



# FY Ended March 2019 Full Year Results Presentation

Apr 26, 2019

[Disclaimer]

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

# 1. Full Year Results / Full Year Forecasts

# Results Highlights

(JPY Billion)

	2018/3 Results	2019/3 Results	2020/3 Forecast
Sales	323.6	331.6	390.0
Operating Income	17.7	13.0	27.0
Operating Income Margin	5.5%	3.9%	6.9%
Non-operating income	3.2	2.1	1.5
Non-operating expenses	6.4	7.7	5.5
Ordinary Income	14.5	7.4	23.0
Extraordinary income	0.9	8.2	-
Extraordinary losses	3.1	8.7	-
Income before income taxes	12.4	6.9	23.0
Profit (loss) attributable to owners of parent	8.9	2.6	15.0
ROA <sup>※</sup>	1.8%	0.6%	-

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

## 2019/3 Full Year Results

- ◆ Sales increased but profit decreased from last fiscal year.
- ◆ Performance of Pachislot and Pachinko business and Digital Games area went below expectation

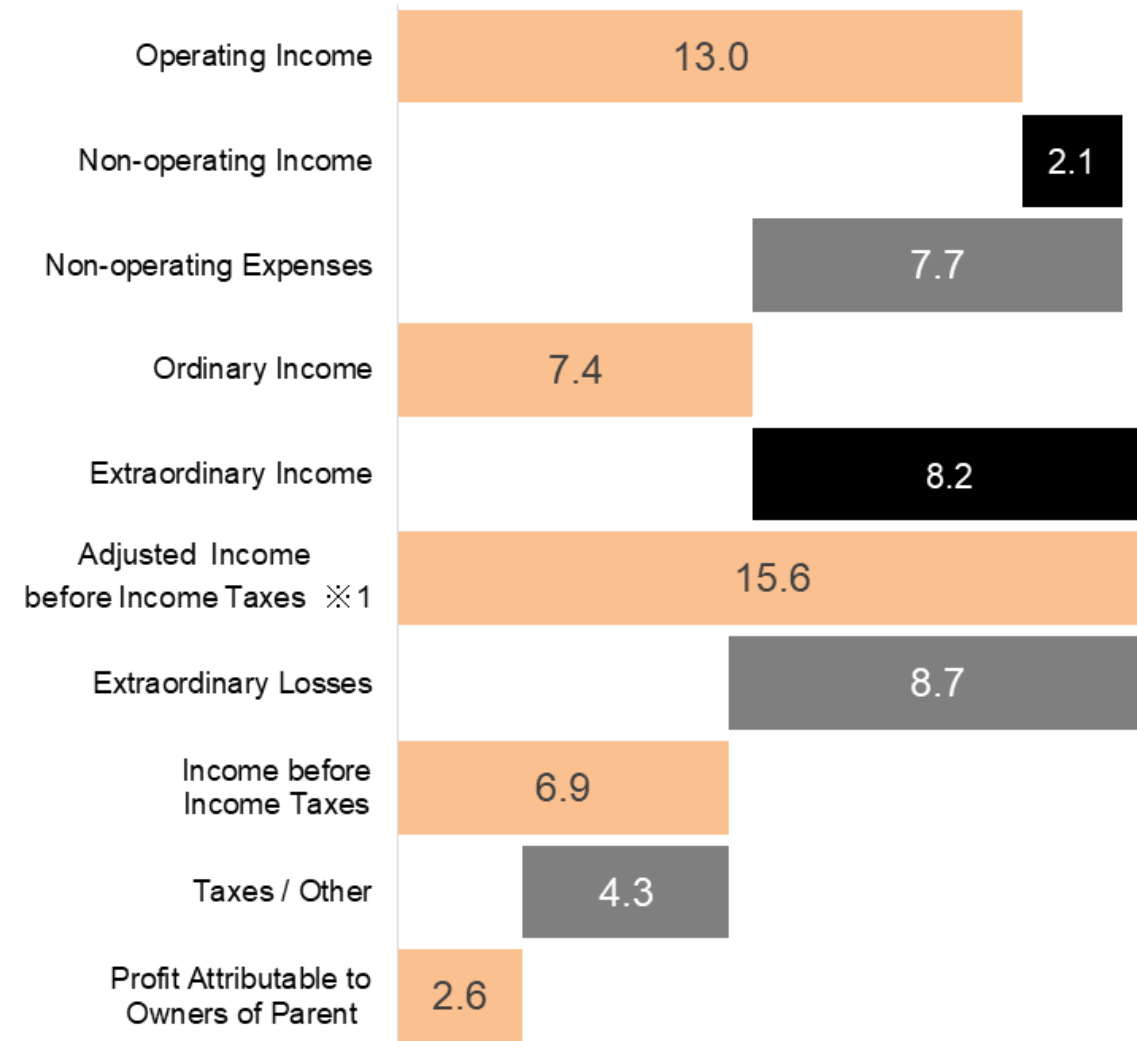
## 2020/3 Full Year Forecasts

- ◆ Both sales and profit expected to be increased.
- ◆ Sell machines centered on new regulation (type 6) machines and expect increase of unit sales in Pachislot and Pachinko business.
- ◆ Put an effort to improve the profitability of Digital Game area.

(JPY Billion)

# Breakdown of Income

## (2019/3 Full Year results)



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

(JPY Billion)

<b>Non-operating income</b>	<b>2.1</b>
Dividends income	0.4
Gain on investments in partnership	0.4
Other	1.3
<b>Non-operating expenses</b>	<b>7.7</b>
Equity in loss of affiliates	3.8
Rent expenses	0.9
Other	3.0
<b>Extraordinary income</b>	<b>8.2</b>
Gain on sales of noncurrent assets	5.2
Gain on sales of investment securities	1.7
Other	1.3
<b>Extraordinary losses</b>	<b>8.7</b>
Impairment loss	8.3
Other	0.4

※1 Income before Income Taxes not including Extraordinary Losses

# Consolidated Costs and Expenses

(JPY Billion)

	2018/3 Results	2019/3 Results	2020/3 Forecast
R&D Expense / Content Production Expense	62.0	66.6	72.5
Cap-ex	24.1	34.4	24.8
Depreciation	16.2	14.5	13.6
Advertising	15.4	16.0	21.0

(Main factors)

2019/3 Results	2020/3 Forecasts
Increased in association with the launch of new titles in Digital Games area	Increase in association with the launch of new titles in Packaged Games area
Increased in association with the relocation of headquarters	Decrease in association with the completion of relocation
Accelerated depreciation decreased in relation to the execution of relocation.	
—	Advertising expenses increases in association with the launch of new titles in Packaged Games area and Pachislot and Pachinko business.

## Consolidated Balance Sheet

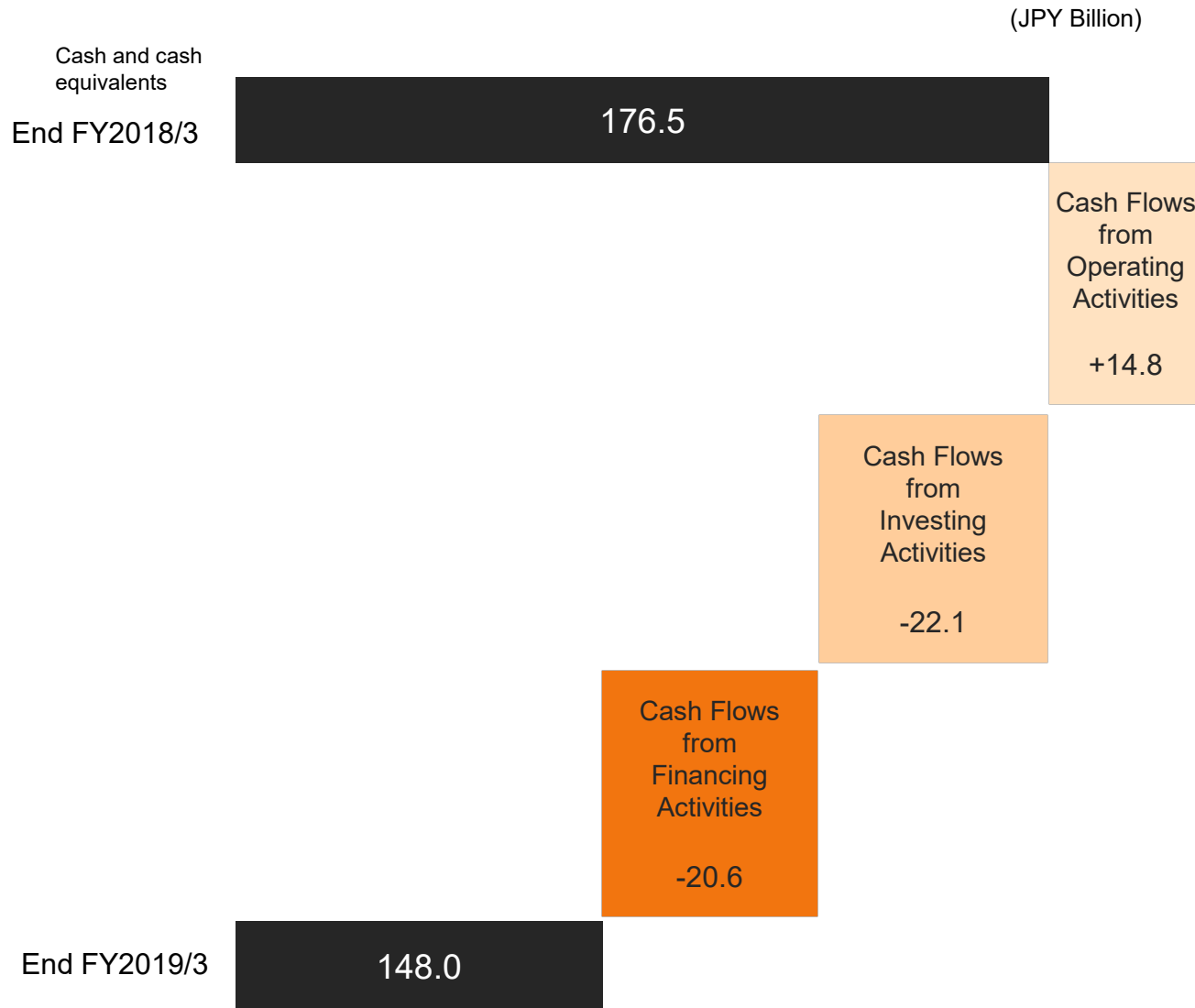
(JPY Billion)

	As of end of March 2018	As of end of March 2019	Change
Total Current Assets	272.3	260.4	-11.9
Cash and Deposits	157.8	137.4	-20.4
Securities	24.6	14.5	-10.1
Total Noncurrent Assets	201.1	204.1	+3.0
Total liabilities and net assets	473.4	464.6	-8.8
Total Current Liabilities	84.4	87.5	+3.1
Corporate Bonds	10.0	12.5	+2.5
Total Noncurrent Liabilities	78.5	71.7	-6.8
Corporate Bonds	22.5	10.0	-12.5
Total Liabilities	163.0	159.3	-3.7
Total Net Assets	310.4	305.3	-5.1
<b>Total Liabilities and Net Assets</b>	<b>473.4</b>	<b>464.6</b>	<b>-8.8</b>
	As of end of March 2018	As of end of March 2019	Change
Cash and cash equivalents	176.5	148.0	-28.5
Interest bearing debt	87.0	76.1	-10.9
Net cash	89.5	71.8	-17.7
Equity Ratio	65.0%	65.1%	

## Consolidated Balance Sheet Summary

Main factors	Changes
<b>Current Assets</b>	
Cash, deposits and securities decreased while trade notes and accounts receivable and inventory assets increased	-11.9
<b>Non-current Assets</b>	
Tangible fixed assets increased in association with relocation of headquarter. Investment securities and investment in capital also increased.	+3.0
<b>Liabilities</b>	
Redemption of corporate bonds and payment of loans payable decreased	-3.7

# Consolidated Cash Flows



## Cash Flows from Operating Activities

Income before income taxes	+6.9
Depreciation and amortization	+18.8
Increase in trade notes and accounts receivable	-10.2
Increase in inventory assets	-10.0
Other	+9.3

## Cash Flows from Investing Activities

Purchase of property, plant and equipment	-18.2
Sales of property, plant and equipment	+10.3
Purchase of intangible assets	-10.2
Other	-4.0

## Cash Flows from Financing Activities

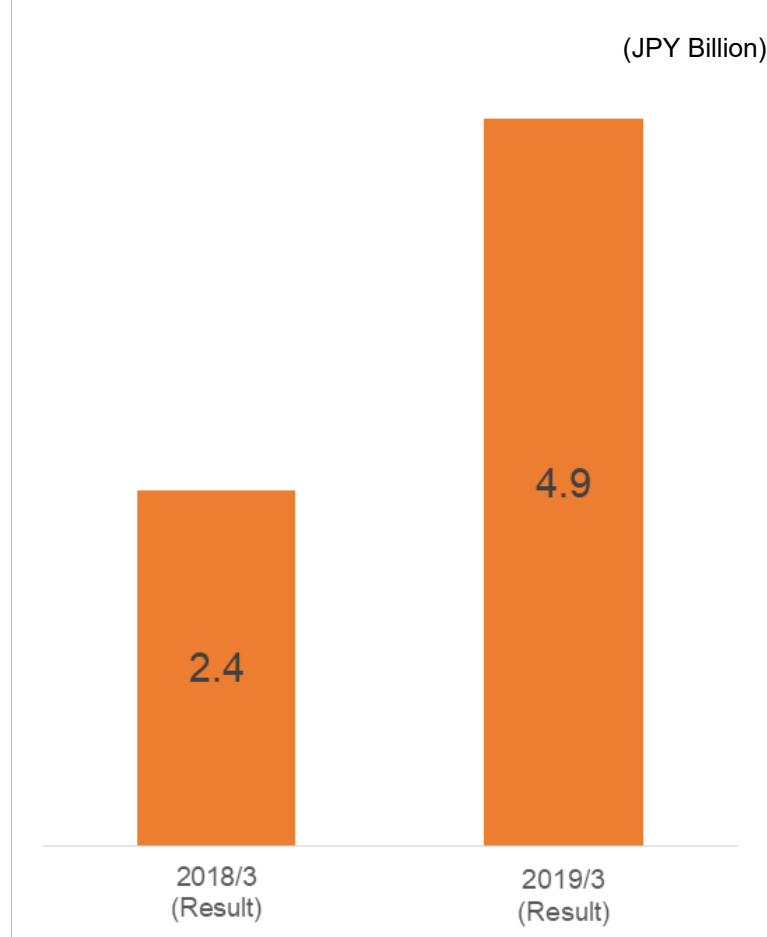
Proceeds from long-term loans payable	+14.9
Payment of long-term loans payable	-15.8
Redemption of bonds	-10.0
Other	-9.7

# Relocation Expenses

## (2019/3 full year results)

Incurrence of expenses for relocation of headquarter

- One-off relocation expenses (Reference)



One-off expenses for relocation

(JPY Billion)

	2018/3 (Result)	2019/3 (Result)
<b>Consolidated</b>	<b>2.4</b>	<b>4.9</b>
Pachislot and Pachinko Machines	0.8	1.1
Entertainment Contents	1.4	3.0
Resort	0.0	0.0
Other / Elimination	0.2	0.8

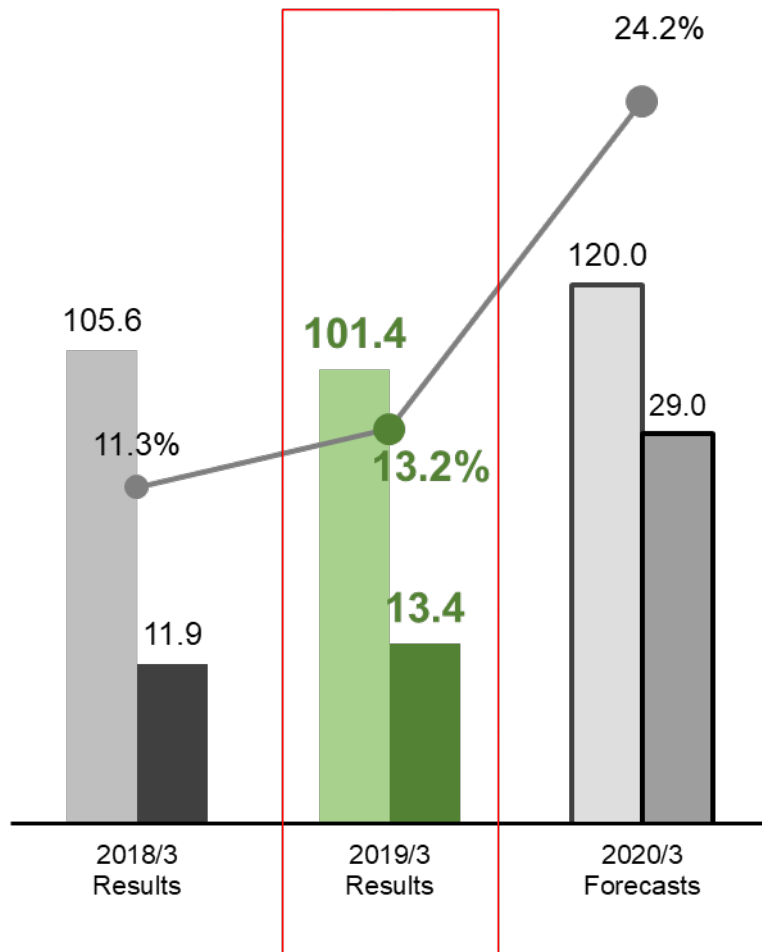


## **2. Full Year Results / Full Year Forecast per Segments**

# Pachislot and Pachinko Machines Business

## 2019/3 Full Year Results

(JPY Billion)



- ◆ Profits increased while sales decreased from last fiscal year.  
 Pachislot: No. of titles and sales units decreased due to the continuous low approval ratio of proto-type testing for new reg. (type 6) machines.  
 Pachinko: Sold centered on previous reg. machines and sales unit increased.

(Sales units transition)

	2018/3 (Results)	2019/3 (Results)	2020/3 (Forecasts)
Pachislot	85,401	67,140	120,000
Pachinko	140,013	159,848	164,000
Board + Frame	97,655	91,858	78,600
Board	42,358	67,990	85,400

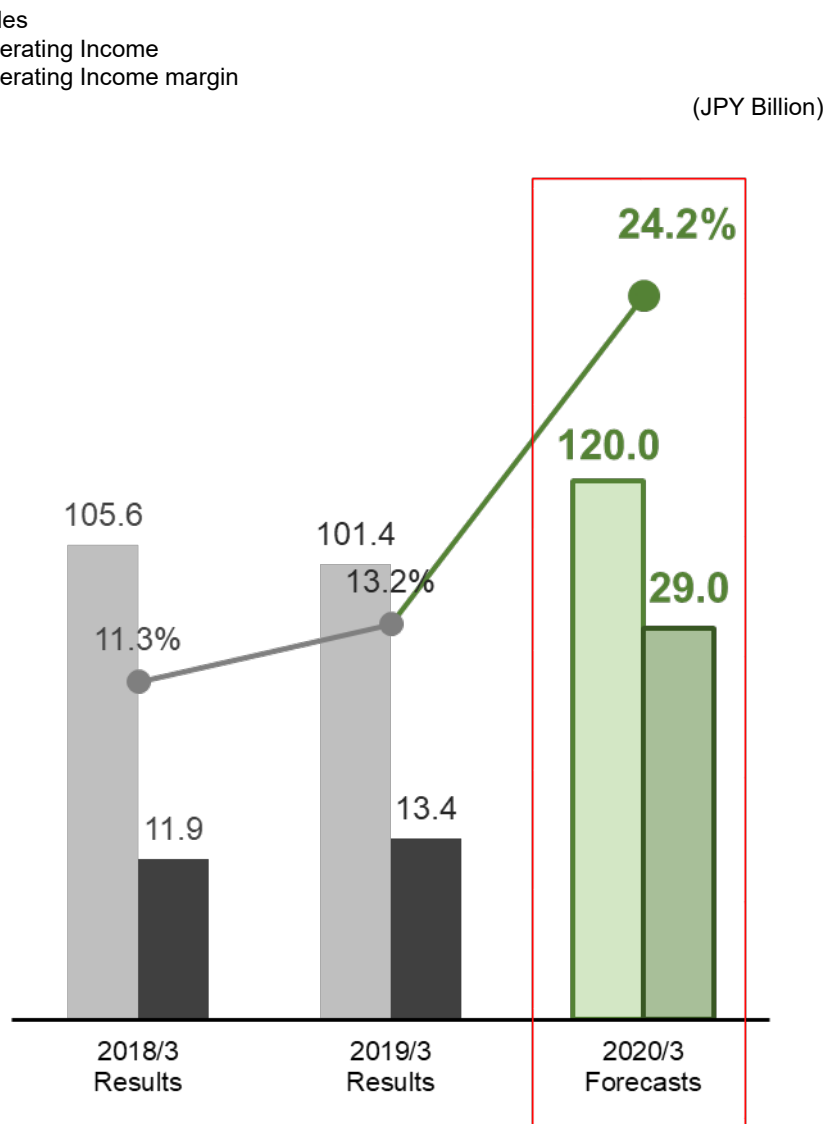
# Pachislot and Pachinko Machines Business

## 2020/3 Full Year Forecasts

### ◆ Plan to increase sales and profit

Pachislot: Sell machines centered on new reg. as increase of demands expected from replacement of previous reg. machines.

Pachinko: Sell machines centered on new reg. and plan to sell units at same level with previous FY.  
Expect significant increase of profit with measures to recover operating income margin such as reuse, etc.



(Sales units transition)	2018/3 (Results)	2019/3 (Results)	2020/3 (Forecast)
Pachislot	85,401	67,140	120,000
Pachinko	140,013	159,848	164,000
Board + Frame	97,655	91,858	78,600
Board	42,358	67,990	85,400

# Pachislot and Pachinko Machines Business

## Major titles in 2019/3



“Pachislot DISC UP”

©Sammy



“Pachinko CR Shin Hokuto Muso Chapter 2”

©Buronson & Tetsuo Hara/NSP 1983, Approved No.KOK-115  
© 2010-2013 Koei Tecmo Games Co., Ltd.  
©Sammy

## Titles in and after 2020/3



“Pachislot DISC UP”  
5th version White Panel

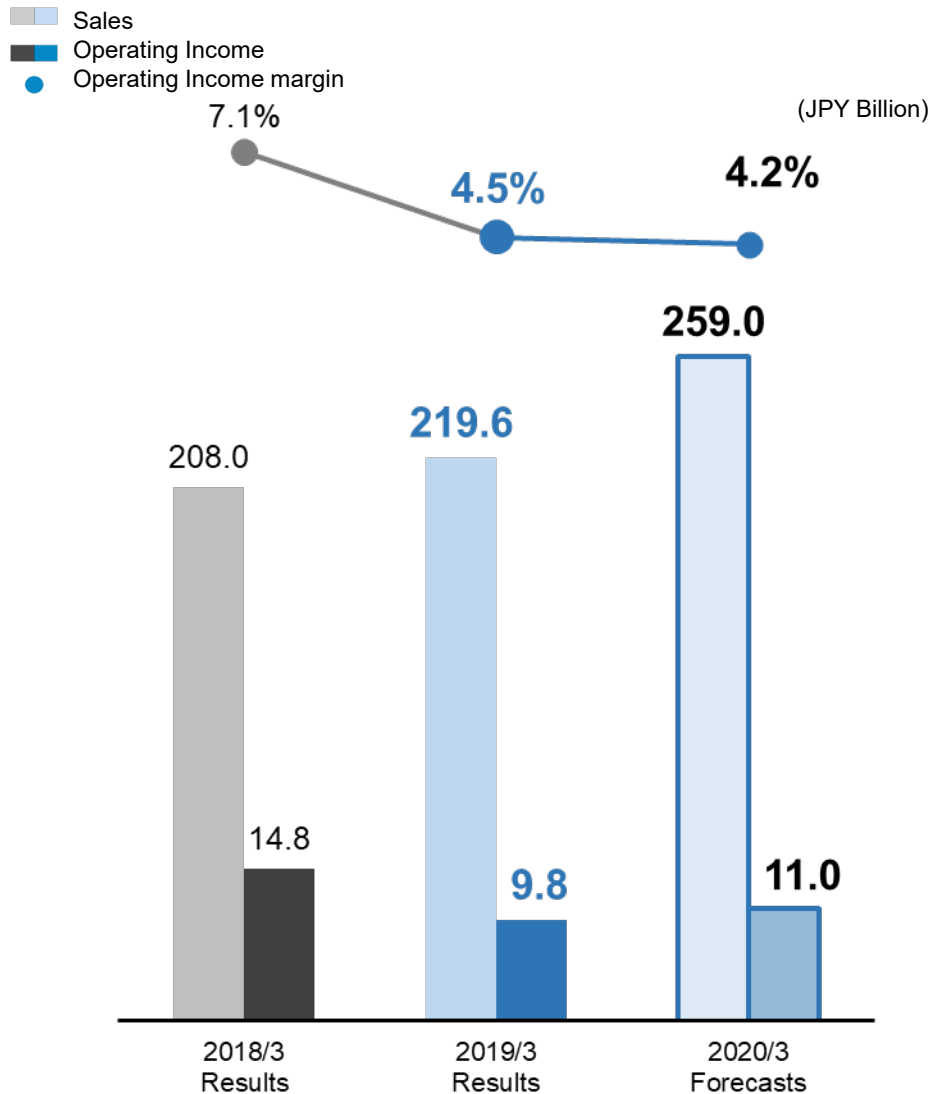
©Sammy



“P SHOW BY ROCK!!”

©2012,2019 SANRIO CO.,LTD. APPROVAL NO.S593668 SP# ©Sammy

# Entertainment Contents Business

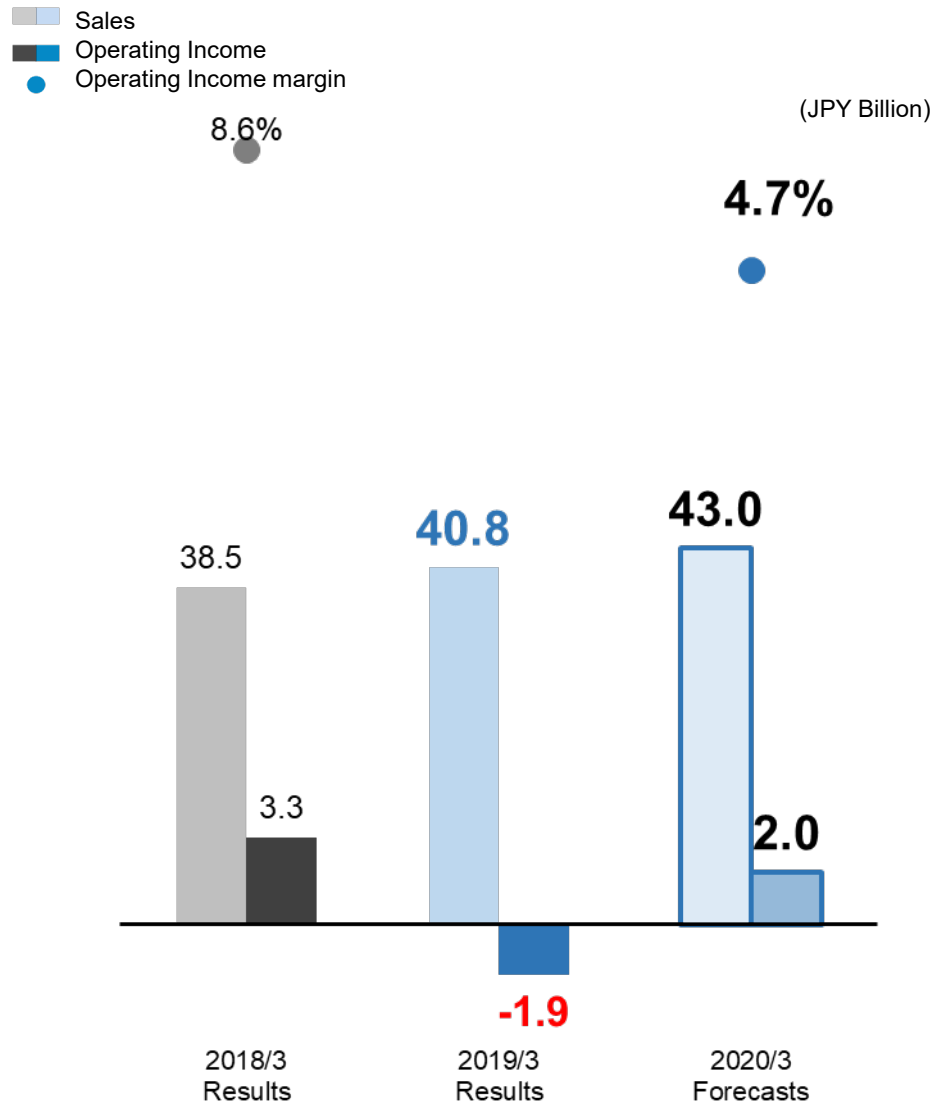


## 2019/3 Full Year Results

- ◆ Sales increased but profits decreased from last fiscal year.
- ◆ Recorded losses in Digital Games area.
- ◆ Repeat sales at NA/EU in Packaged Games area remained steady and support the revenue of the business

## 2020/3 Full Year Forecasts

- ◆ Expect the recovery of profits with the optimization of number of games to develop/operate.
- ◆ Expect the large increase in sales in Packaged Games area but the R&D expenses, etc. from launch of new titles will also incur.



## 2019/3 Full Year Results

- ◆ Fell significantly below the initial plan while sales increased from the last fiscal year and loss was recorded
- ◆ Failed to compensate for the decline in existing titles with new titles
- ◆ Recorded loss along with termination of services of operating titles such as write-down and etc.
- ◆ Number of new titles launched  
Initial plan 12 titles ⇒ Actual 8 titles

## 2020/3 Full Year Forecasts

- ◆ Put an effort to improve profitability by adjustment of number of developed/operating titles, etc.
- ◆ Running costs will decrease due to recording of loss in the FY ended March 2019
- ◆ Transfer resources to profitable areas
- ◆ Number of new titles to be launched  
Plan for FY ending March 2020: 6 titles



## Major titles in 2019/3



“SEGA Pocket Club Manager”

©SEGA

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“Ryu ga Gotoku ONLINE”

©SEGA

SEGA Sammy

## Major titles in and after 2020/3



“LEAGUE OF WONDERLAND”

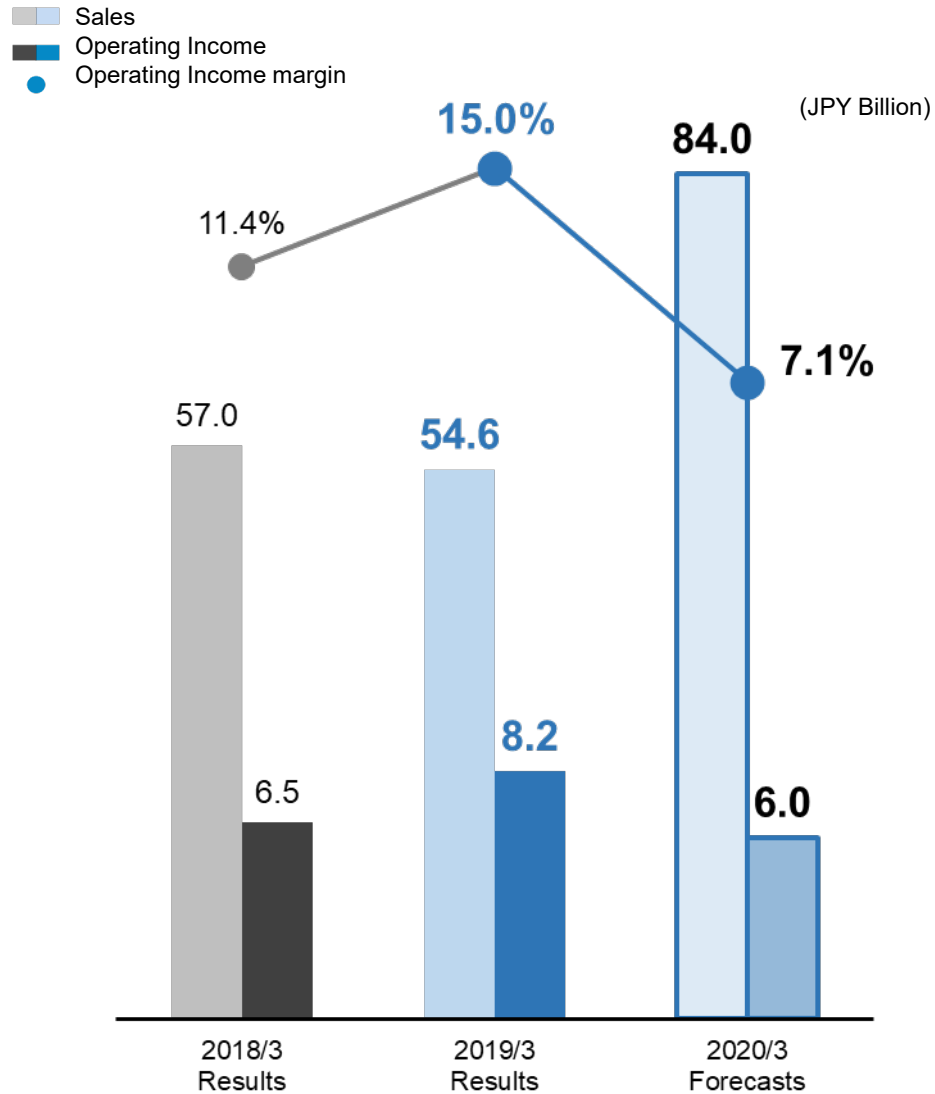
©SEGA



“Kemono Friends 3”

©Kemono Friends Project2G ©SEGA

# Packaged Games



## 2019/3 Full Year Results

- ◆ Sales decreased while profits increased from last fiscal year due to solid repeat sales despite the delay in some new titles.

## 2020/3 Full Year Forecasts

- ◆ Expect significant increase of sales due to the launch of several large new titles of existing IP
- ◆ Expect decrease of profits due to large R&D cost and advertising expenses associated with the launch of new titles and expected decrease of repeat sales

Unit sales of Packaged Games			(Thousands unit)
	2018/3 Results	2019/3 Results	2020/3 Forecast
New Titles	8,130	4,090	10,690
Repeat Titles	9,200	19,350	14,500
Total	17,330	23,440	25,190



# Packaged Games

## Major titles in 2019/3



“Yakuza 6: The Song of Life”

©SEGA



“Judgment”

©SEGA



“Football Manager 2019”

© Sports Interactive Limited 2019.  
Published by SEGA Publishing Europe Limited.

# Packaged Games

## Major titles in and after 2020/3



“Team Sonic Racing”

©SEGA



“Total War: THREE KINGDOMS”

© SEGA.

Developed by The Creative Assembly Limited.



“Project Sakura Wars”

©SEGA



“Mario & Sonic at the Olympic Games  
Tokyo 2020”

TM IOC/TOKYO2020/USOC 36USC220506.

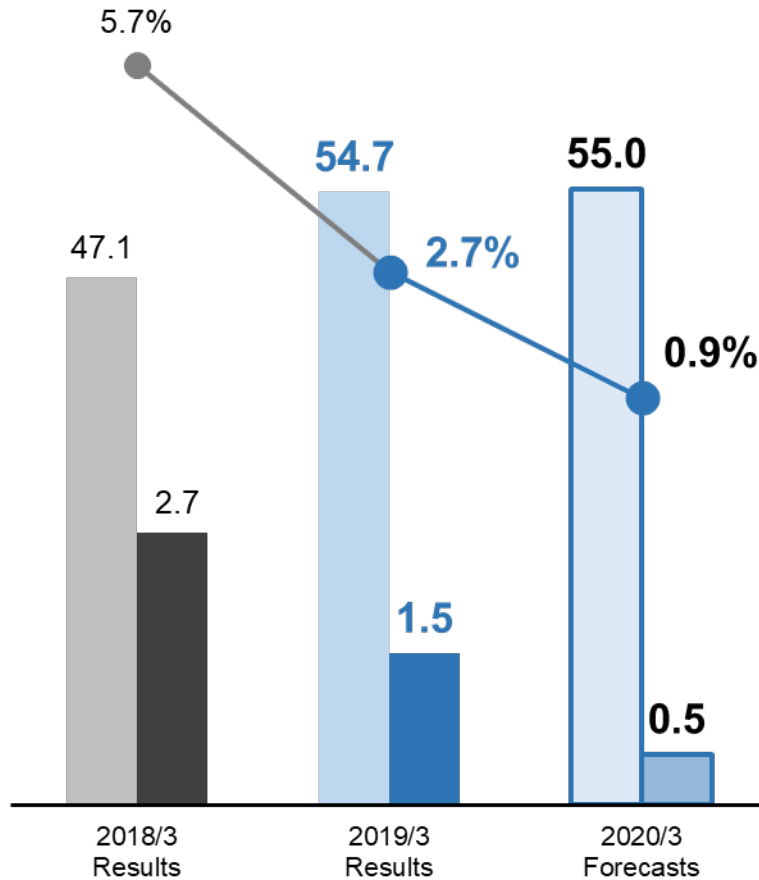
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# Amusement Machine Sales

■ Sales  
■ Operating Income  
● Operating Income margin

(JPY Billion)



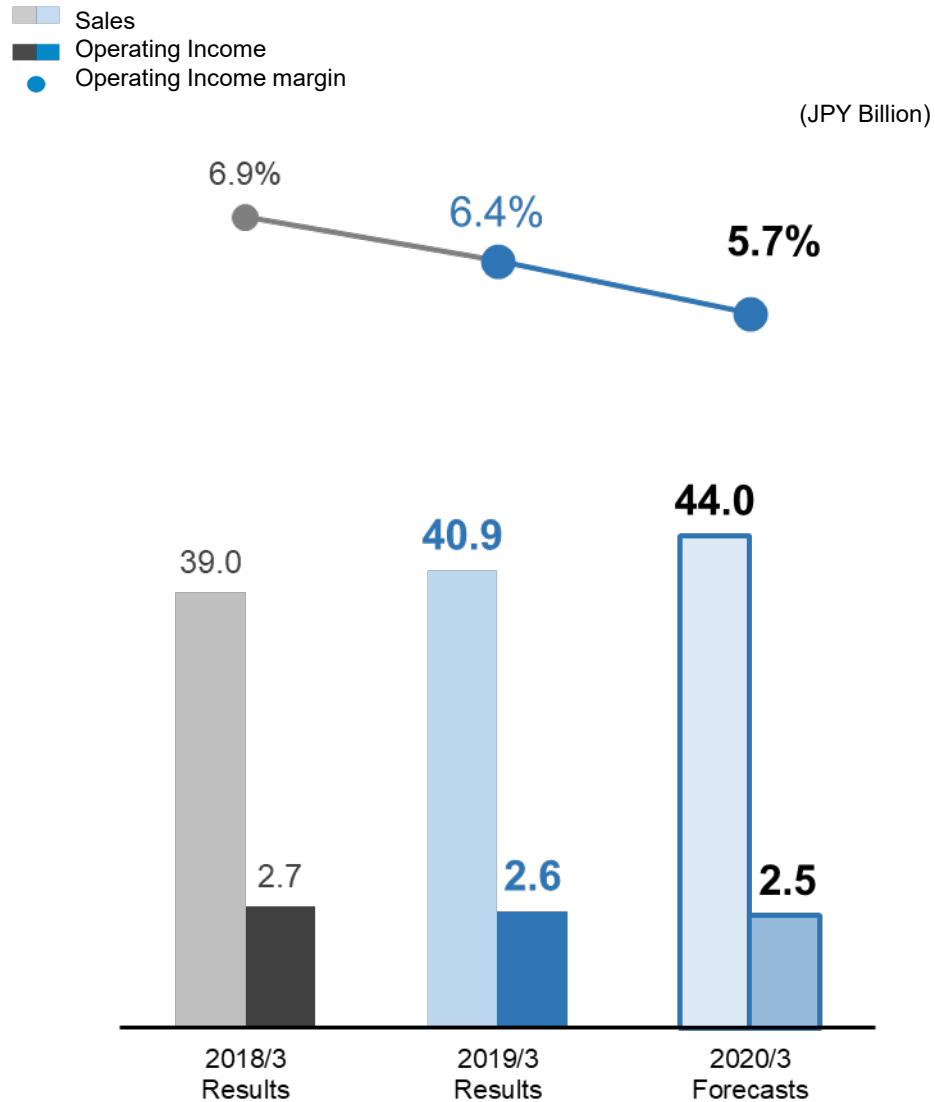
## 2019/3 Full Year Results

- ◆ Sales increased but profit decreased from last fiscal year.
- ◆ Sold several video game and prize machines.
  - ✓ Fate/Grand Order Arcade
  - ✓ UFO CATCHER TRIPLE TWIN
- ◆ Expenses increased from title of which operation was suspended and relocation of office.

## 2020/3 Full Year Forecasts

- ◆ Plan to launch new series of mainstay title “StarHorse4” in addition to prize machines which sales has been performing well.
  - ✓ StarHorse4
  - ✓ maimai DX
- ◆ Expect decrease in profit due to increase of common fixed expenses from relocation of headquarter.

# Amusement Center Operations



## 2019/3 Full Year Results

- ◆ Sales increased but profit decreased from last fiscal year.
- ◆ Recorded solid performance centered on prize areas.
- ◆ Sales at existing stores exceeded 100% for five consecutive fiscal years.

## 2020/3 Full Year Forecasts

- ◆ Expect profit will be leveling off due to consumption tax hike while sales increase with opening of new stores

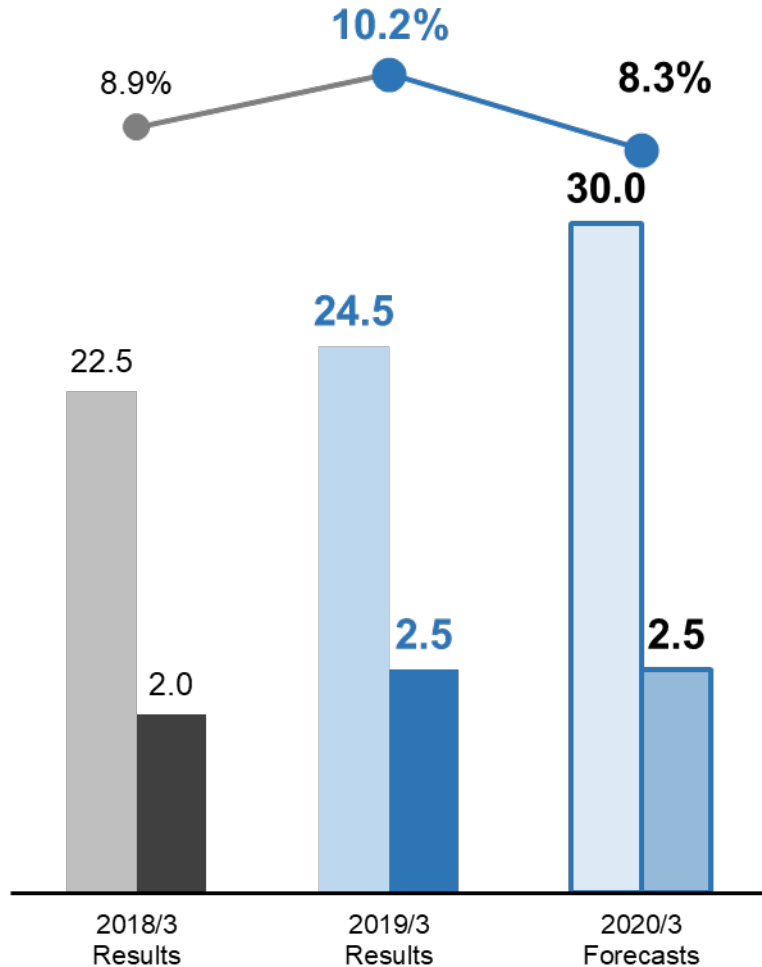
Domestic amusement centers: No. of stores / YoY sales ratio comparison

	2018/3 Results	2019/3 Results	2020/3 Forecasts
No. of stores	189	190	195
YoY Sales Ratio comparison (%)	101.9	104.0	104.4

# Animation / Toys

■ Sales  
■ Operating Income  
● Operating Income margin

(JPY Billion)



## 2019/3 Full Year Results

- ◆ Animation: Recorded the earnings from video distribution and etc.
  - ✓ Movie version of "Detective Conan" series etc.
- ◆ Toys: Sold new products and regular products.
  - ✓ WHOareYOU? etc.

## 2020/3 Full Year Forecasts

Expect profit will be leveling off due to increase in ratio of revenue from video creation while sales increase from launch of new video in animation area and new products in toy area.

- ✓ Movie version of "Detective Conan"

# Resort Business

■ Sales  
■ Operating Income

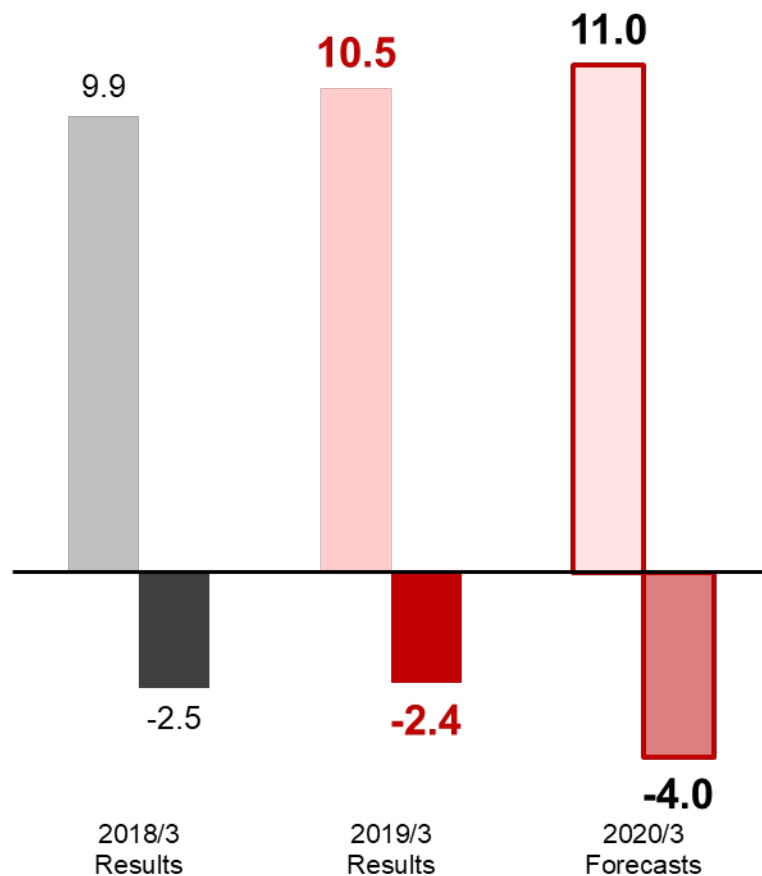
(JPY Billion)

## 2019/3 Full Year Results

- ◆ Sales increased and volume of losses decreased from last fiscal year.
- ◆ Cost incurred for domestic Integrated Resort increased.
- ◆ Profit of PHOENIX RESORT improved.

## 2020/3 Full Year Forecasts

- ◆ Continue efforts to improve profitability of existing facilities.
- ◆ Expect the increase of prior investment as the actions required for participating domestic Integrated Resort will be activated.

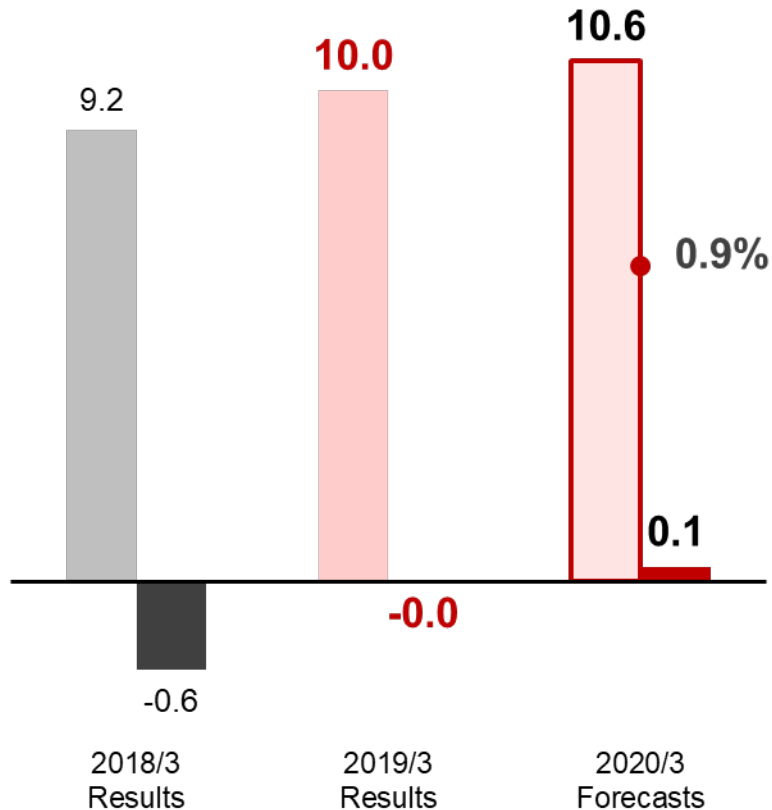


■ Sales  
■ Operating Income  
● Operating Income margin

(JPY Billion)

## 2019/3 Full Year Results

- ◆ Sales and number of facility users increased as effects of renovation of facilities and other various promotions.



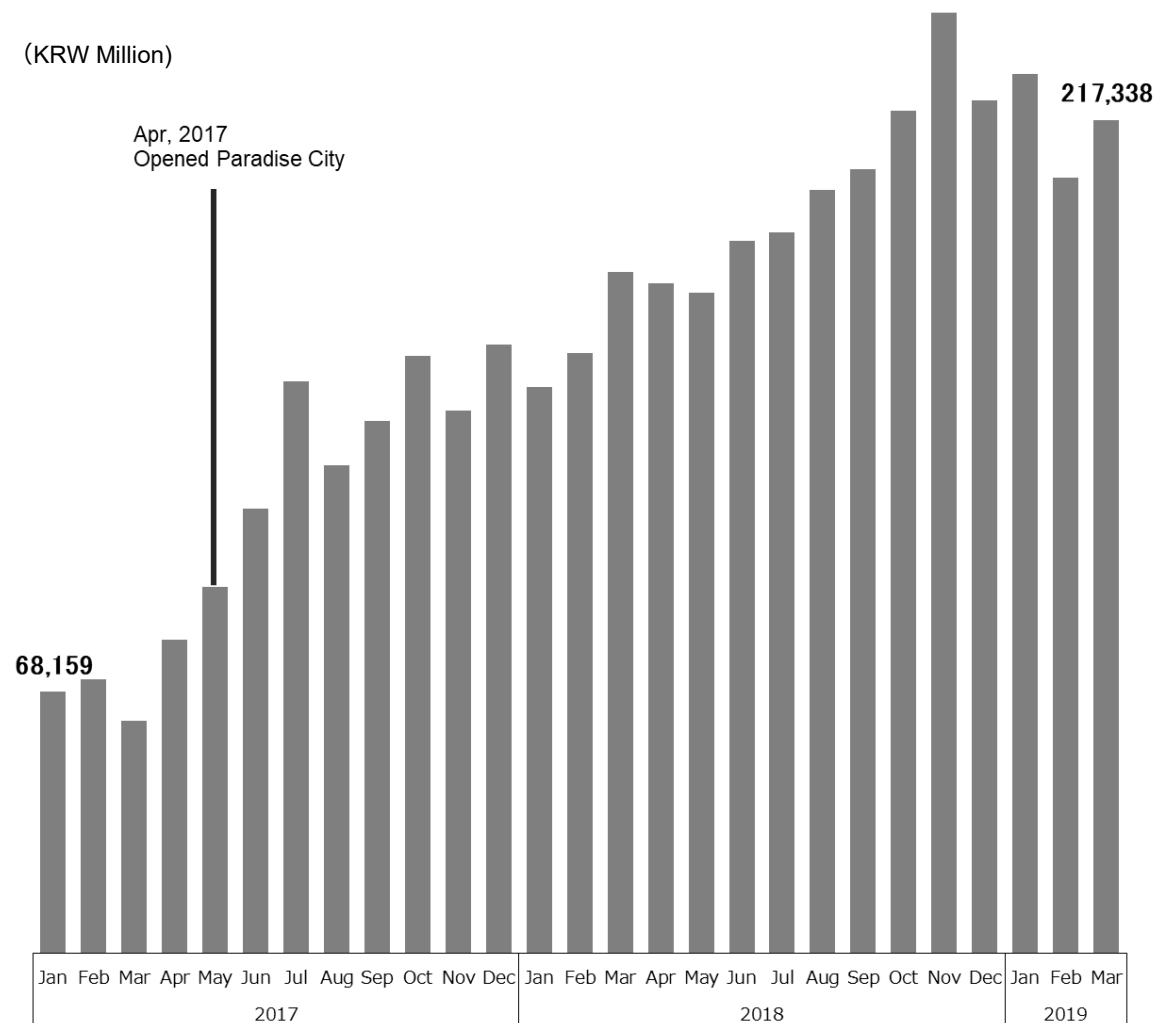
## 2020/3 Full Year Forecasts

- ◆ Continuously implement various promotion activities to improve profitability.
- ◆ Implement measures to boost the use of golf and MICE.



## Transition of Drop\* amount at Paradise SegaSammy

(KRW Million)



## PARADISE SEGASAMMY (Equity method affiliate)

(KRW Billion)

	FY 2018/3	FY 2019/3
Sales	200.5	301.6
Casino	174.9	248.6
Hotel	25.6	50.3
Other	-	2.8
Cost of sales	176.0	285.0
Casino	117.9	161.6
Hotel	58.1	99.2
Other	-	24.2
Gross profit	24.4	16.6
SG&A	57.2	37.4
Operating profit	-32.7	-20.8
EBITDA	-6.2	20.0
Net profit	-46.8	-53.0

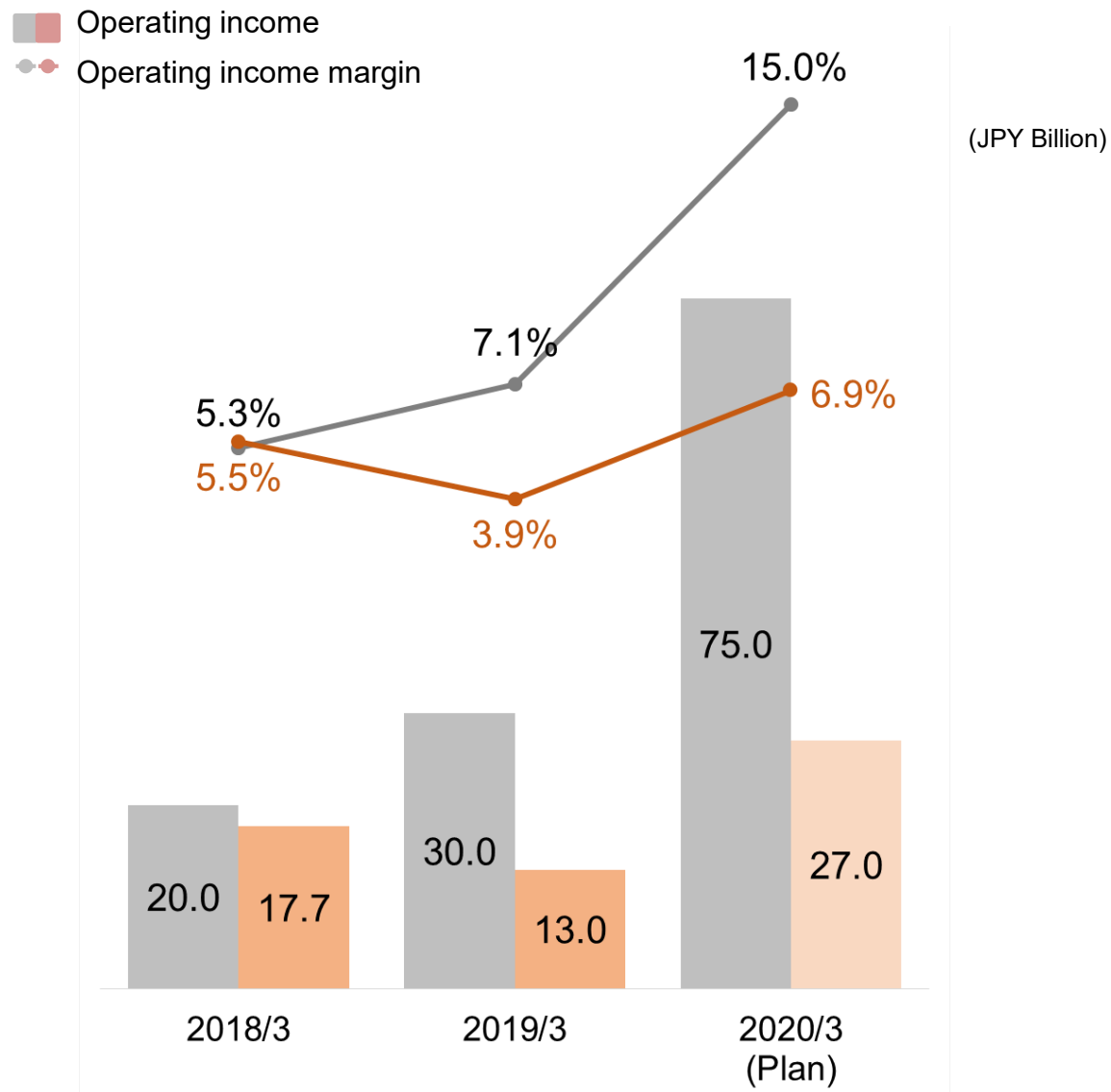
Source: Paradise IR

SEGASAMMY		
Equity method acquisition amount (Billion yen)	-2.8	-3.1



# *Road To* *2020*

# Progress of “Road to 2020”



**Operating income fell short of initial plan for two consecutive fiscal years**

**(Main factors)**

**Pachislot and Pachinko Machines Business**

Impact of regulation change

**Entertainment Contents**

Lack of hit titles mainly in Digital Games area

# Pachislot and Pachinko Machines Business

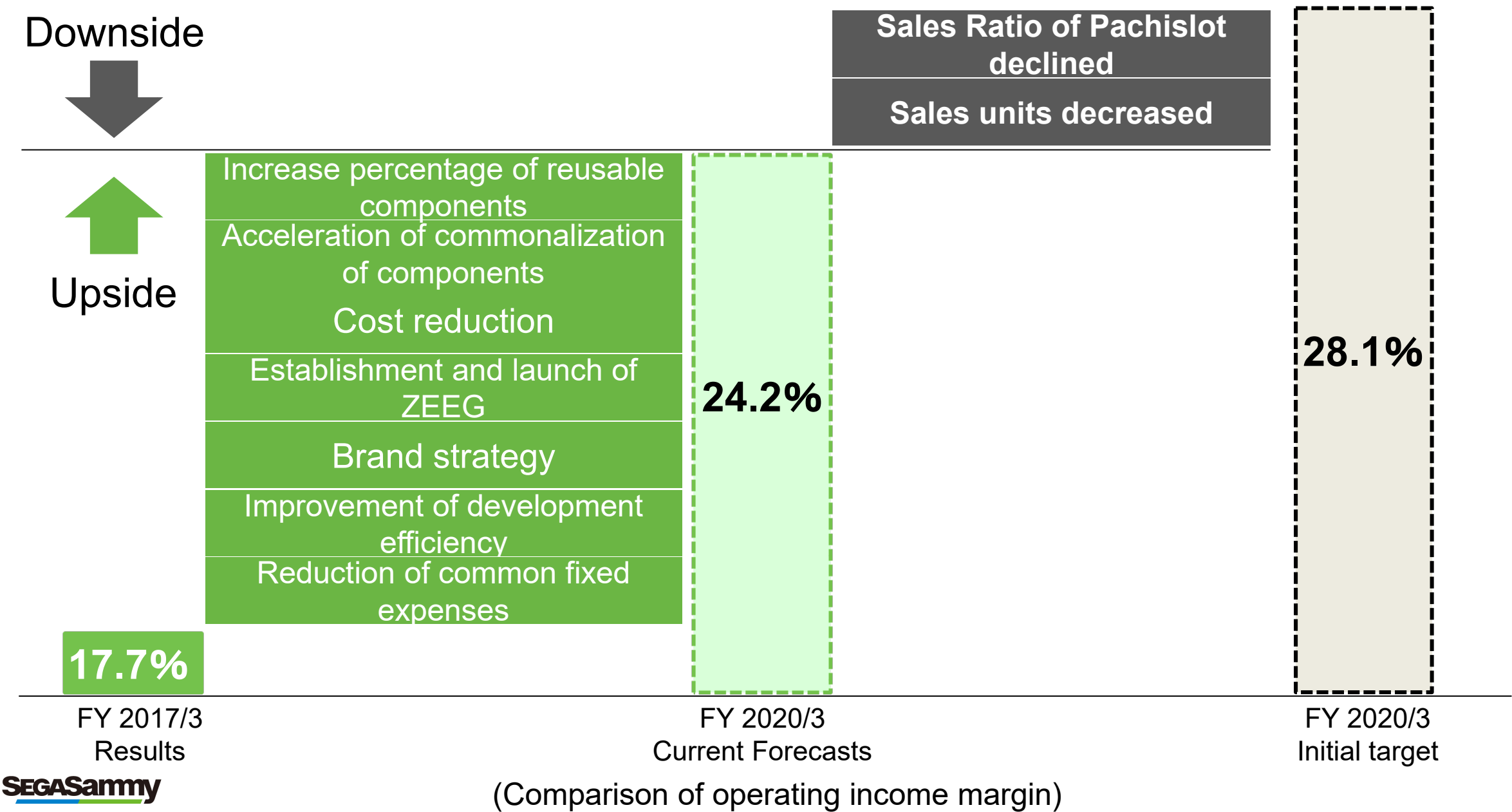
# Review of “Road to 2020”

(Pachislot and Pachinko Machine Business)

**While not expected to reach initial target due to the change in business environment, operating income margin improved significantly**

- ✓ Changes in environment due to regulation change
  - Approval ratio declined
  - Sales Market stagnated
- ✓ Execution of measures to improve operating income margin has been proceeding steadily.

# Executed measures and outcome for “Road to 2020”



# Executed measures and outcome for “Road to 2020”

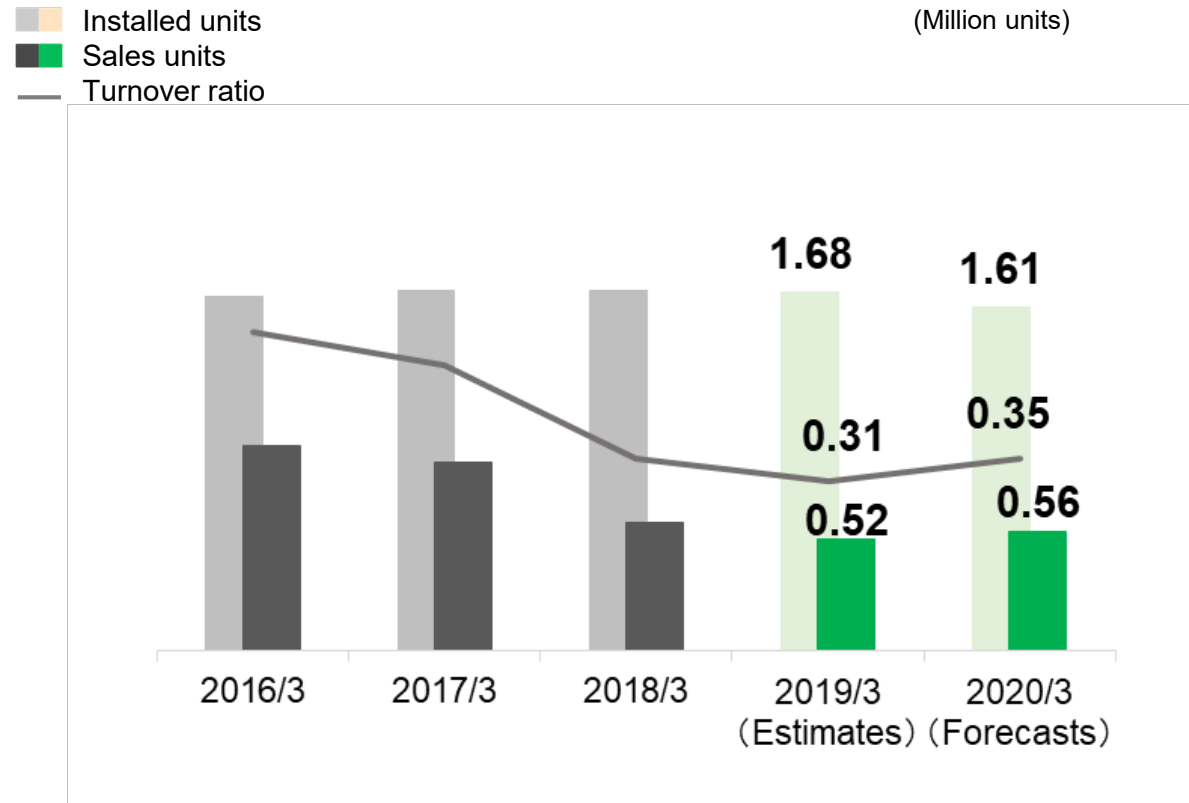
## Improvement of operating income margin is progressing steadily

Key measures	Outcome
Increase percentage of reusable components	Products design with reuse in mind Number of reusable components expanded (30 to 50)
Acceleration of commonalization of components	Common components ratio increased (Pachislot: more than 88%, Pachinko: more than 52%) Commonalization of components between Pachislot and Pachinko proceeded
Cost reduction	Cost management enhanced using cost indicators Cost reduced from transferring outsourced work to insource in debug operation and careful selection of exclusive items such as devices
Establishment and launch of ZEEG	Started the use of ZEEG machines from last fiscal year
Brand strategy	Integration into Sammy brand
Improvement of development efficiency	Shortened development period (not able to achieve initial plan due to the impact of regulation change) Review process enhanced, numbers of developed titles narrowed down
Reduction of common fixed expenses	Realized reduction of fixed expenses which exceeds initial forecast significantly.

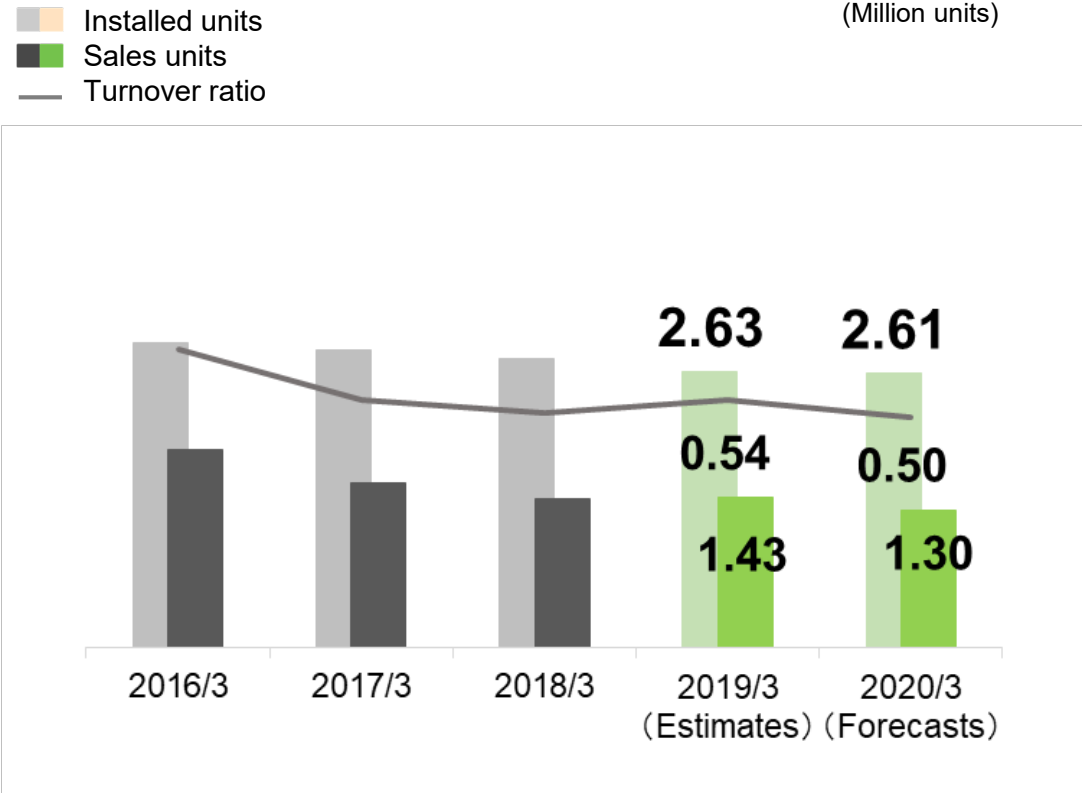
# Market trends (transition of installed units/sales units)

Expect increase in sales units of Pachislot along with the removal of previous regulation machines by expiration of certification

Estimates of Pachislot market



Estimates of Pachinko Market

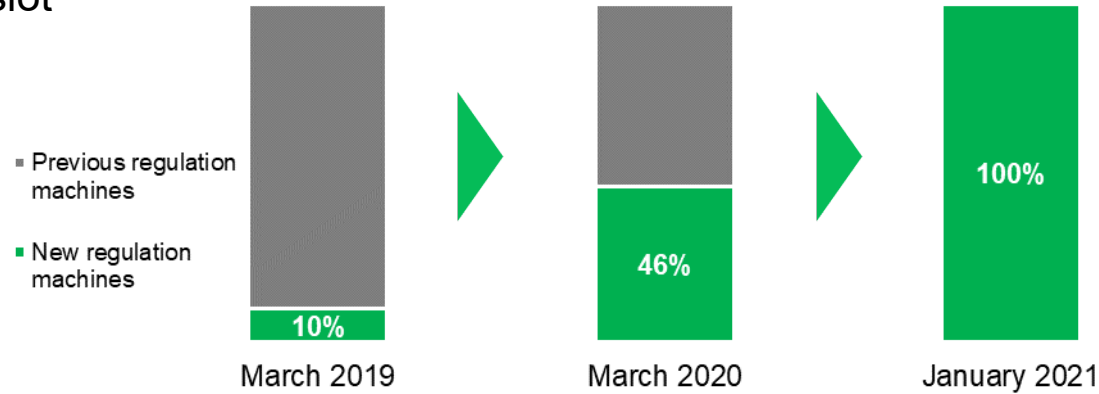


# Future demand for replacement

(Market share for new regulation machines: Estimates)

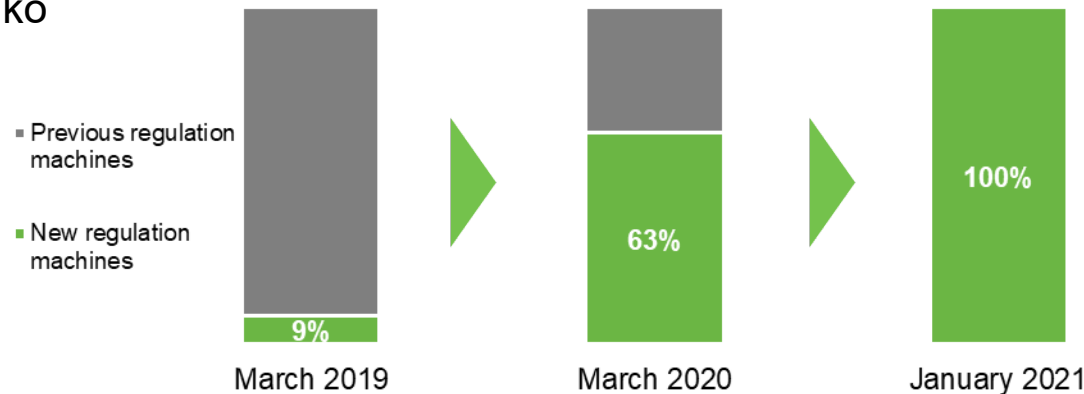
## Expiration timing of previous regulations is concentrated on Q3 FY2020/3

### Pachislot



Removal Timing		Thousand of units (Estimates)
Mar, 2020	1Q (Apr-Jun)	Approx. 3
	2Q (Jul-Sep)	Approx. 1
	3Q (Oct-Dec)	Approx. 182
	4Q (Jan-Mar)	Approx. 9
Mar, 2021		Approx. 1,188

### Pachinko



Removal Timing		Thousand of units (Estimates)
Mar, 2020		Approx. 58
Mar, 2021		Approx. 2,130



# Future direction of development and launch of titles

## Future Objectives

- ✓ Recovery of approval ratio
  - Apply multiple specs for both Pachislot and Pachinko
- ✓ Develop Pachislot and Pachinko machines that matches the market trends
  - Machines set no. of obtained medals per game at higher range
  - Machines with the technique of player can be reflected for pay-out
  - Effective use of existing major IPs

# Events schedule: Full year (Estimate)

FY 2020/3

	Apr	Mar	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Pachislot and Pachinko industry		Voluntary replacement control for G20 Summit (not yet determined)				Voluntary replacement control for Rugby World Cup (not yet determined)		Expiration of mainstay type 5 machines		End Jan, 2021 Transfer to new reg. completes	
Pachislot	Pachislot Beast King Oujya no Houkou		Pachislot DISC UP 5 <sup>th</sup> version White Panel								
Pachinko	P The Seven deadly Sins Goyoku ver.										
		Pachinko CR Dracure!									
		P SHOW BY ROCK!!									

※The timing for voluntary replacement control are guesses of SEGA SAMMY HOLDINGS and not yet determined

# Entertainment Contents Business

# Review of “Road to 2020” (Digital Games area)

Fell significantly below the initial plan due to deterioration of business environment and lack of hit titles

## External Factors

High ranked major titles become unchanging  
Increase of existing IP based titles  
Intensified competition in domestic market

## Internal Factors

Slowdown of existing mainstay titles  
Lack of hit titles  
Delay and suspension of new titles

# Review of “Road to 2020” (Packaged Games area)

Exceeded the initial plan with extension of overseas sales and repeat sales

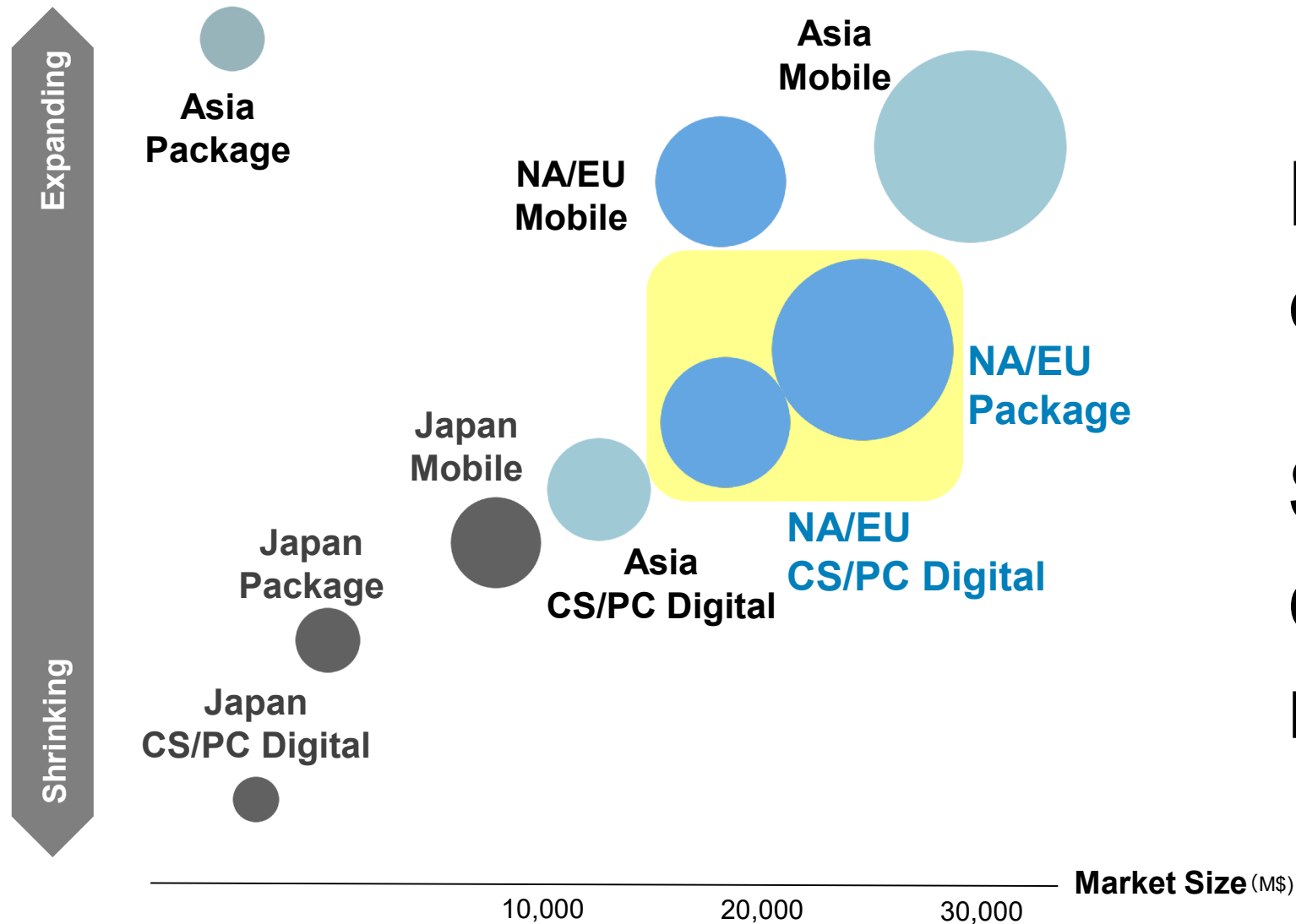
## External Factors

Expansion of EU, NA, Asia market  
Growth of new platformers such as Steam, etc.

## Internal Factors

Increase in overseas sales ratio for the IPs of Japan studios  
Stable profit base with the IPs of overseas studios  
Improvement of product quality  
(2<sup>nd</sup> in 2018 Major Publisher rank of Metacritic)

# Market Trends (Estimation of market in 2020)



**Expansion of overseas market**

**Stagnation of domestic market**

Market size per devices and platforms (2020 (Estimates))

(Source: Referred the worldwide figure using IDG report\_Nov.2017 as a base)

# Reconsider focusing area

**Focus our resources to the areas where we can make best use of strength of the Company within favorable overseas market**

When announced  
Road to 2020

		Japan	Asia	NA/EU /Others
Japan Studios	Packaged Games			
	CS/PC Digital Games			
	Mobile Games Digital Games	●	●	●
Overseas Studios	Packaged Games			
	CS/PC Digital Games			
	Mobile Games Digital Games			

From 2020/3

		Japan	Asia	NA/EU /Others
Japan Studios	Packaged Games		●	●
	CS/PC Digital Games			
	Mobile Games Digital Games	●	●	●
Overseas Studios	Packaged Games		●	●
	CS/PC Digital Games			●
	Mobile Games Digital Games			

# Measures to recover Digital Games area

## Adjust the number of titles to develop and operate

- ✓ Narrow down the number of new titles to develop
- ✓ Adjust the number of titles under direct operation
- ✓ Line-up centered on existing IP titles

## Reallocation of resources

- ✓ Invest the resources to focusing area such as overseas package and etc.
- ✓ Proceed the transferring of outsourced work of existing title to insource



# Maximizing IP values

Multi region, device and platform roll-out making best use of characteristics of IPs

## Plentiful IPs

## Platforms

### Existing IPs



### Revived IPs



Mega Drive mini  
Other idle IPs

### New IPs

### External IPs

Kemono Friends  
The Olympic official  
license



Console (current and next gen)

Steam

WeGame

Mobile

New platforms

# Resort Business

# Past initiatives for Resort Business up to the present

## Preparation for domestic IP participation

2012

May, 2012  
Establishment of “PARADISE  
SEGASAMMY Co., Ltd.”, a  
joint venture with the  
PARADISE GROUP

Mar, 2012  
Acquired all shares of  
PHOENIX RESORT

Apr, 2014  
Began sending the employees of Sega  
Sammy Holdings to PARADISE SEGA  
SAMMY

Dec, 2017  
Acquired gaming machine licenses in Nevada

Nov, 2014  
Began construction of “PARADISE CITY”,  
the first integrated resort in South Korea

Dec, 2017  
Joint research of countermeasures for  
addiction with Kyoto University

Apr, 2017  
Opening of “PARADISE CITY”

2019



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

**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/>

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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