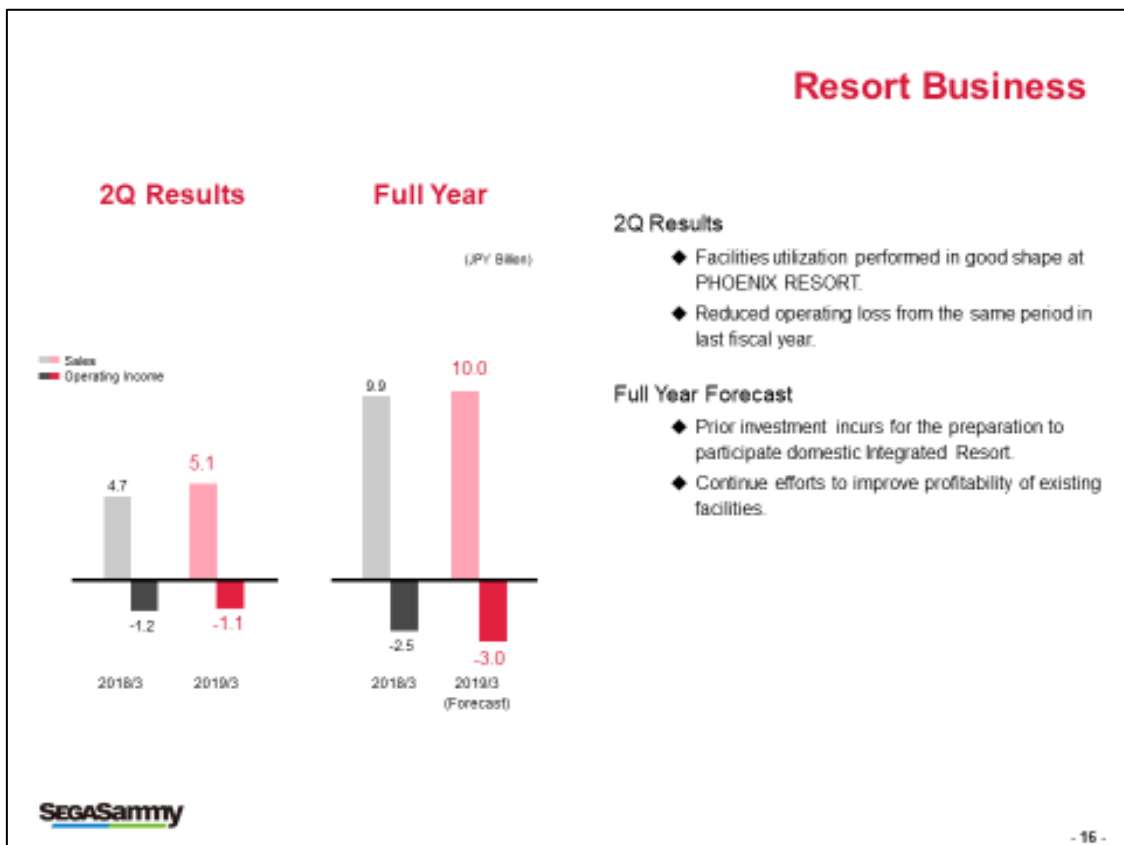


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Next, page 15 shows the results in the Animation/Toys area.

In the second quarter, we recorded earnings from film distribution for “Detective Conan: Zero the Enforcer,” which set a series box-office revenue record of over 8 billion yen, and also released a new toy, “WHOareYOU?”

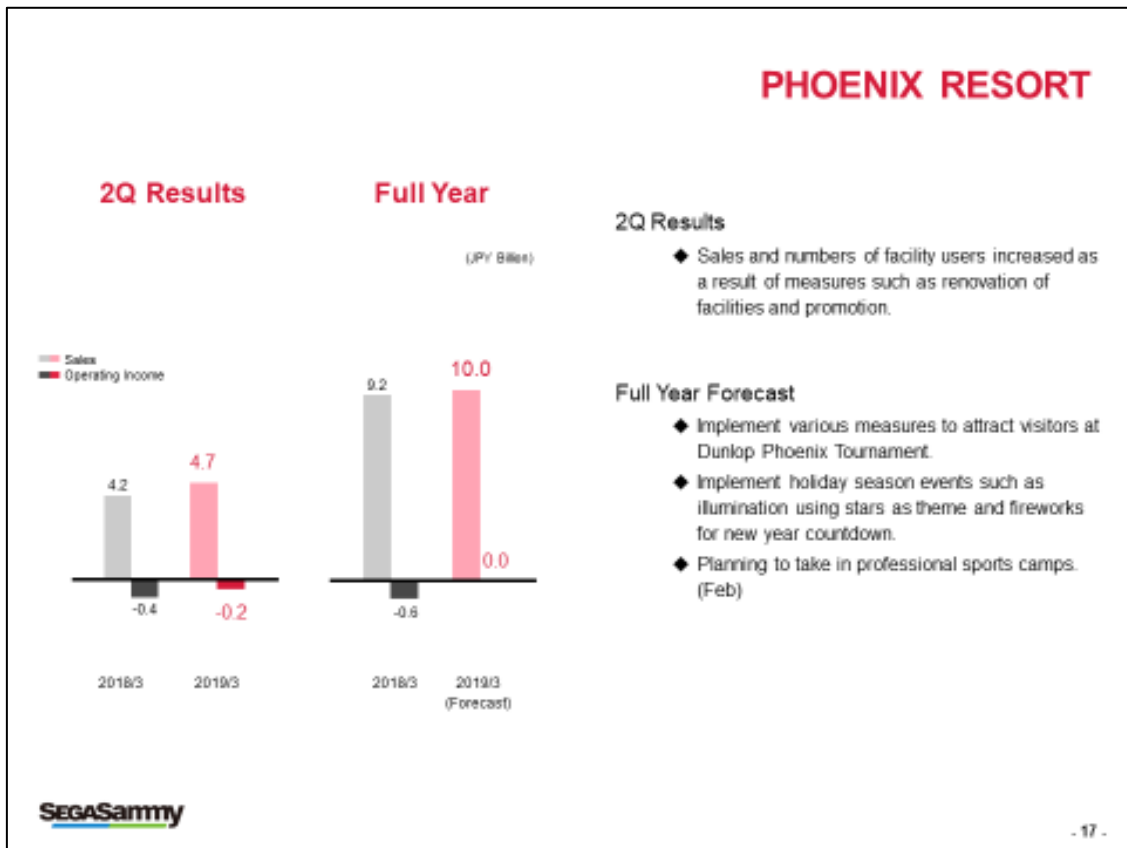
In the second half of this fiscal year, we expect earnings from video distribution in the animation area, while in the toy area, we are enhancing sales of regular products targeting the year-end shopping season.



Next, starting from page 16, we have the results for our resort business.

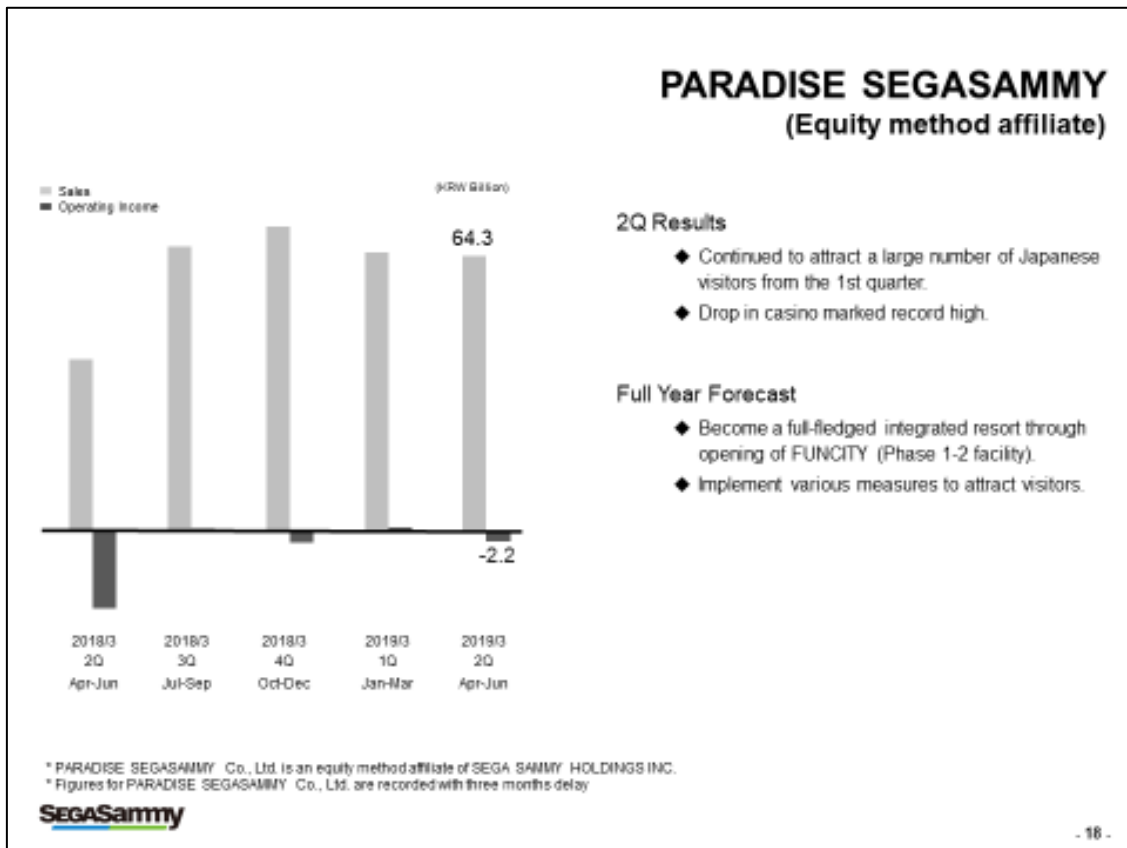
In the second quarter, operating loss for Phoenix Resort decreased due to factors such as improved facility utilization.

In the second half of this fiscal year, we anticipate prior investment expenses aimed at the participation in domestic integrated resorts will continuing to be incurred , but we are working to improve the profitability of existing facilities.



Page 17 presents the results for Phoenix Resort.

In the second quarter, sales increased due to an increase in the number of users, which was the result of major renovations conducted during the last fiscal year and a Kyushu area-only promotion. In the second half of this fiscal year, with the aim of recording operating profit, we intend to further improve profit by implementing various measures to attract visitors.



Page 18 explains the results for Paradise Sega Sammy, an equity method affiliate of Sega Sammy.

Since the figure for Paradise Sega Sammy recorded with 3 months delay, the actual result shown here are the performance for April to June. The resort attracted many visitors, especially Japanese customers, and the drop amount in casino set a new record. In addition to the existing facilities, several new facilities opened in September, which will be followed by Wonderbox, a family entertainment facility, in the spring of 2019. The addition of the new facilities will make it a full-fledged integrated resort that can be enjoyed by a wide range of customers.

That brings us to the end of my part of the presentation.

Next, President Satomi will explain our future initiatives for the fiscal year ending March 2019.

Thank you for your attention.

(TRANSLATION)



In August , 2018, we relocated to a new head office. The main purpose of this relocation was to create a new culture.

To date, the various companies in our group, including Sega and Sammy, have developed their own cultures, but we decided to relocate the head office in order to create a new and stronger corporate culture.

The new office is called “Grand Harbor.” In keeping with this concept, we have established the office to serve as the home port for Sega Sammy’s global journey going forward.

At the start of the year, we indicated that we would incur relocation costs of 7.5 billion yen this fiscal year due to moving the head office. However, some investors suggested these costs were rather high, so we told our employees to avoid exceeding that amount.

While our cash base is as budgeted, our capitalization is higher than expected. We therefore believe that the P&L impact for this fiscal year will be less than 7.5 billion yen that we originally anticipated. Moreover, by completing the relocation rapidly, we reduced costs from overlapping rents, and our utility cost estimates were slightly on the high side, so we project that the relocation costs will be lower than originally anticipated.



October, 2018

**Opening of the era of
Type-6 Pachislot Machine**

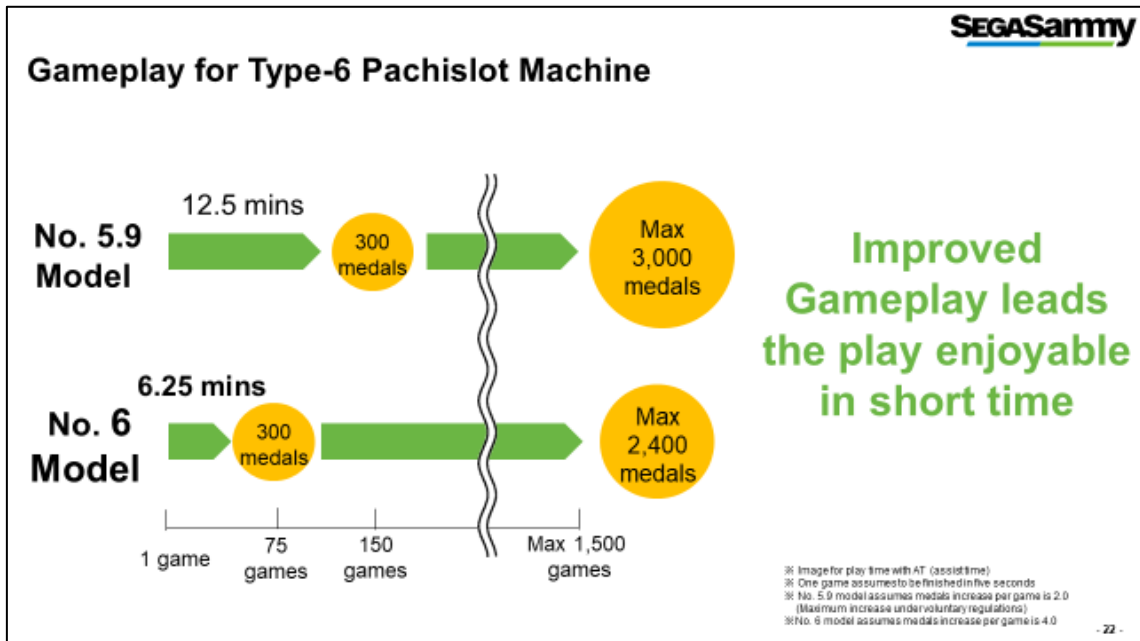
I will begin by discussing the Pachislot and Pachinko Machines Business.

The era of Type-6 Pachislot Machines has finally arrived.

While the first Type-6 Pachislot Machine was unfortunately launched by another company, it had a high operation rate following its launch. In terms of operation during the first week on the market, it is one of the top five titles in the past 10 years. The positive response to the first Type-6 Pachislot Machine has made us confident about Type-6 Pachislot Machines.

Previously, when Type-5 machines were introduced, Type-4 machines were still on the market and therefore the new machines were not popular. However, thanks to titles such as “Pachislot Psalms of Planets Eureka Seven” released by Sammy, it was possible to create Type-5 machines that fans enjoyed playing.

Despite it being another company's product, the first Type-6 Pachislot Machine and its positive reception offer evidence supporting our claim that Type-6 machines will be even more appealing than Type-5.5 and -5.9 models.



Next, I would like to explain the difference between Type-5.9 and Type-6 Pachislot Machines in simple terms.

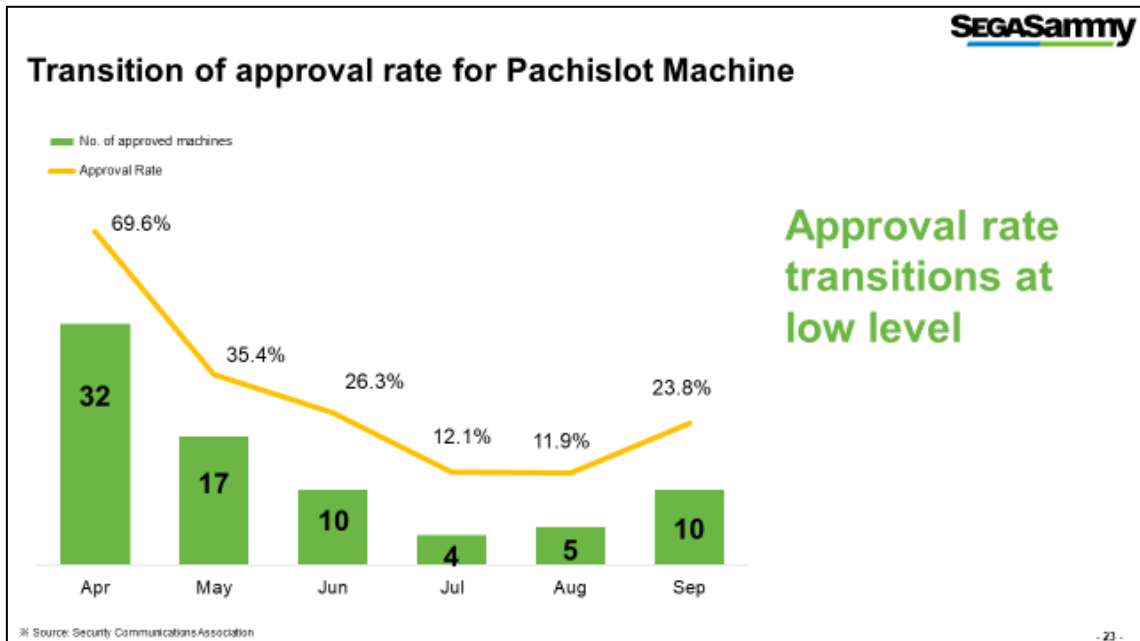
First, we believe that existing pachislot machines take too much time to play.

If they take half a day or a whole day to play, pachislot machines have to compete with other types of entertainment for consumer's time.

We believe that making it possible to play pachislot in 1 to 2 hours will restore its status as a popular form of amusement people can enjoy as familiar entertainment that's easily accessible in their neighborhood.

The main advantage of the new Type-6 machines is that they can be played in a shorter time. In the case of existing Type-5.9 machines (with an increase of 2 medals per game), it is possible to acquire a maximum of 3,000 medals, whereas for Type-6 machines, the figure is 2,400 medals, so overall, the gambling elements have been curbed. However, if you consider it in terms of the time required to acquire the same number of medals, in the case of a Type-6 machine with, for example, an increase of 4 medals per game, it is possible to acquire 300 medals in 6.25 minutes, which is half the time it takes with a Type-5.9 machine.

We believe that how users respond to the shorter play time in the future will be the key issue for Type-6 Pachislot Machines.



Next, I will discuss the approval rate of certification tests for pachislot machines. As you are concerned, the current approval rate for Type-6 machines is at a low level. However, we believe that this may increase somewhat going forward.

At present, a machine called “Pachislot Disc Up” is performing well. The machine is simple, since it has no liquid crystal display. From a user perspective, it is easy to win with this machine, and it is easy to use it at locations with no equivalent exchange ratio. It seems that orders for this title will increase going forward.

Earlier, I mentioned shorter play time. Since the price per hour is important, we think that if it is possible to play pachislot machines for around 1,000 yen per hour—which is similar to the cost of a movie or karaoke parlor—by simplifying play based on the latest regulatory changes, they will be able to compete with other types of entertainment.




"Pachislot CHAIN CHRONICLE"
©SEGA ©SEGA/CHAIN CHRONICLE FILM PARTNERS
 ©Sammy

SEGASammy

**Sammy's 1st Type-6
 Pachislot Machine
 Launches on Nov, 2018**

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Our first Type-6 Pachislot Machine to be released will be "Pachislot CHAIN CHRONICLE."
 Deliveries will begin next week.

As announced yesterday, we also plan to release "Pachislot SOUTEN-NO-KEN PONYOU"
 as our second Type-6 machine.

Revision of voluntary regulations for Pachinko**Continuous Rate of Probability Change**

**Upper Limit
65%** → **Remove
Upper Limit**

Although gambling elements is still curbed, this change expands the scope of playability.

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Next, I will discuss the pachinko business.

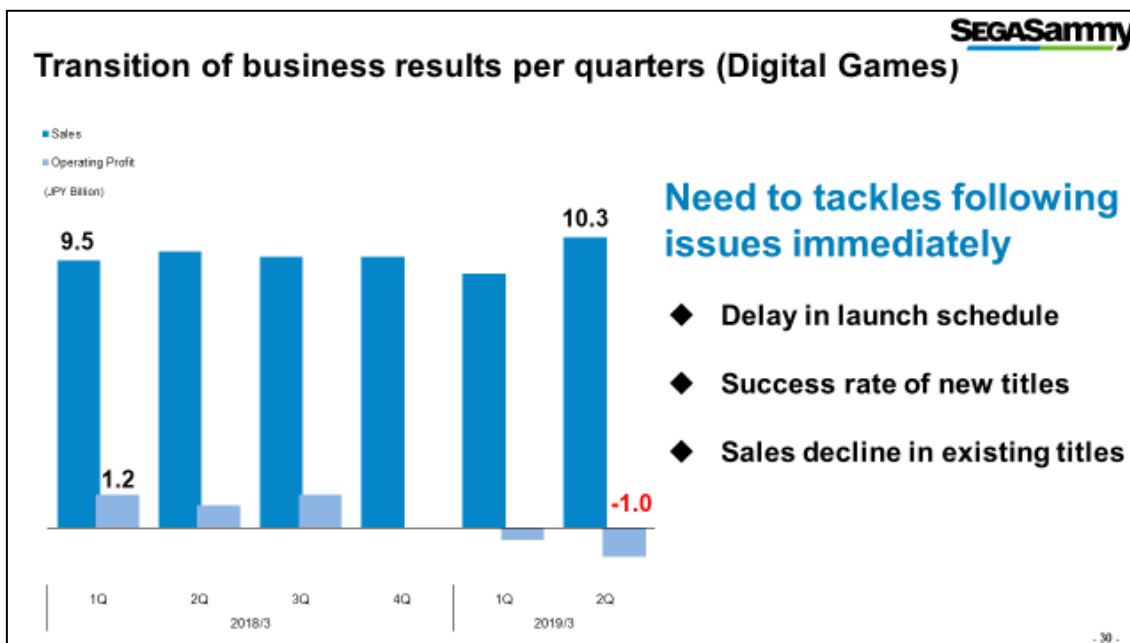
Due to changes in the voluntary regulations, the elimination of the upper limit of the continuous rate of probability, or loop rate, has been approved.

We expect pachinko machines adapted to this change will be released in 2019.

Since “Pachinko CR Shin Hokuto Muso,” which has a high operation rate, was the final high-loop machine, it still enjoys popularity on the market. However, high-loop machines, which are a strength of Sammy, were restricted by the voluntary regulations.

This year’s “Pachinko CR Shin Hokuto Muso Chapter 2” is a machine with a continuous rate of 65% as the upper limit. With the elimination of the continuous rate limit, we are now able to create high-loop machines, which we believe will be an advantage for Sammy and expand the scope of playability.

Though there will be no change to the gambling elements, we intend to rigorously comply with the requirements.

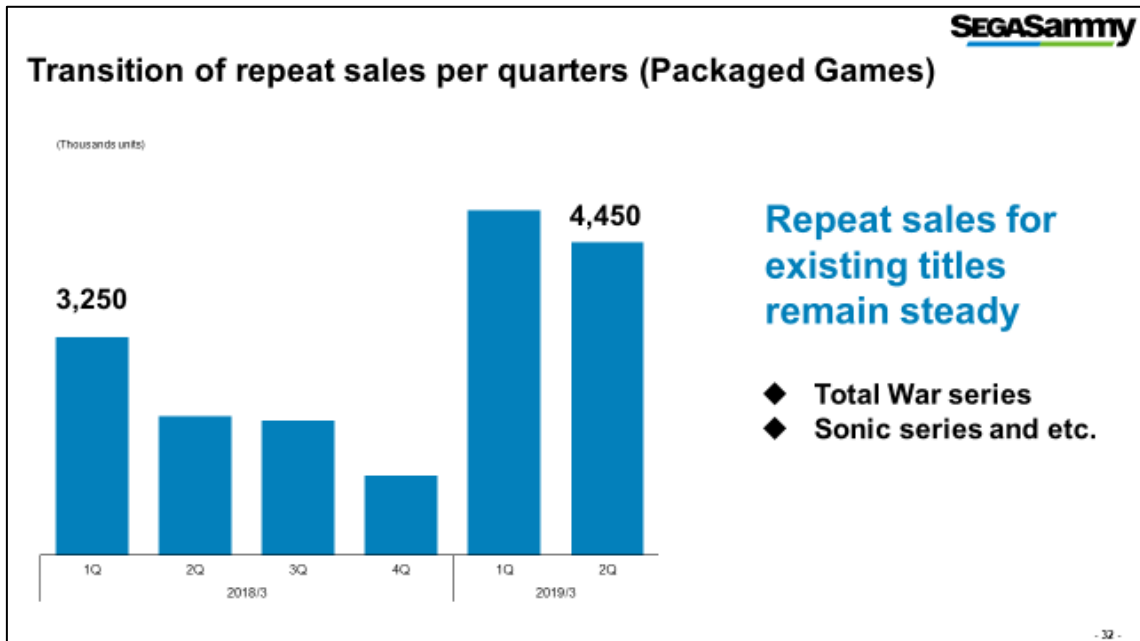


Next, we will look at the Entertainment Contents Business, beginning with digital games. Sales increased Q-on-Q due to “BORDER BREAK” for PS4 performing strongly and the success of titles licensed out in China.

However, due to underperforming titles and titles whose release was canceled, we recorded a title write-down of around 1 billion yen in the second quarter. In terms of declining sales for existing titles, the cloud version of “PHANTASY STAR ONLINE 2,” for which we had high expectations, performed weakly, and we saw a slight decline for “PHANTASY STAR ONLINE 2” overall.

Going forward, we are preparing updates for “PHANTASY STAR ONLINE 2,” and we intend to continue working to build its popularity through collaboration events and other activities.

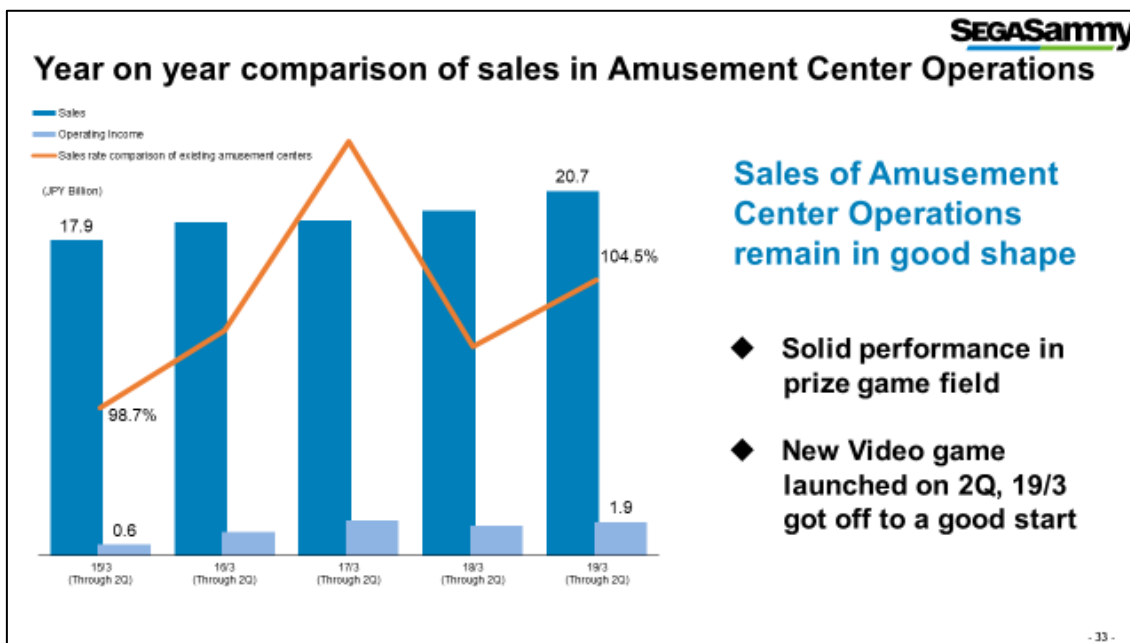
We stated that we would release 12 new titles this fiscal year, but were able to release only 4 titles in the first half of the year. We intend to release 2 or 3 more by year-end and an additional three or so in the new year.



In the packaged games area, sales increased Q-on-Q, with repeat sales remaining strong. Sales of packaged editions continue to perform well overall, and the same holds true for digital distribution via Steam and digital sales for consoles.

For “Persona 5,” the release of a budget version will lead to additional repeat sales this year.

The Total War series and Sonic series are also contributing to ongoing repeat sales, and since development costs for repeat titles have already been depreciated based on our accounting standards, they have a higher profitability rate than new titles and are boosting our earnings.



The amusement center operations business continues to perform well in terms of the year-on-year sales comparison, resulting in an upward trend.

Sales not just for our company but the sector as a whole had been trending downward, however, they have continued to rise in the past 4 years, and the field is in good shape.

We have enhanced operations in our amusement center business, especially for prize games (UFO CATCHER), and since we have proactively increased the ratio of prize games in our centers compared to other centers, the year-on-year ratio remains relatively favorable compared to other companies in the same field.

Moreover, along with “Kancolle Arcade” and “Fate/Grand Order Arcade,” all the titles in our trilogy of music video games, “maimai,” “CHUNITHM,” and “O•N•G•E•K•I,” have a good reputation. This contributes to boosting our results, so both amusement machine sales and amusement center operations are performing strongly.




PARADISE CITY

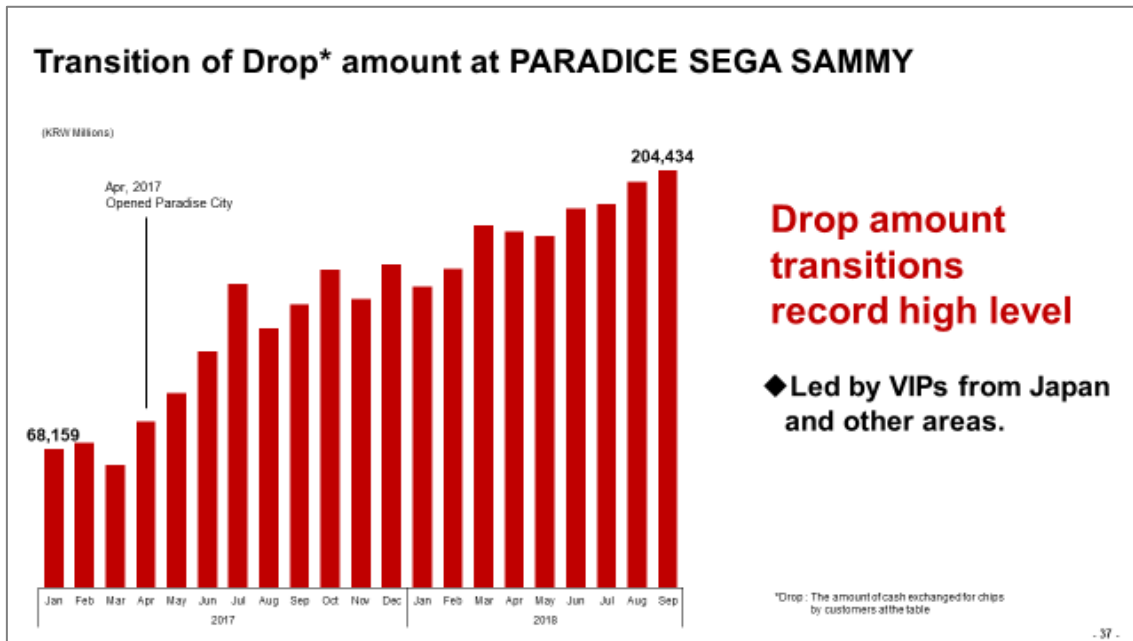
**Phase 1-2
opened in Sep, 2018**

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Next, I will discuss the Resort Business.

In September 2018, Phase 1 - 2 of Paradise City opened in Incheon, South Korea.

As a result, we have established the framework for a fully integrated resort. However, the launch of the “WONDER BOX” theme park for children has been delayed somewhat due to factors such as revisions to the original plan. It is scheduled to open next spring.



This graph shows changes in the table game drop amounts for Paradise City.

Money that customers bet on table games is known as “the drop.” The concept is similar to pachinko parlor sales.

The sales base for Paradise City mentioned earlier in the discussion of performance may not appear as having grown compared to the same period in the previous fiscal year, but the drop amount has been trending steadily upward since the facility opened in April last year.

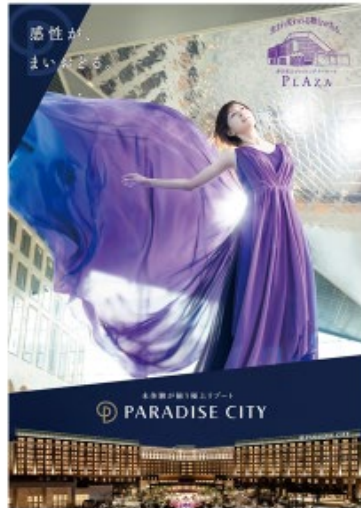
Recently, in October, the drop amount had reportedly increased further due to the impact of China’s National Day holiday, so Chinese customers are gradually returning.

Unlike large-scale casinos in Macao or Las Vegas, Paradise City’s sales tend to be significantly affected by individual customer’s winning or losing large amounts.

Sales rise and fall based on the hold rate, which impacts performance in a given quarter, but performance remains solid when it comes to the drop amount.

In September, the breakdown of the drop was 40% for Japanese VIPs, slightly less than 30% for Chinese VIPs, 20% for other VIPs, and 10% for mass. Since the opening of Paradise City in April 2017, the drop has grown around threefold.

Going forward, we will improve the drop by increasing awareness of Paradise City, and we expect that the average length of stay will increase as well thanks to the opening of the Phase 1-2 facilities, which has made it possible for guests to enjoy a wider range of facilities.



Started the marketing activities in Japan

TVCM (Kansai, Fukuoka area)
Online advertisement
Traffic advertisement
In-flight magazines
Women's magazines etc.

For promotion activities in Japan, as announced last month, we have appointed actress Ryoko Hirose as a brand ambassador and are engaged in activities to raise awareness of Paradise City nationwide.

Japanese customers who have actually been to Paradise City are very satisfied with their experience and have provided positive feedback. As a luxury resort of a kind not found in Japan, it was not what they were expecting—in a good way. The repeat customer rate is reportedly high as well. Going forward, we plan to increase the amount of domestic promotion, and we believe that increasing awareness of the resort will lead to even more Japanese customers.

Coordination image in integrated resort business

Japan Integrated Resort Business Department

Sharing know-how with a view to participate domestic integrated resorts

PHOENIX RESORT

Hotels
Convention Center
Entertainment Facilities

PARADISE SEGA SAMMY

Incheon project members: 86 personnel in total (56 overseas, 30 in Japan) *As of October 1, 2018

Business Management	Casino Planning	Surveillance
Japan Market Planning Management Section	Management support Personnel development and human resources, accounting	Operational Management Operational management and support
Marketing Japan and China marketing, marketing support	Hotels Casino hotels	Commercial Facilities/ Entertainment

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Next, we will look at measures aimed at participating in the integrated resort business in Japan. At present, there are 84 people involved in the management of Paradise City, including 57 who are steadily acquiring expertise onsite.

Regardless of which operator acquires a domestic integrated resort license, it will be necessary to hire thousands or tens of thousands of people in Japan.

Whichever operator runs the business, the requirements will be the same in terms of hiring inexperienced Japanese personnel.

Even if skilled personnel were recruited from abroad, it would likely be difficult for thousands of them to come to Japan and work due to visa issues. You can therefore understand why Sega Sammy is developing a framework that will make it possible to fill the majority of skilled positions with Japanese personnel.

Future Initiatives (Summary)

Pachislot and Pachinko Machine	■Discern the approval and sales status of Type-6 Pachislot Machine.
Entertainment Contents	■Closely investigating the trend of each digital games and tackle the issues in this area immediately ■Support overall earnings with steady repeat sales in packaged games and stable operation of Amusement centers.
Resort	■Strengthen the coordination with PHOENIX RESORT and PARADISE SEGA SAMMY with a view to participate in domestic integrated resorts.

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In closing, I would like to summarize our future initiatives.

In the Pachislot and Pachinko Machines Business, the biggest issue going forward is how we will fare in the Type-6 Pachislot Machine era.

If possible, we would like to release one more machine by the end of the fiscal year. Naturally, if sales of “Pachislot SOUTEN-NO-KEN PONYOU” exceed expectations, we will consider carrying this year’s lineup over to next year. We need to keep an eye on sales status, material procurement, and other issues. The largest bottleneck is condensers, which we are currently competing with other industries to obtain. We intend to move forward with preparations to address this, such as purchasing stock in advance.

In the Entertainment Contents Business, the question is whether we can produce a hit in the digital games area, which everyone is concerned about. In terms of markets, smartphone content sales in Japan is more than 3 times compared to the console market. Worldwide, the profit rate is highest in the online game market, but if you look at Japan alone, sales are declining at various companies, which suggests that the market may be shrinking here. That is not actually the case, however. The real issue is that competition with overseas titles has intensified.

The market has been changing lately. With many western-style games receiving an enthusiastic response, it seems that the tastes and preferences of Japanese users are shifting. Non-*gacha* charges are increasing, and users are growing tired of games combining *gacha* and RPG elements.

How we address this change will be key for us going forward. Meanwhile, Japanese games are selling well overseas. Thanks to effective localization for different markets using the expertise of Atlus, sales of titles such as “Persona 5” and “Ryu ga Gotoku” have almost doubled to date in Western countries, and they are selling well in Asia too.

The size of the Asian market is roughly 30% the size of the Japanese market, but next year, we believe that figure could rise to 50% or more. Furthermore, Asia is a market that is interested in original Japanese content. There is a lot of demand for products with subtitles in the local language so users can hear the Japanese voiceover actors.

In the console area, if we include Asia in the Japanese market, our sense is that it has grown by a factor of around 1.5, and we intend to continue devoting effort to Asia in the future.

For amusement centers, we wish to keep moving forward with a scrap and build approach. Our existing centers are performing extremely well in terms of sales, and we have introduced a cashless payment system in collaboration with Konami and Bandai Namco. Flexible price setting based on how much business there is has also become possible thanks to our digitization efforts. It will be possible to implement various other measures in the future, so going forward we will continue to invest in this business area.

Phoenix Resort performed extremely well in the first half of the year, and despite suffering from a typhoon and other bad weather, its income surpassed our projection. It is located in Miyazaki, which is prone to natural disasters, but if it continues to avoid major disasters, we believe it could turn a profit this year.

As I explained earlier, Paradise City performed extremely well in terms of the drop, and we believe there is still margin for growth depend on the hold rate.

If you have not yet had the opportunity to visit Paradise City, I encourage you to do so.

That brings us to the end of my presentation.