



# 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.

# **1. FY Ending March 2019 2nd Quarter Results / Forecasts**

# Results Highlights

(JPY Billion)

	2018/3		2019/3	
	Results Through 2Q	Full Year Results	Results Through 2Q	Full Year Forecast
Sales	194.7	<b>323.6</b>	<b>171.0</b>	<b>390.0</b>
Operating Income	26.8	<b>17.7</b>	<b>10.2</b>	<b>21.0</b>
Operating Income Margin	13.8%	<b>5.5%</b>	<b>6.0%</b>	<b>5.4%</b>
Ordinary Income	25.2	<b>14.5</b>	<b>9.1</b>	<b>16.0</b>
Income before income taxes	25.6	<b>12.4</b>	<b>10.6</b>	<b>17.0</b>
Profit attributable to owners of parent	17.7	<b>8.9</b>	<b>6.7</b>	<b>12.0</b>
ROA <sup>※</sup>	-	<b>1.8%</b>	-	-

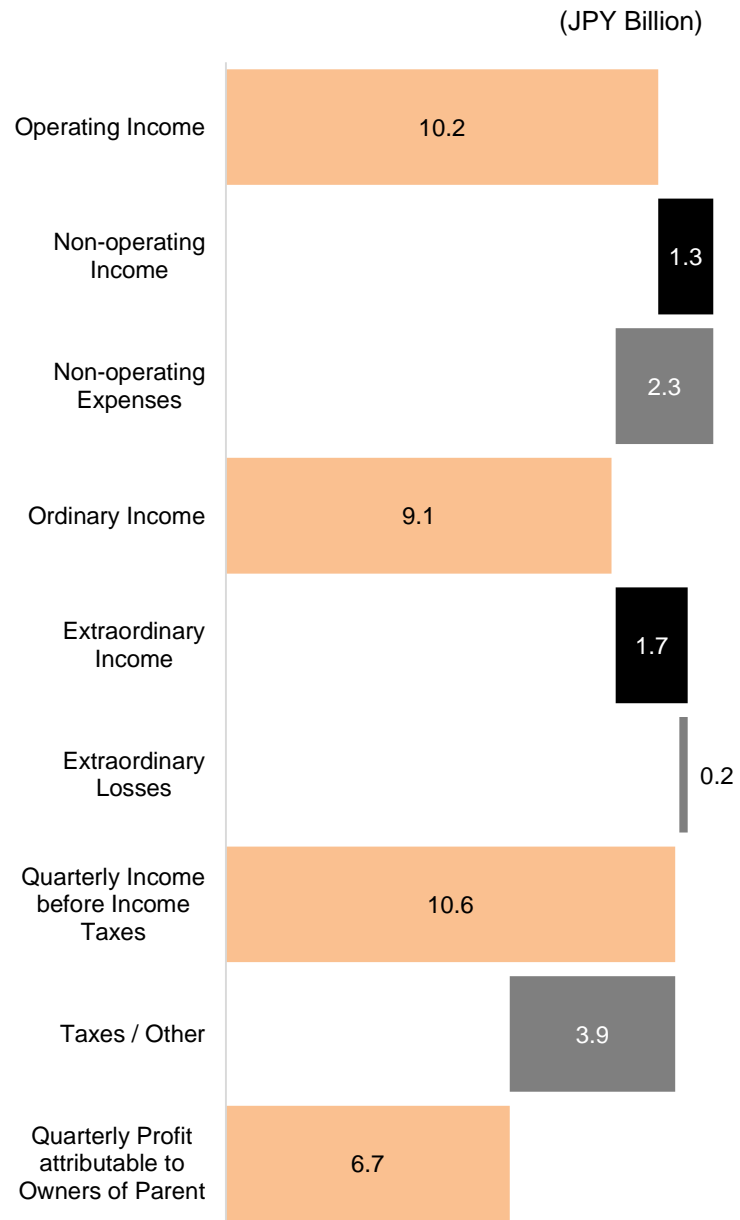
\* ROA = Profit attributable to owners of parent / Total assets

## 2Q Results

- ◆ 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.

## Full Year Forecast

- ◆ 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.



## Breakdown of Income (2019/3 2Q results)

### Non-operating income / losses and extraordinary income / losses

(JPY Billion)

#### Non-operating income

Dividends income	0.2
Gain on investments in partnership	0.4

#### Non-operating expenses

Equity in losses of affiliates	1.1
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#### Extraordinary Income

Gain on liquidation of subsidiaries and affiliates	1.2
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# 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

# Consolidated Balance Sheet Summary

## Consolidated Balance Sheet

(JPY Billion)

	As of end of 2018/3	As of end of 2Q, 2019/3	Change
<b>Current Assets</b>	272.3	265.3	-8.8
Cash and Deposits	157.8	94.1	-63.7
Securities	24.6	46.9	+22.3
<b>Non-Current Assets</b>	201.1	214.6	+13.5
<b>Current Liabilities</b>	84.4	104.3	+19.9
Short-term loans payable	15.8	15.3	-0.5
Corporate Bonds	10.0	15.0	+5.0
<b>Non-Current Liabilities</b>	78.5	59.6	-18.9
Long-term loans payable	38.6	29.5	-9.1
Corporate Bonds	22.5	10.0	-12.5
<b>Total Liabilities</b>	163.0	163.9	+0.9
<b>Total Net Assets</b>	310.4	314.2	+3.8
<b>Total Assets</b>	473.4	478.2	+4.8
<b>Equity ratio</b>	65.0%	65.1%	+0.1 pt

### Main factors

### Change

#### Current Assets

Cash and deposits decreased with payment of interest-bearing debt and purchase of securities for short term investment.

-8.8

#### Non-current Assets

Tangible fixed assets increased in association with relocation of headquarter and investment securities increased.

+13.5

#### Liabilities

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.

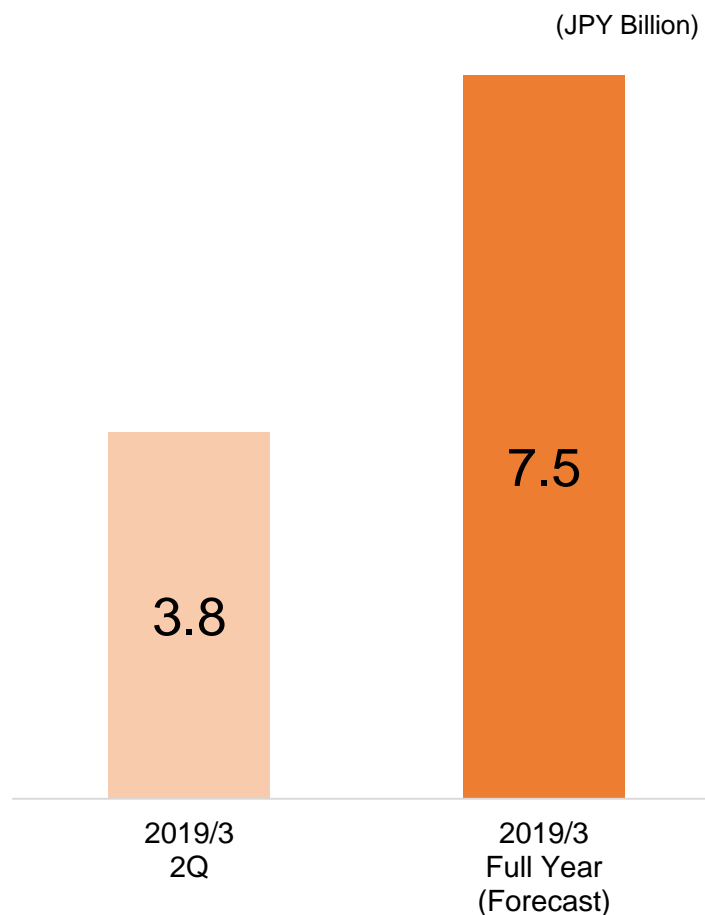
+0.9

# Relocation Expenses

## (2019/3 2Q, 2019/3 full year)

Incurrence of expenses for relocation of headquarter

- One-off relocation expenses (Reference)



⇒ No incurrence of relocation expenses expected for FY ending March 2020

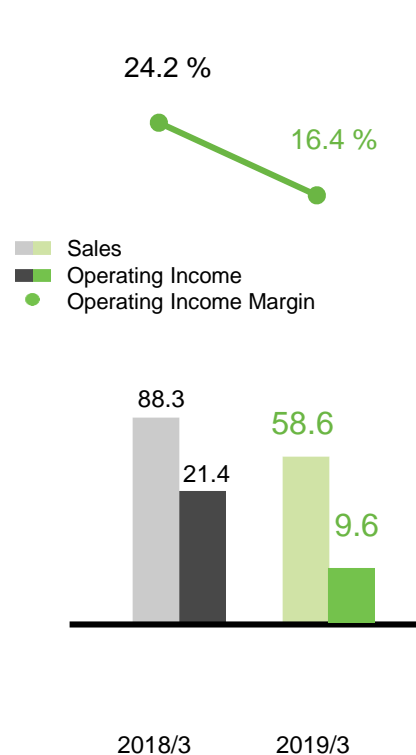
One-off expenses for relocation	(JPY Billion)	
	2019/3 2Q	2019/3 Full Year (Forecast)
<b>Consolidated</b>	<b>-3.8</b>	<b>-7.5</b>
Pachislot and Pachinko Machines	-1.1	-1.6
Entertainment Contents	-2.1	-5.0
Resort	0.0	0.0
Other / Elimination	-0.6	-0.9

## **2. 2nd Quarter Results / Full Year Forecast per Segments**

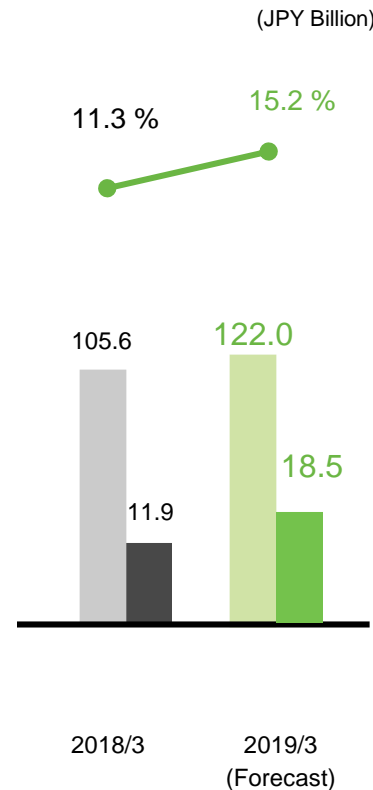


# Pachislot and Pachinko Machines Business

## 2Q Results



## Full Year



## 2Q Results

- ◆ Launched a mainstay title for pachinko machines.
- ◆ Unit sales of pachislot machines decreased from the same period in last fiscal year, when a big-name title was launched.

## Full Year Forecast

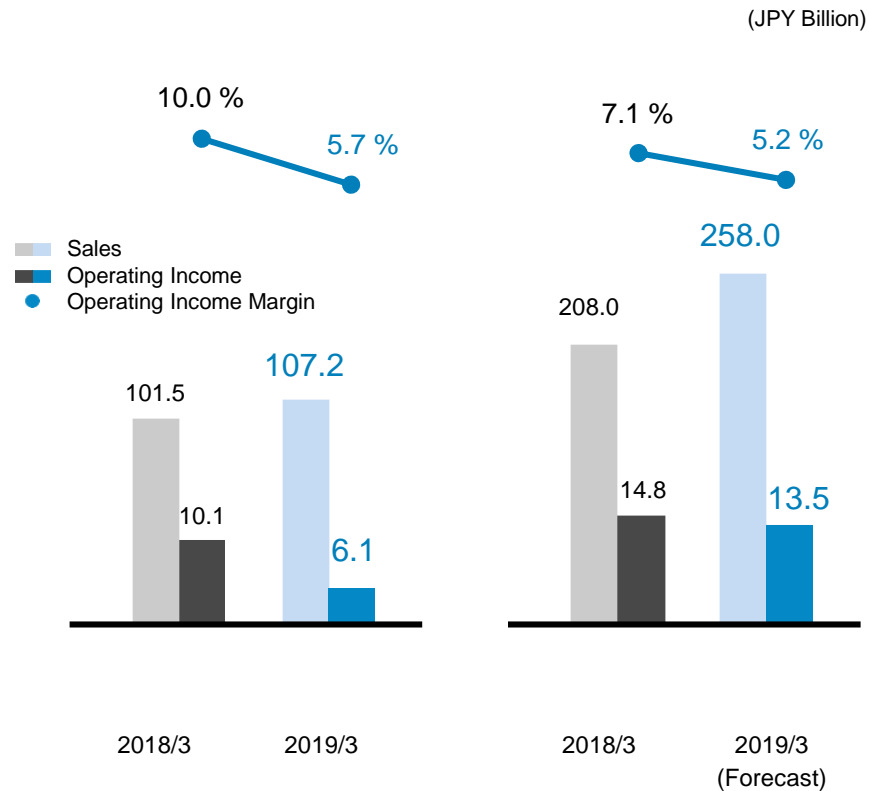
- ◆ Pachislot: Commence sales of No. 6-type machines and introduce ZEEG-made machine cabinet.
- ◆ Pachinko: Sales centered on machines conforming to previous regulation.

Unit sales  
(Thousands)

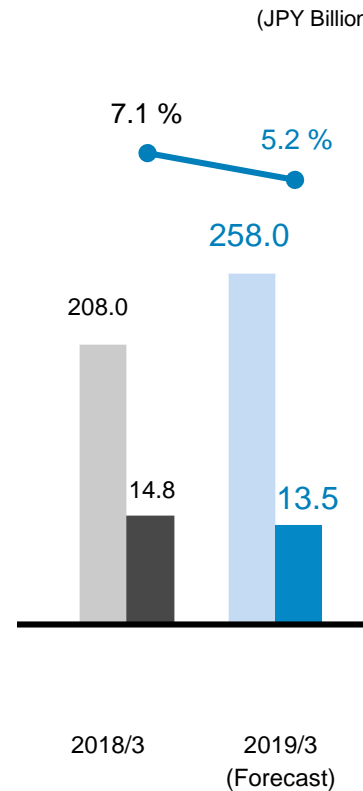
	2018/3 2 Q	2019/3 2Q	2018/3 Full Year	2019/3 Full Year (Forecast)
Pachislot	75	12	85	103
Pachinko	119	117	140	201
Board+ Frame	92	77	97	94
Board	26	40	42	106

# Entertainment Contents Business

## 2Q Results



## Full Year



## 2Q Results

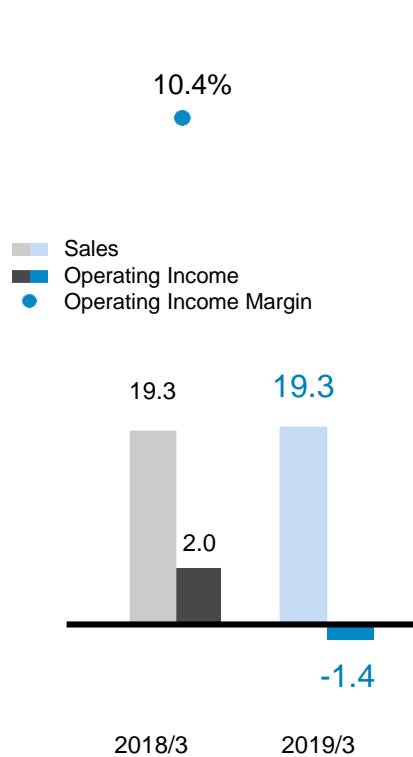
- ◆ The entire business performed strongly versus plan, led by areas other than digital games.

## Full Year Forecast

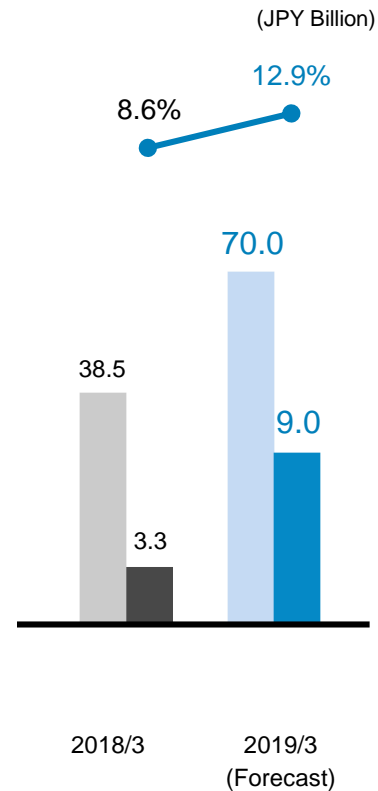
- ◆ Planning to launch several new titles in each business area.
- ◆ Closely investigating impact of the delay on launch of new titles as well as trend of each title in digital games area.

# Digital Games

## 2Q Results



## Full Year



## 2Q Results

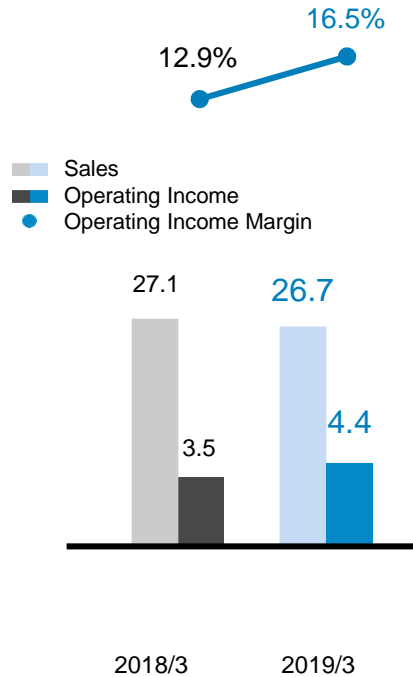
- ◆ Launched new title “BORDER BREAK”.
- ◆ Some of the titles scheduled to be launched in the first half have been delayed.
- ◆ Costs such as R&D expenses and content production expenses were incurred in association with the launch of new titles in the first half.

## Full Year Forecast

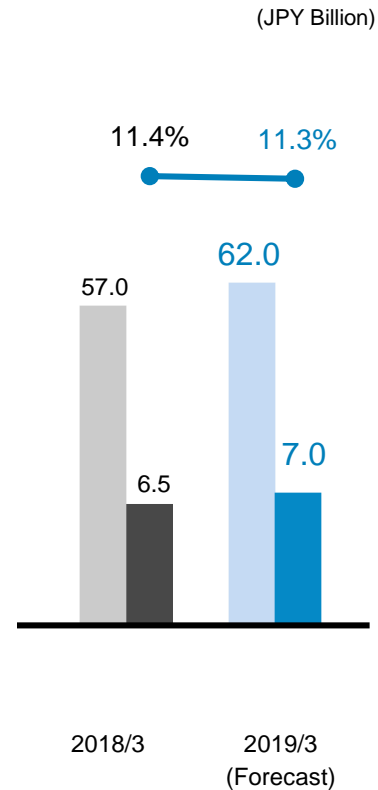
- ◆ Launch new titles.
- ◆ Closely investigating impact of the delay on launch of new titles as well as trend of each title.
- ◆ Titles already announced:
  - ✓ WONDER GRAVITY
  - ~BEST BUDDY: PINO & GRAVITOR~
  - ✓ Ryu ga Gotoku ONLINE
  - ✓ IDOLA PHANTASY STAR SAGA
  - ✓ Readyyyy!
  - ✓ Revolve8

# Packaged Games

## 2Q Results



## Full Year



## 2Q Results

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

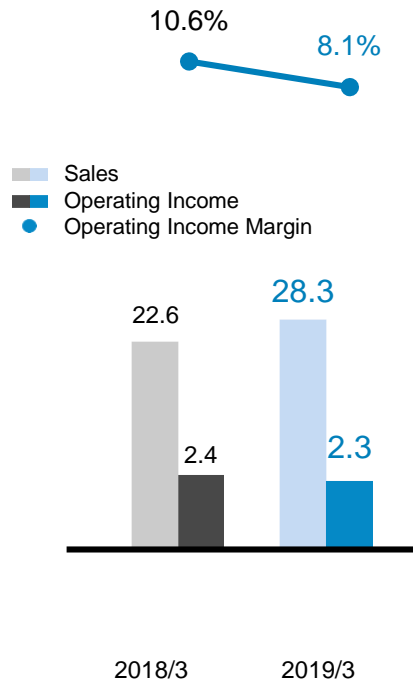
## Full Year Forecast

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

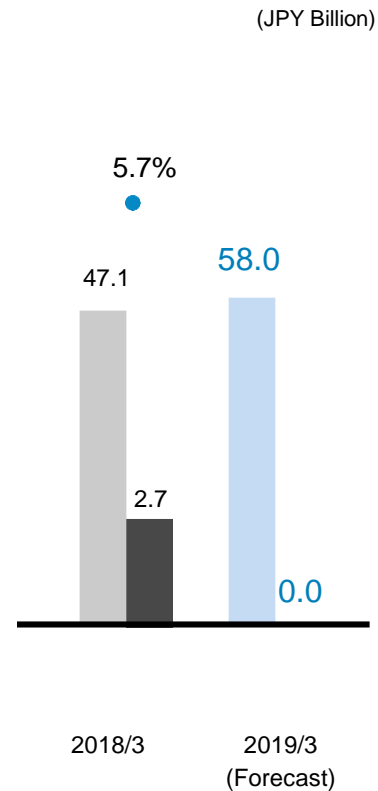
	Unit sales of packaged game (Thousands)			
	2018/3 2Q	2019/3 2Q	2018/3 Full Year	2019/3 Full Year (Forecast)
New Title	3,150	1,880	8,130	7,000
Repeat Title	5,500	9,300	9,200	13,000
Total	8,650	11,180	17,330	20,000

# Amusement Machine Sales

## 2Q Results



## Full Year



## 2Q Results

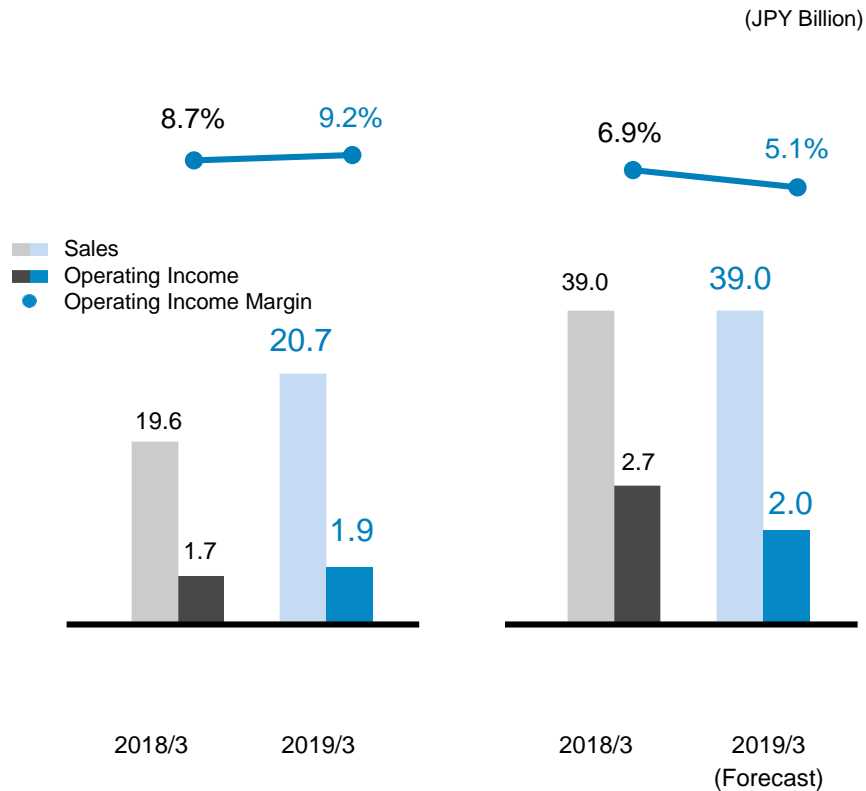
- ◆ Launched new video games and CVT kits.
- ◆ Main titles:
  - ✓ Fate/Grand Order Arcade
  - ✓ O · N · G · E · K · I
  - ✓ StarHorse3 SeasonVII GREAT JOURNEY

## Full Year Forecast

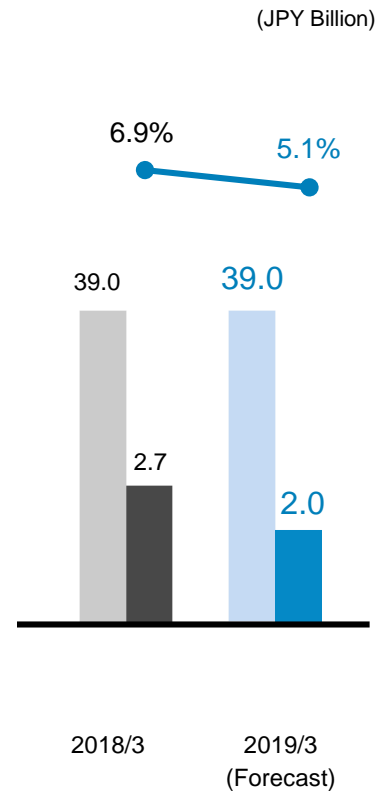
- ◆ Launch new video games.
- ◆ Main title:
  - ✓ WCCF FOOTISTA 2019
- ◆ Discern impact from titles of which operation was suspended.

# Amusement Center Operations

## 2Q Results



## Full Year



## 2Q Results

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

## Full Year Forecast

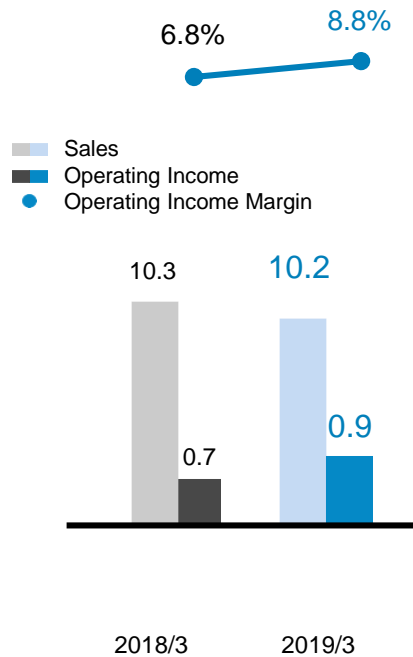
- ◆ Continue efforts including strengthening operation centered on prizes.

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

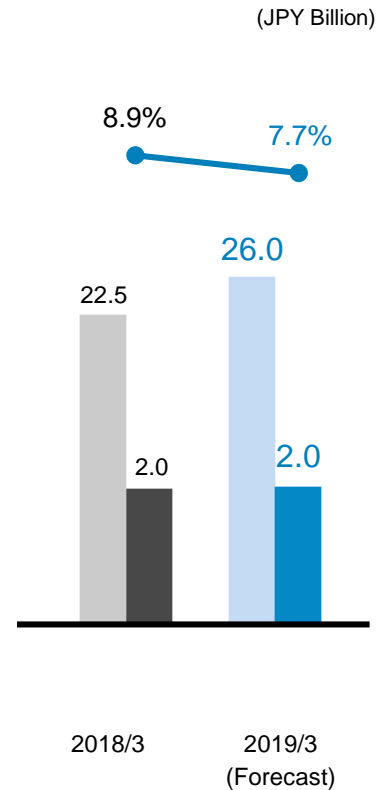
	2018/3 2Q	2019/3 2Q	2018/3 Full Year	2019/3 Full Year (Forecast)
No. of stores	189	189	189	189
YoY Sales Rate comparison (%)	101.5	104.5	101.9	100.5

# Animation / Toys

## 2Q Results



## Full Year



## 2Q Results

- ◆ Animation: Earnings from film distribution were recorded.
  - ✓ Detective Conan: Zero the Enforcer
- ◆ Toys: Launched new products and regular products.
  - ✓ WHOareYOU?

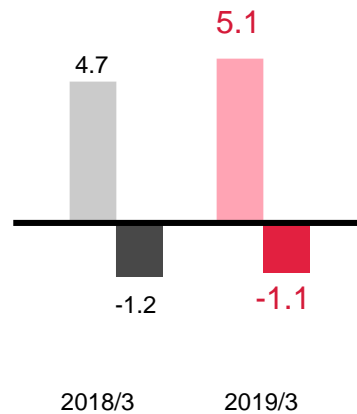
## Full Year Forecast

- ◆ Animation: Record earnings from video distribution, etc.
- ◆ Toys: Promote sales centered on regular products targeting holiday shopping season.

# Resort Business

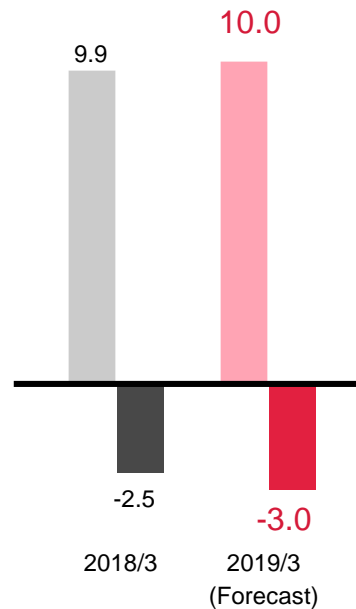
## 2Q Results

■ Sales  
■ Operating Income



## Full Year

(JPY Billion)



## 2Q Results

- ◆ Facilities utilization performed in good shape at PHOENIX RESORT.
- ◆ Reduced operating loss from the same period in last fiscal year.

## Full Year Forecast

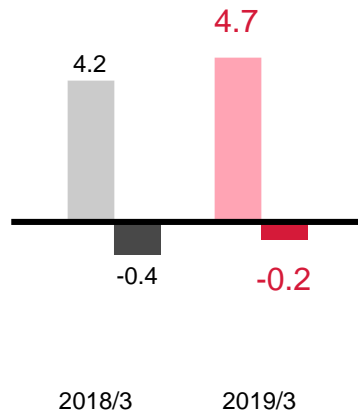
- ◆ Prior investment incurs for the preparation to participate domestic Integrated Resort.
- ◆ Continue efforts to improve profitability of existing facilities.



# PHOENIX RESORT

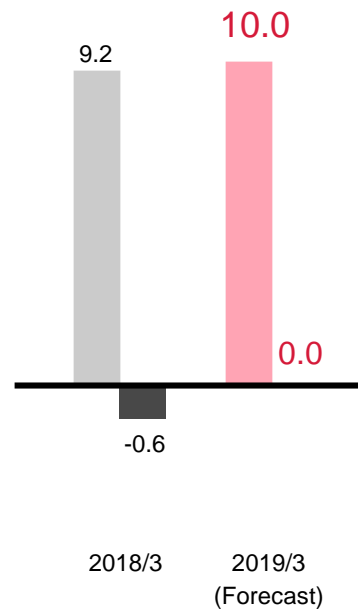
## 2Q Results

■ Sales  
■ Operating Income



## Full Year

(JPY Billion)



## 2Q Results

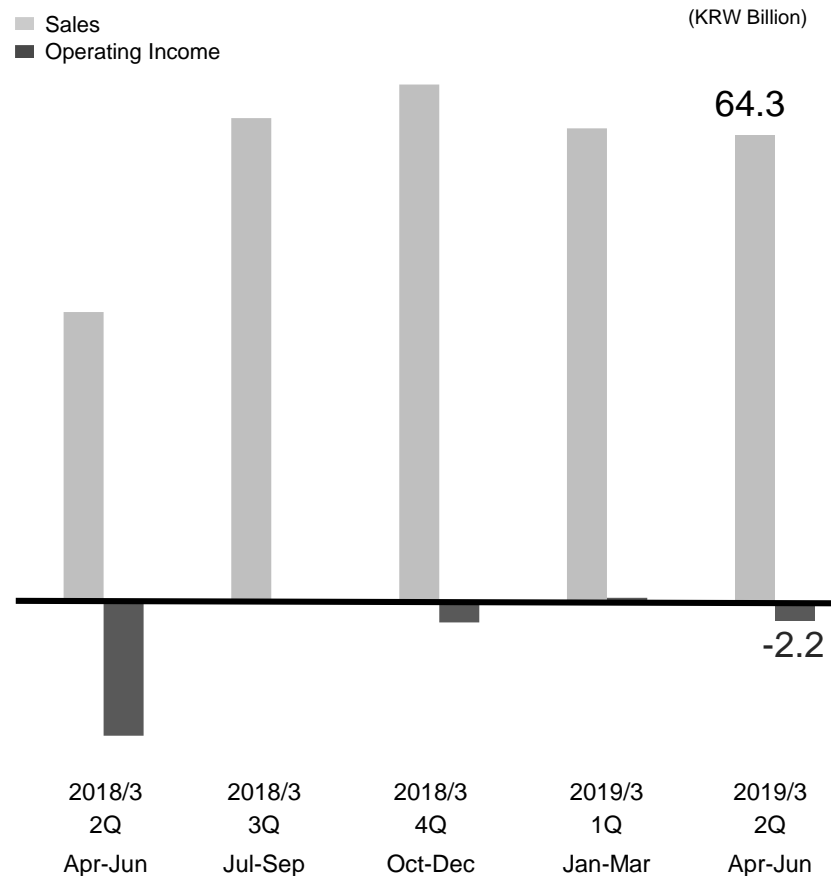
- ◆ Sales and numbers of facility users increased as a result of measures such as renovation of facilities and promotion.

## Full Year Forecast

- ◆ Implement various measures to attract visitors at Dunlop Phoenix Tournament.
- ◆ Implement holiday season events such as illumination using stars as theme and fireworks for new year countdown.
- ◆ Planning to take in professional sports camps. (Feb)

# PARADISE SEGASAMMY

(Equity method affiliate)



## 2Q Results

- ◆ Continued to attract a large number of Japanese visitors from the 1st quarter.
- ◆ Drop in casino marked record high.

## Full Year Forecast

- ◆ Become a full-fledged integrated resort through opening of FUNCITY (Phase 1-2 facility).
- ◆ Implement various measures to attract visitors.

\* PARADISE SEGASAMMY Co., Ltd. is an equity method affiliate of SEGA SAMMY HOLDINGS INC.

\* Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay

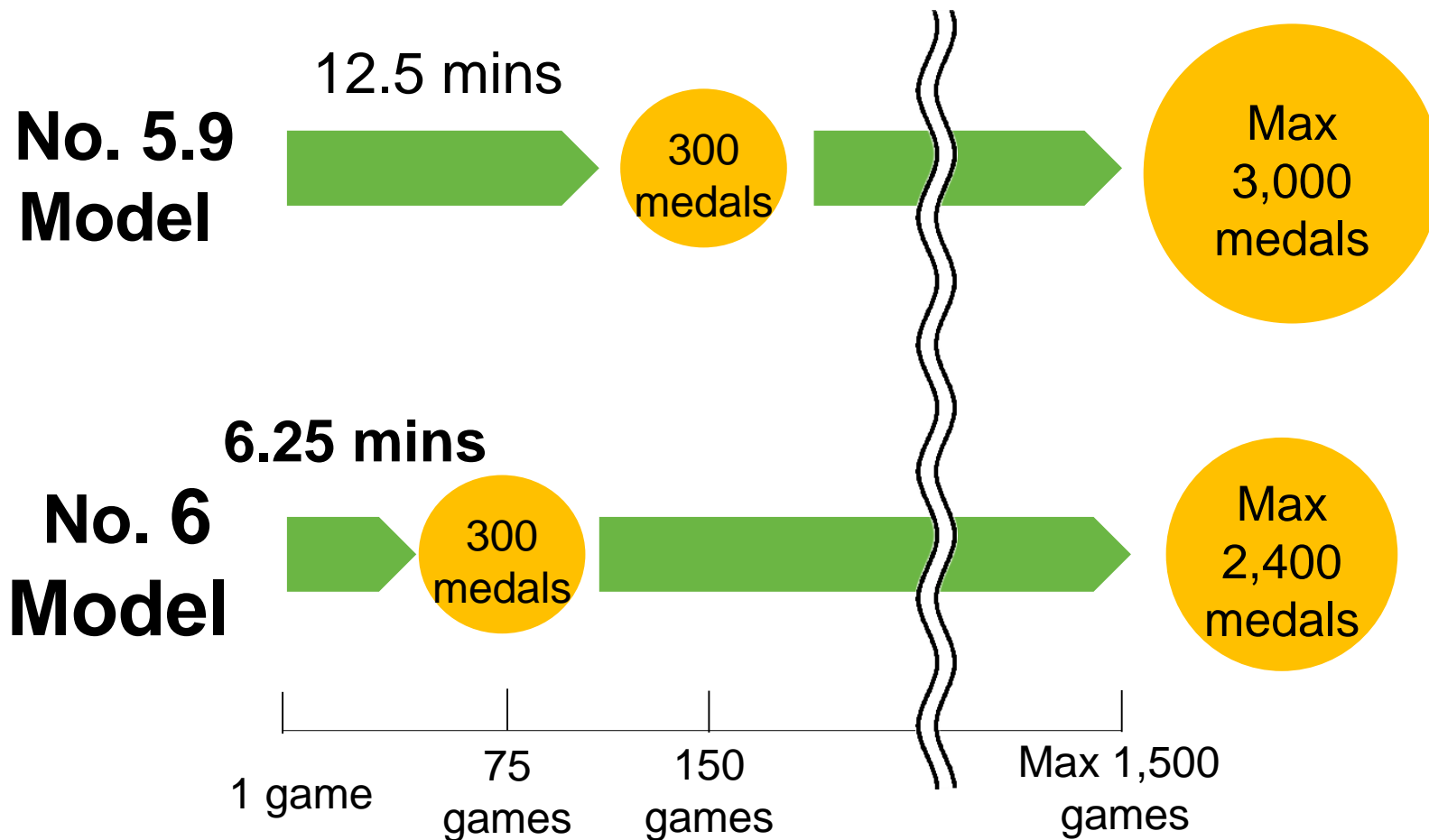
# Future Initiatives

# **Pachislot and Panchinko Machine Business**

**October, 2018**

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

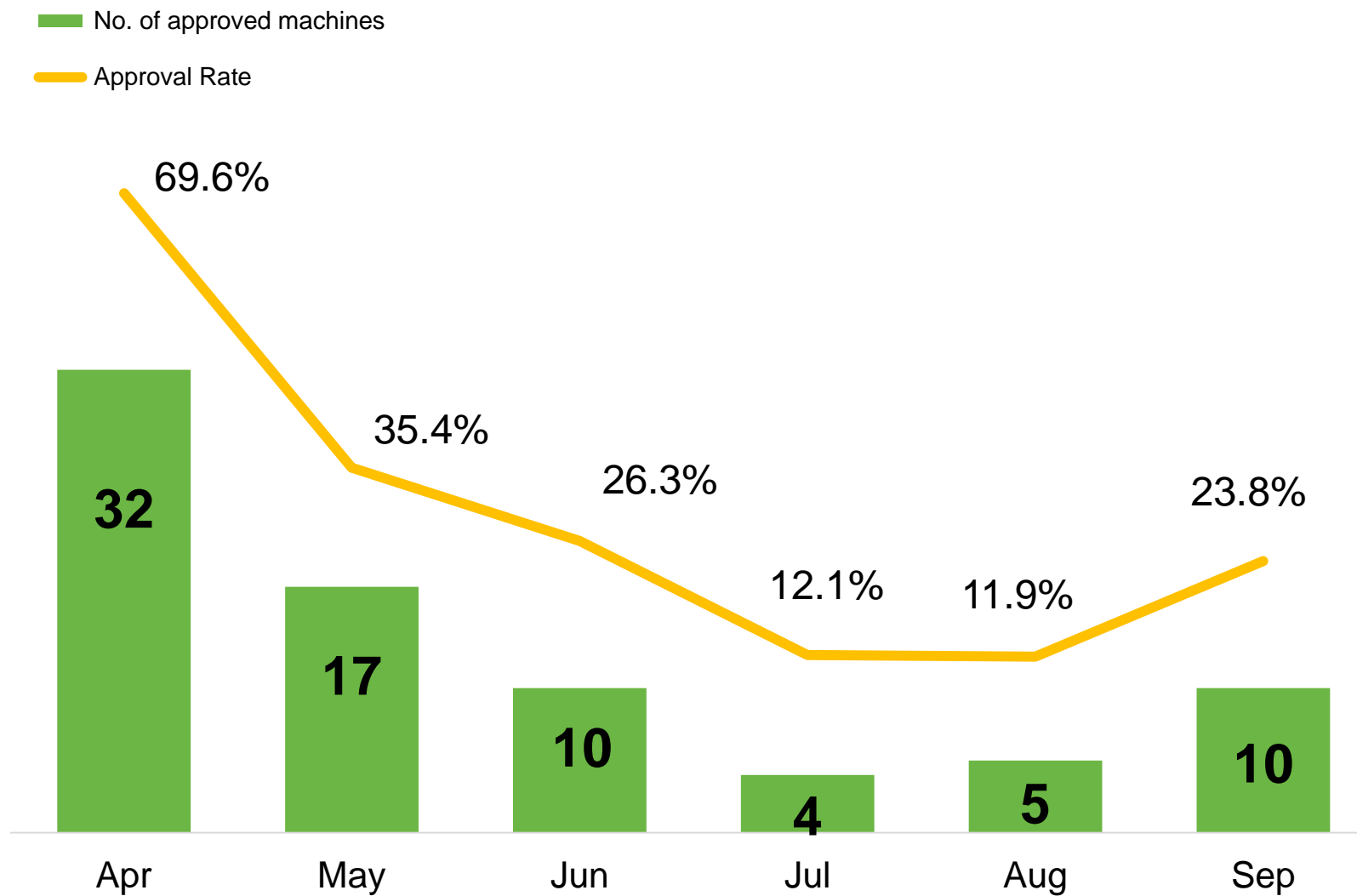
# Gameplay for Type-6 Pachislot Machine



**Improved  
Gameplay leads  
the play enjoyable  
in short time**

- ※ Image for play time with AT (assist time)
- ※ One game assumes to be finished in five seconds
- ※ No. 5.9 model assumes medals increase per game is 2.0  
(Maximum increase under voluntary regulations)
- ※ No. 6 model assumes medals increase per game is 4.0

# Transition of approval rate for Pachislot Machine



**Approval rate  
transitions at  
low level**

**Sammy**

**×**

**Type-6 Pachislot Machine**





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


**“Pachislot CHAIN CHRONICLE”**

©SEGA ©SEGA/CHAIN CHRONICLE FILM PARTNERS  
©Sammy



## 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.

# Entertainment Contents Business

# **Current Status and Issues for Digital Games Area**

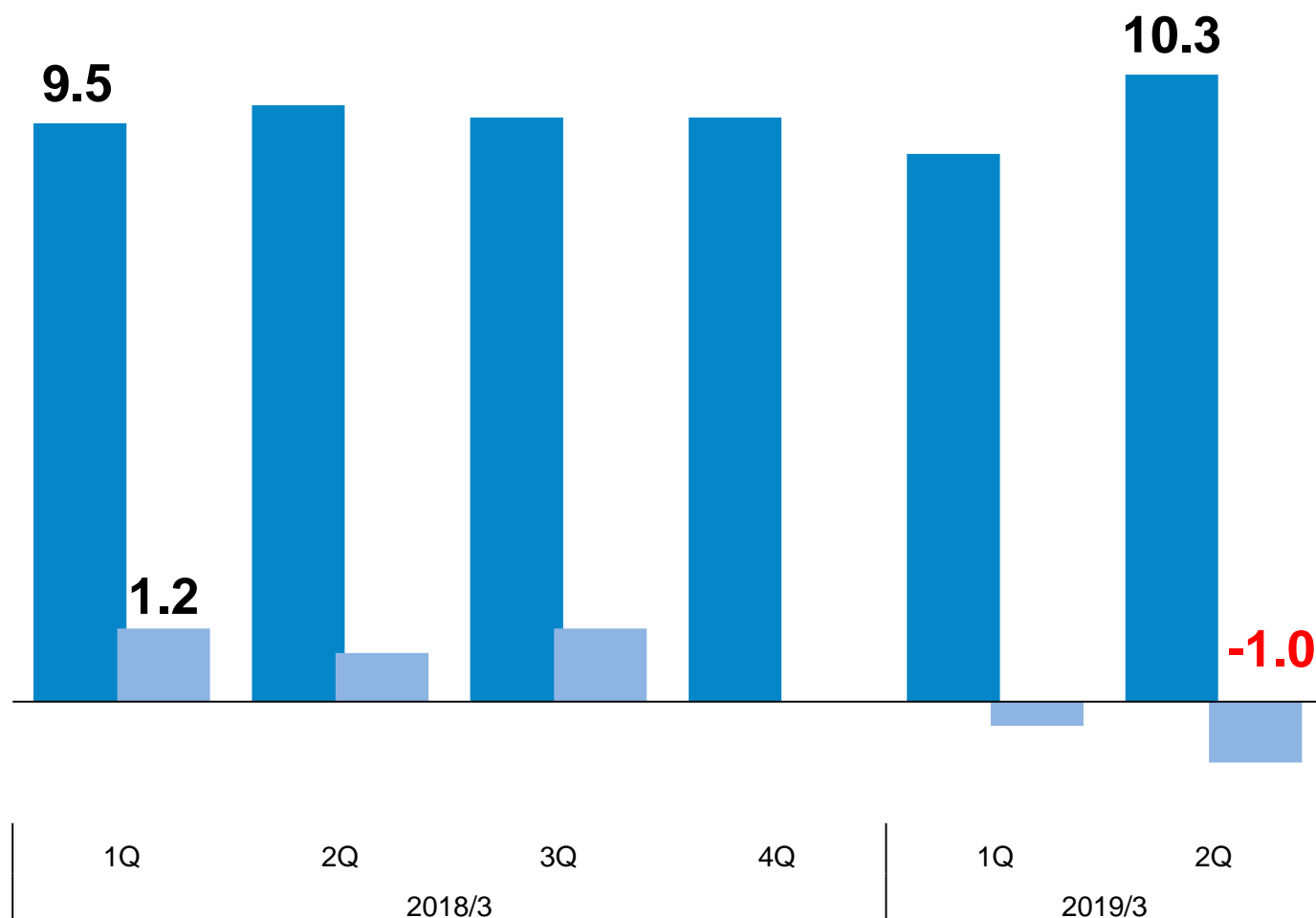


# Transition of business results per quarters (Digital Games)

■ Sales

■ Operating Profit

(JPY Billion)



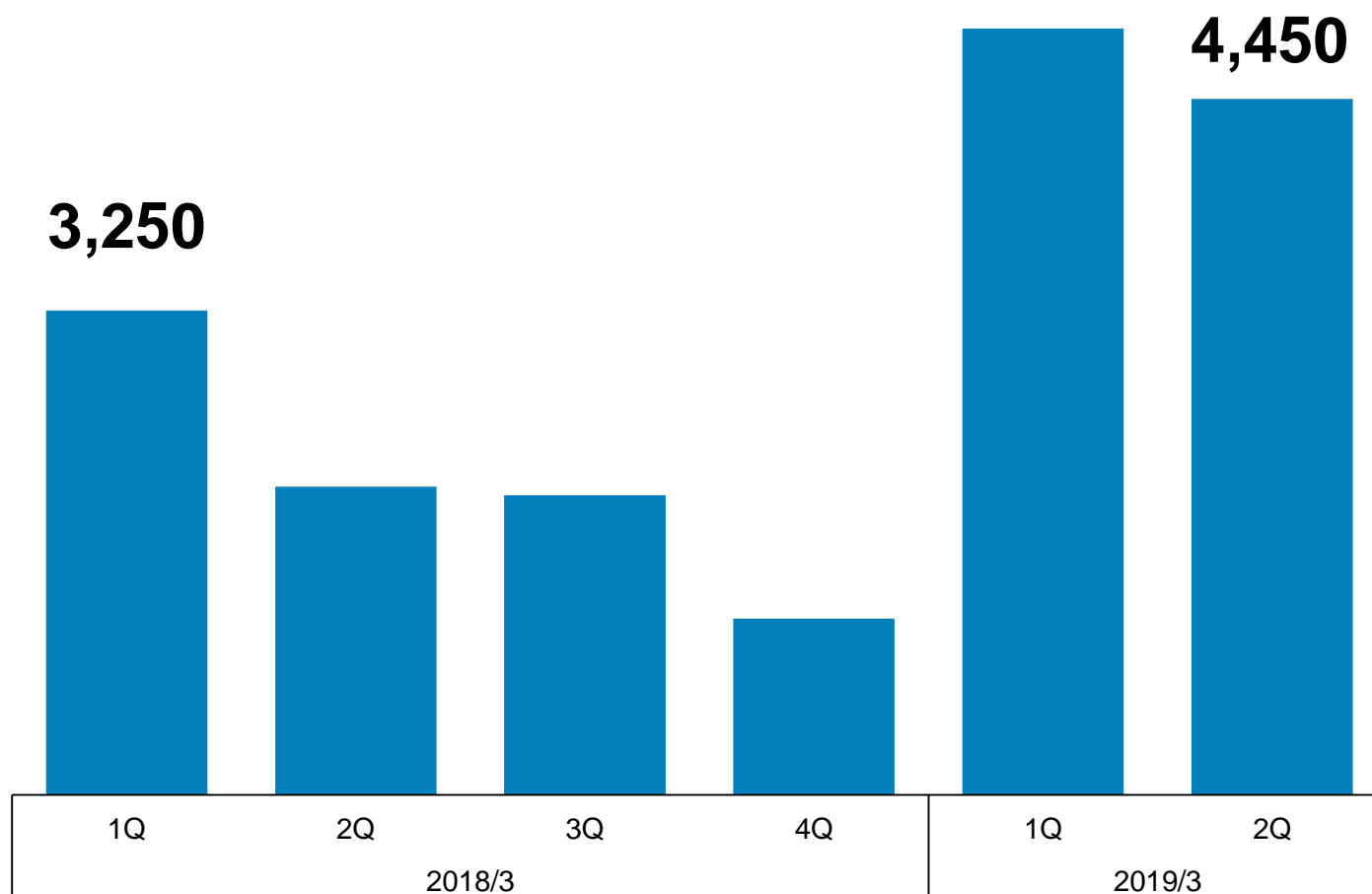
**Need to tackle following issues immediately**

- ◆ Delay in launch schedule
- ◆ Success rate of new titles
- ◆ Sales decline in existing titles

# **Packaged Games / Amusement Center Operations**

# Transition of repeat sales per quarters (Packaged Games)

(Thousands units)

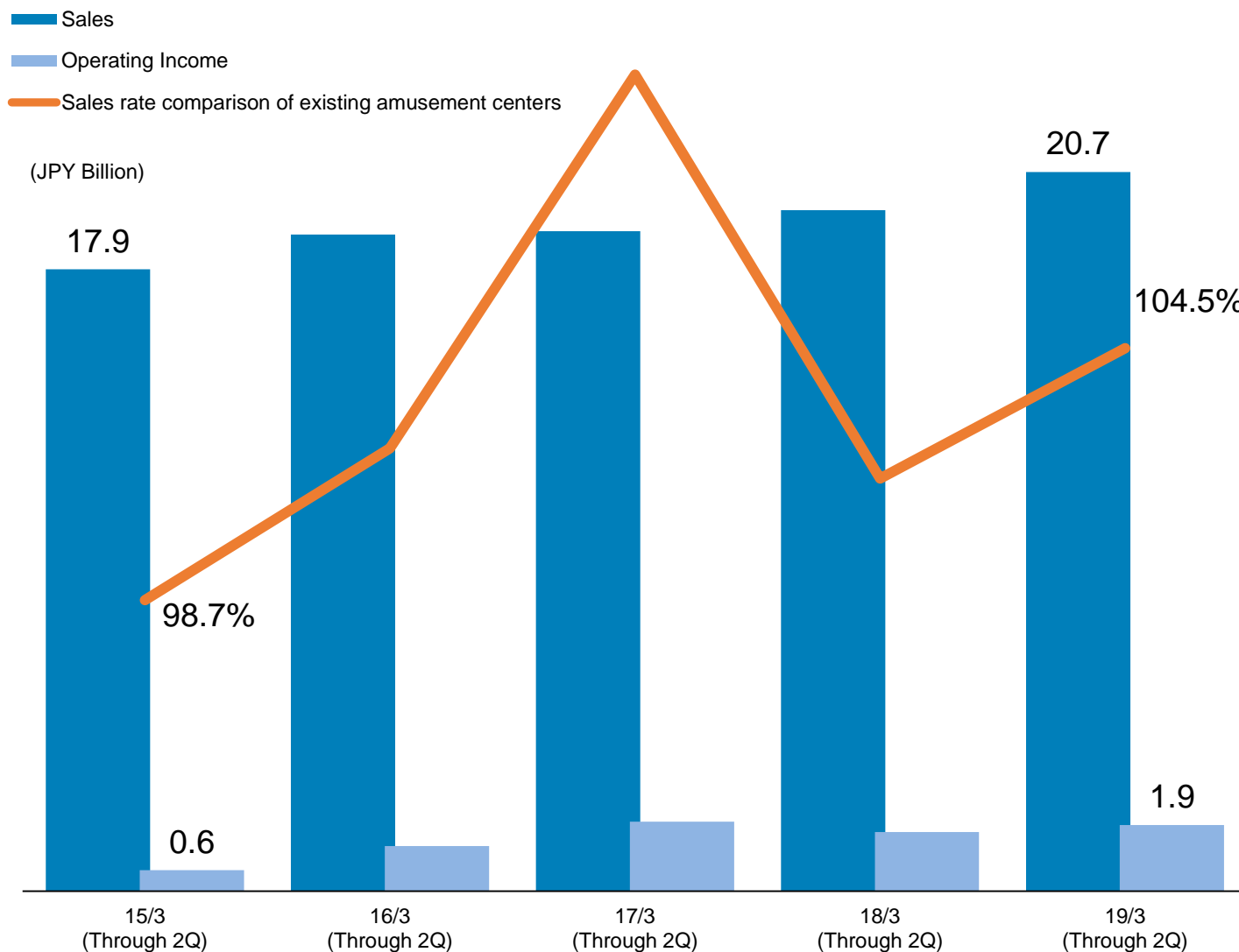


**Repeat sales for existing titles remain steady**

- ◆ Total War series
- ◆ Sonic series and etc.



# Year on year comparison of sales in Amusement Center Operations



**Sales of Amusement Center Operations remain in good shape**

- ◆ Solid performance in prize game field
- ◆ New Video game launched on 2Q, 19/3 got off to a good start

# Resort Business

**“Paradise City” Phase 1-2  
opened in Sep, 2018**



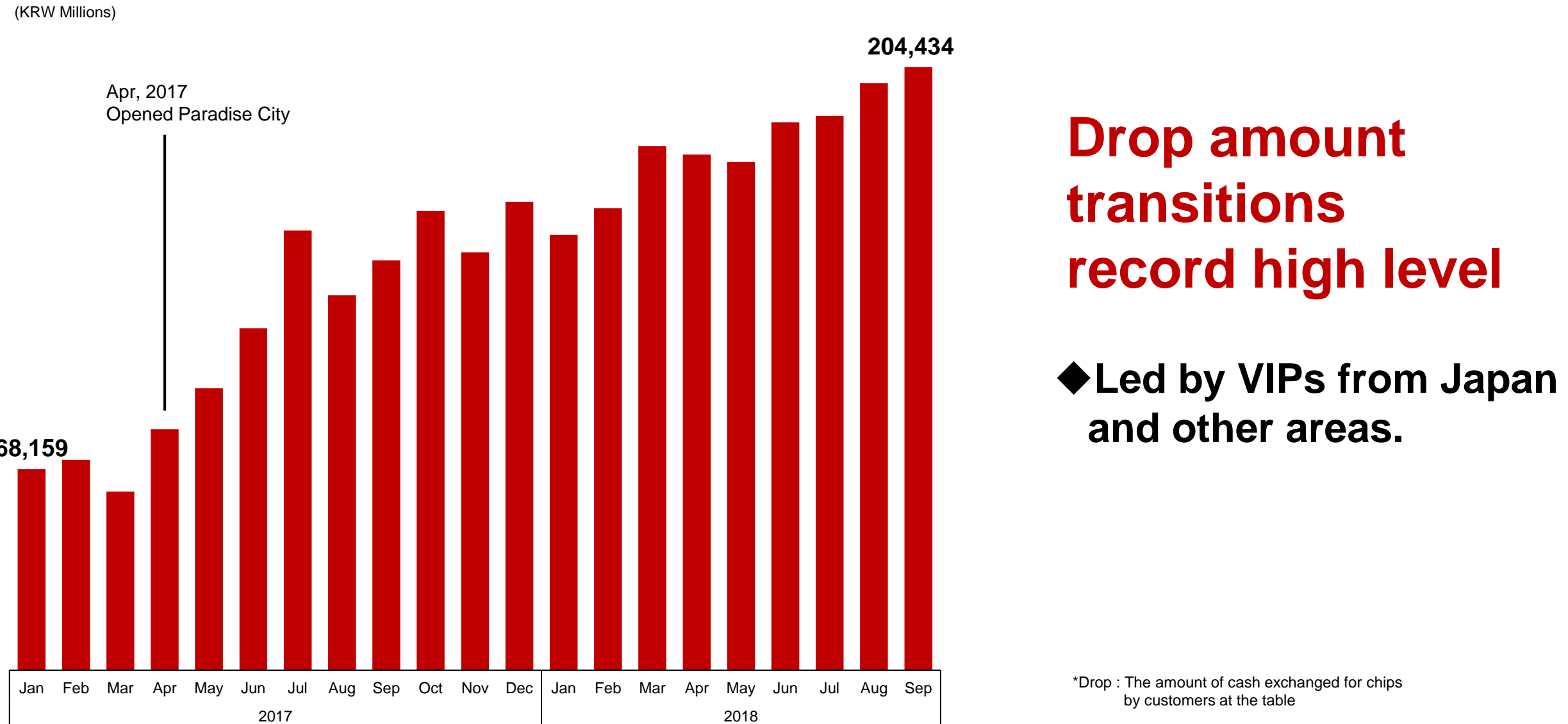


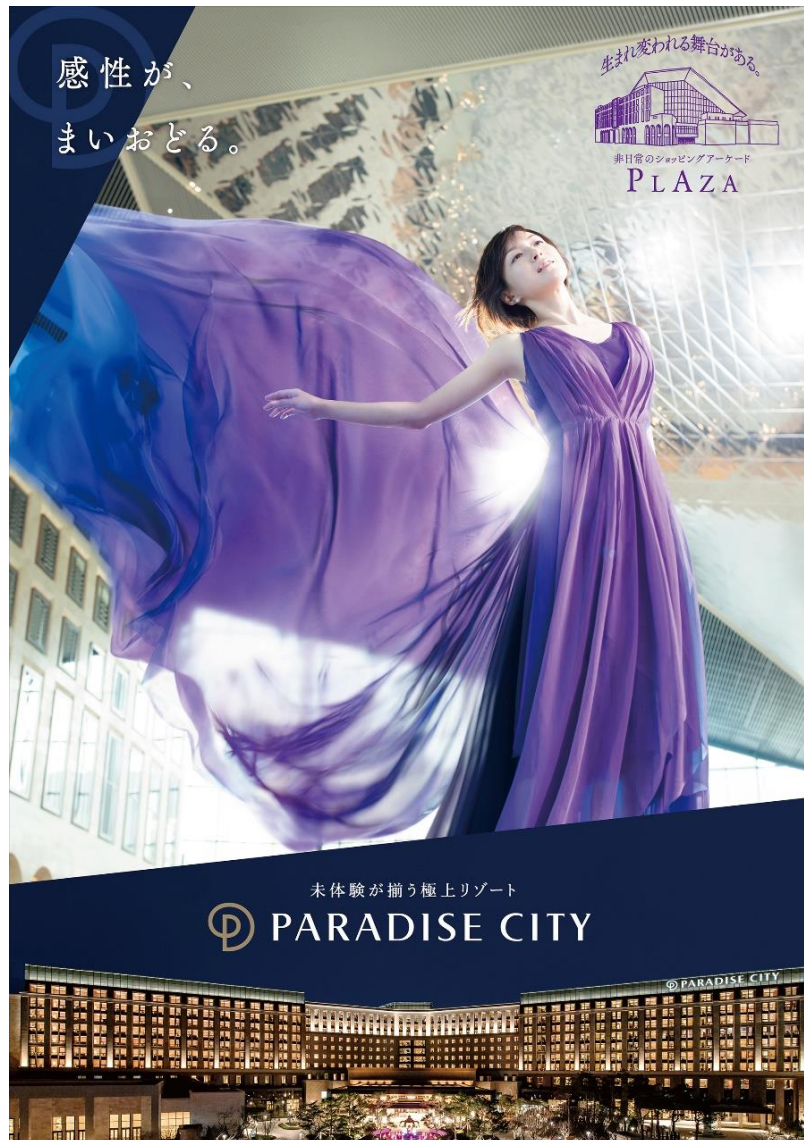
PARADISE CITY

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



# Transition of Drop\* amount at PARADICE SEGA SAMMY





## Started the marketing activities in Japan

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

# **Measures for Participating Integrated Resort Business in Japan**

# 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



# Future Initiatives (Summary)

## Pachislot and Panchinko 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.



<https://www.segasammy.co.jp/>

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<https://www.segasammy.co.jp/english/ir/stock/regulation/>

Please visit below websites for products and service information.  
<https://www.segasammy.co.jp/english/pr/corp/group/list.html>  
(SegaSammy Group Website list)

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