

(Translation)

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**Year Ended March 31, 2017**

**Name of the Company :** SEGA SAMMY HOLDINGS INC.  
**Code number :** 6460  
(URL <http://www.segasammy.co.jp/> )  
**Representative :** Haruki Satomi  
President and COO (Representative Director)  
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Annual Meeting of Shareholders : June 23, 2017 (plan)  
Filing of Financial Report : June 26, 2017 (plan)  
Start of cash dividend payments : June 2, 2017 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the Year Ended March 31, 2017****(1) RESULTS OF CONSOLIDATED OPERATIONS**

(Percentage represents changes from the prior year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For Year ended March 31, 2017	366,939	5.4	29,527	67.6	28,542	73.9	27,607	414.2
For Year ended March 31, 2016	347,981	(5.1)	17,617	0.7	16,409	(2.8)	5,369	—

(Note) Comprehensive income:

For Year ended March 31, 2017 : ¥23,653 million (—%)  
For Year ended March 31, 2016 : ¥(6,566) million (—%)

	Net income per share	Net income per share (Diluted)	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
For Year ended March 31, 2017	117.79	117.40	9.2	5.2	8.0
For Year ended March 31, 2016	22.90	22.90	1.8	1.0	5.1

(Reference) Equity in earnings of affiliates:

For Year ended March 31, 2017 : ¥(1,457) million  
For Year ended March 31, 2016 : ¥(338) million

(Note) The Group considers return on assets and the ratio of operating income to net sales as key performance indicators.

## (2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2017	521,599	311,497	59.0	1,313.06
March 31, 2016	532,957	299,950	55.3	1,257.43

(Reference) Shareholders' equity

March 31, 2017 : ¥307,764 million

March 31, 2016 : ¥294,733 million

## (3) CONSOLIDATED CASH FLOWS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For Year ended March 31, 2017	59,126	(4,767)	(38,334)	199,208
For Year ended March 31, 2016	16,906	(35,280)	14,285	185,613

## 2. Cash Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends paid to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	—	20.00	—	20.00	40.00	9,375	174.7	3.1
Year ended March 31, 2017	—	20.00	—	20.00	40.00	9,375	34.0	3.1
Year ending March 31, 2018 (plan)	—	20.00	—	20.00	40.00		85.2	

## 3. Forecast of Consolidated Operating Results for the Year ending March 31, 2018

(Percentage represents changes from the prior year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Entire – year	380,000	3.6	20,000	(32.3)	16,000	(43.9)	11,000	(60.2)	46.93

(Note) The Group discloses forecasts of consolidated operating results only for the entire - year owing to business performance management on a yearly basis.

#### 4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during the year ended March 31, 2017: No
- (2) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the consolidated financial statements:
  1. Changes associated with revision in accounting standards: No
  2. Other changes: Yes
- (3) Number of shares outstanding (common stock)
  1. Number of shares outstanding at the end of the period (including treasury stock)

March 31, 2017	:	266,229,476
March 31, 2016	:	266,229,476
  2. Number of treasury stock at the end of the period

March 31, 2017	:	31,841,869
March 31, 2016	:	31,834,807
  3. Average number of shares during the period

For Year ended March 31, 2017	:	234,391,586
For Year ended March 31, 2016	:	234,473,564

#### (Note)

- This report is not required to be audited.
- The forward-looking statements, such as results forecasts, included in this document are based on information available to SEGA SAMMY HOLDINGS INC. (the Company) at the time of the announcement and assumptions considered reasonable. Actual results could differ materially, depending on a range of factors. For the assumptions prerequisite to the results forecasts and the points to be noted in the use of the forecasts, please see "Outlook for the fiscal year ending March 31, 2018" on page 6.
- The Company plans to hold a briefing on financial results for analysts on May 15, 2017. The contents of the meeting, such as explanations about financial results (audio), will be posted on the Company's website.

## **1. Operating Results and Financial Position**

### **(1) Operating results for the fiscal year ended March 31, 2017**

With regard to the pachislot and pachinko industry, in the pachislot machine market, sales of new standard machines have continued to be sluggish. Meanwhile, in the pachinko machine market, based on the “Statement of Promoting Restoration of the Pachinko and Pachislot Industry” declaring collection or removal of “pachinko machines possibly different from the tested version” by Pachinko and Pachislot Industry 21st Century Club, comprised of 14 organizations in the industry, by the end of December 2016, with the purpose of further restoration of the pachislot and pachinko machine industry, the Group proceeded the collection and removal of applicable machines. Under such circumstances, titles receiving high appraisal are arising mainly in some series with successful track records, and in order to revitalize the market going ahead, it is essential to develop and supply machines that are compliant with various voluntary regulations and capable of appealing to a wide range of players.

Regarding the environment of the Entertainment Contents Business, a slowdown in the spread of smartphones in Japan and the predominance of leading publishers are accelerating in the market for digital games for smart devices. Therefore, provision of higher-quality content is expected, resulting in a trend of longer development lead times and higher operating costs. Meanwhile, in overseas business, future growth is expected mainly in Asia.

With regard to the packaged game software market, expectations are rising for future expansion of the market due to the penetration of next generation hardware in addition to current generation hardware of home video game console. In Europe, the U.S., and Asia, large markets have been developed for PC games. As for the market for amusement centers and amusement machines, signs of improvement in facilities utilization and expansion of the player base are showing mainly in new video game titles.

In the resort industry, although the growth rate is slowing down, the number of foreign visitors to Japan is increasing constantly, and an upward trend in the hotel occupancy rate is still evident. With a view to establishing Japan as a popular tourist destination, a bill concerning the promotion of the establishment of specified integrated resort areas (Integrated Resort Promotion Bill) was established, issued and enforced.

In this business environment, net sales for the fiscal year ended March 31, 2017 amounted to ¥366,939 million, an increase of 5.4% from the previous fiscal year. The Group posted an operating income of ¥29,527 million (an increase of 67.6% from the previous fiscal year), ordinary income of ¥28,542 million (an increase of 73.9% from the previous fiscal year). In addition, as a result of recording extraordinary income of ¥13,319 million, including gain on sales of noncurrent assets, while recording extraordinary loss of ¥8,123 million, including impairment loss, the Group posted profit attributable to owners of parent of ¥27,607 million (an increase of 414.2% from the previous fiscal year).

Result of each segment is as follows

Net sales in each segment here do not include Inter-segment sales between segments.

Some businesses formerly included in the “Entertainment Contents Business” were reclassified as the “Pachislot and Pachinko Machines Business” effective from the fiscal year ended March 31, 2017, and comparison and analysis of results for the fiscal year ended March 31, 2017 are based on the segment classification after the change. For details of segment information, please refer to “SEGMENT INFORMATION, 1.Outline of reporting segments, (Change in classification of reporting segments)” on page 20.

#### **« Pachislot and Pachinko Machines »**

In the pachislot machine business, overall sales of pachislot machines were 215 thousand units, owing to sales of series of titles with successful track records, such as mainstay title “Pachislot Hokuto No Ken Syura no kuni hen” and “Pachislot CODE GEASS Lelouch of the Rebellion R2.” (Overall sales of pachislot machines were 142 thousand units for the previous fiscal year). In the pachinko machine business, although sales were strong for each titles such as “Pachinko CR SOUTEN-NO-KEN Tenki” and “Pachinko CR Monster Hunter 4,” overall sales of pachinko machines were 138 thousand units due to the strategic postponement of launches of large titles until the following year (Overall sales of pachinko machines were 199 thousand units for the previous fiscal year).

In addition, the Group worked to improve profitability through cost improvements by reusing components, and reduced expenses including development expenses.

As a result, net sales in this segment were ¥148,222 million (an increase of 5.1% from the previous fiscal year) and

operating income was ¥26,331 million (an increase of 25.7% from the previous fiscal year).

#### « Entertainment Contents »

With regard to the Entertainment Contents Business, performances were robust in every business field.

In the field of digital game software, sales remained robust for “PHANTASY STAR ONLINE 2,” which celebrated its fourth anniversary from its release and PlayStation®4 version was launched in April last year. With regard to titles for smart devices, sales were strong mainly for existing major titles including “Hortensia SAGA” and “Puyopuyo!! Quest,” for which the Group conducted various events, updates and other measures.

In the packaged game software field, sales amounted to 10,280 thousand copies (9,220 thousand copies for the previous fiscal year), thanks to the launch of mainstay titles including “Total War: WARHAMMER,” a new installment in the “Total War” series, which is highly popular mainly in Europe and were sold more than 20 million copies for 16 years, as well as “Persona5,” a new installment in the “Persona” series.

In the amusement machine field, as operations of “KanColle Arcade” continued to be favorable, revenue share models made contributions to income. Sales of new titles including “SANGOKUSHI TAISEN,” a new version of the popular trading card game, were also strong.

In the amusement center operations field, like-for-like sales were robust at 108.5% compared with the previous fiscal year owing to favorable operations of mainly video games, including the new title “KanColle Arcade” at the existing game center operations.

In the animated film and toy field, the Group recorded income from distributing “Detective Conan The Darkest Nightmare,” a popular theater film in Japan, and production income of TV animation and animated films. In addition, the Group sold classic and mainstay toy products including “Anpanman” series and “Puni♥Gel” series.

As a result, net sales in this segment were ¥205,704 million (an increase of 8.0% from the previous fiscal year) and operating income was ¥11,176 million (an increase of 165.1% from the previous fiscal year).

#### « Resort »

In the Resort Business, for “Phoenix Seagaia Resort,” one of the leading resorts in Japan, the largest renovation since the start of operations of “Sheraton Grande Ocean Resort” was completed in August 2016, and the Group conducted promotions and other efforts particularly in the Kyushu region. However, these measures were not enough to make up for the cancellations and other impacts due to the 2016 Kumamoto Earthquake, which occurred in the first half of the fiscal year.

In addition, in the Resort Business, the Group carried out projects such as the sale of a portion of the shares of a company engaged in development and operation of an indoor theme park business.

Overseas, the Group not only operates existing casino facilities in Incheon, South Korea, through PARADISE SEGASAMMY Co., Ltd. (associate accounted for using the equity method), a joint venture between Paradise Co., Ltd., a major tourism enterprise in South Korea, and the Company but also proceeds with preparations for the opening of South Korea’s first full-fledged integrated resort (IR) “PARADISE CITY.”

As a result, net sales in this segment were ¥13,012 million (a decrease of 20.6% from the previous fiscal year) and operating loss was ¥2,244 million (operating loss of ¥1,825 million for the previous fiscal year).

## (2) Financial positions as of March 31, 2017

(Assets and liabilities)

Total assets as of the end of the current fiscal year decreased ¥11,357 million from the end of the previous fiscal year, to ¥521,599 million.

Current assets increased ¥21,822 million from the end of the previous fiscal year. This was attributable to increases in merchandise and finished goods and short-term investment securities, etc., despite a decrease in notes and accounts receivable-trade.

Noncurrent assets decreased ¥33,180 million from the end of the previous fiscal year. This was attributable to decreases in property, plant and equipment and investment securities.

Total liabilities as of the end of the current fiscal year decreased ¥22,904 million from the end of the previous fiscal year, to ¥210,102 million. This was attributable to decreases in bonds payable, short-term and long-term loans payable, etc., despite an increase in notes and accounts payable-trade.

(Net assets)

Net assets as of the end of the current fiscal year increased ¥11,546 million from the end of the previous fiscal year, to ¥311,497 million.

This was attributable to the recording of profit attributable to owners of parent, etc., despite a decrease in shareholders’

equity due to cash dividends paid.

(Financial ratio)

The current ratio at the end of the current fiscal year increased 2.7 points from the end of the previous fiscal year to 287.9%, remained at a high level.

The equity ratio at the end of the current fiscal year increased 3.7 points from the end of the previous fiscal year, to 59.0%.

### **(3) Cash flows for the fiscal year ended March 31, 2017**

Cash and cash equivalents at the end of the current fiscal year increased ¥13,595 million from the end of the previous fiscal year, to ¥199,208 million.

Cash flows in respect of each area of activities in the current fiscal year are as follows.

(Cash flows from operating activities)

Factors including ¥33,738 million income before income taxes, ¥20,561 million of depreciation and amortization, and ¥12,496 million increase in notes and accounts payable-trade, resulted in ¥59,126 million net cash provided by operating activities in the current fiscal year (¥16,906 million inflow in the previous fiscal year).

(Cash flows from investing activities)

Factors including investing of ¥15,295 million for purchase of property, plant and equipment, and ¥9,250 million for purchase of intangible assets, despite ¥13,406 million proceeds from sales of property, plant and equipment, resulted in ¥4,767 million net cash used in investing activities in the current fiscal year (¥35,280 million outflow in the previous fiscal year).

(Cash flows from financing activities)

Expenditures of ¥14,043 million for repayment of long-term loans payable, ¥14,200 million for redemption of bonds, and ¥9,376 million for cash dividends paid, resulted in ¥38,334 million net cash used by financing activities in the current fiscal year (¥14,285 million inflow in the previous fiscal year).

### **(4) Outlook for the fiscal year ending March 31, 2018**

A decrease in profit is projected for the fiscal year ending March 31, 2018, mainly because decline in unit sales is expected in the pachislot machine business due to the adoption of new voluntary regulations.

The future plans for business segments are as follows.

#### **« Pachislot and Pachinko Machines »**

With regard to the pachislot and pachinko industry, the the pachislot machine market is expected to trend in an unstable condition due to the adoption of new voluntary regulations for new machines installed on and after October 1, 2017. In the pachinko machine market, titles receiving high appraisal are arising mainly in some series with successful track records. Meanwhile, there are possibilities that making progress in the discussion of measures against gambling dependence will impact the pachislot and pachinko machine industry.

The Group possesses leading developmental abilities in the industry as well as a great number of powerful IP (Intellectual Property) with outstanding performance, and will continue to display high competitiveness in its attempt to improve market share. In addition, the Group plans to launch new titles using housings manufactured by ZEEG Co. Ltd, a joint venture established with Universal Entertainment Corporation. The Group will launch multiple titles in the fiscal year ending March 31, 2018, especially in the first half, including “Pachislot Beast King Oujya no kakusei,” which has greatly improved playability of its predecessor, and “Pachinko CR Hokuto No Ken 7 Resurrection” (a new and mainstay title in the “Hokuto No Ken” series) , which combined mobile gimmicks with effects.

As a result of these developments, in the fiscal year ending March 31, 2018, the Group expects sales of 158 thousand units of pachislot machines, down 57 thousand from the current fiscal year and 203 thousand units of pachinko machines, up 64 thousand from the current fiscal year.

Although making a conservative forecast for profit levels in light of the sales mix and market environment, the Group will improve profitability over mid-term through further strengthening of efforts toward cost improvements including continuing to reuse materials.

#### « Entertainment Contents »

With regard to the Entertainment Contents Business, in the field of digital game software, the Group expects that the predominance of leading publishers will continue to accelerate. Amid these circumstances, the Group plans for continued contribution to income through a year-on-year increase in the launching of new titles for smart devices, as well as carrying out various events, updates and other measures for existing major titles.

In the packaged game software field, the Group plans to sell 11,600 thousand units, mainly by continued overseas development of “Persona5,” whose cumulative worldwide shipments exceeded 1.5 million units in April 2017, and by expanding such new PC game titles as “Warhammer 40,000: Dawn of War III,” “Endless Space 2,” and “Total War: WARHAMMER 2.”

In the amusement machine field, although there were fewer titles than in the previous fiscal year when major titles launched intensively, the Group expects continually the income from revenue share models, especially the popular title “KanColle Arcade,” and plans to introduce a new title “SOUL REVERSE” as “Multi-device × One Service.”

In the amusement center operations field, the Group will advance the introduction of electronic money to the existing game center operations and will work to enhance amusement center operations with a focus on prizes.

In the animation film and toy fields, the theater film “Detective Conan Crimson Love Letter” was premiered in April, 2017. In addition, the Group will implement the sale of mainly classic and mainstay toy products including “ANPANMAN” series and “Disney” series.

#### « Resort »

In the Resort Business, the Group will continue to endeavor to accumulate expertise by developing and operating resort facilities as well as operating casino facilities overseas and accelerate prior investment for realizing integrated resorts (IR) business in Japan.

At “Phoenix Seagaia Resort,” the Group will continue working to attract more guests by continuously creating new experience value, including the renovation of garden area.

Overseas, the Group opened South Korea’s first full-fledged integrated resort “PARADISE CITY” on April 20, 2017, through PARADISE SEGASAMMY Co., Ltd. (associate accounted for using the equity method), with the goal of creating a facility that can be enjoyed by people of all generations. The Group will strive to continuously improve facilities utilization, by means such as promotions to attract guests mainly in Japan.

In light of the above, the Group is forecasting consolidated net sales of ¥380,000 million (an increase of 3.6% from the previous fiscal year), operating income of ¥20,000 million (a decrease of 32.3% from the previous fiscal year), ordinary income of ¥16,000 million (a decrease of 43.9% from the previous fiscal year), and profit attributable to owners of parent of ¥11,000 million (a decrease of 60.2% from the previous fiscal year) for the fiscal year ending March 31, 2018.

The Group’s medium-term management targets are “improving the operating margin” and “enhancing capital efficiency.” The Group aims to achieve a ratio of operating income to net sales of 15% and return on assets (ROA) of 5% in the fiscal year ending March 31, 2020.

Towards meeting its targets for the fiscal year ending March 31, 2020, the Group is advancing measures to increase the profitability of its core businesses, with a focus on the Pachislot and Pachinko Machines Business, and to invest management resources in growth businesses, including the digital game and integrated resort businesses.

The Group also plans to consolidate headquarters functions of each Group company by around fall in 2018 in order to make the Group management more efficient, create collaboration and synergy between businesses through “workstyle reform,” and promote active interaction between personnel.

#### [Caution With Regard to Operating Results Outlook]

Statements in this report pertaining to market projections and the outlook for operating results reflect the assumptions and judgment of the Company’s management based on the most accurate information available at the time of release. Such statements carry inherent risks and uncertainties. Factors that may affect operating results include, but are not limited to, those discussed in the projections and outlook. Readers are cautioned that changes in a variety of factors could cause actual results to differ substantially from the aforementioned projections and outlook.

#### (5) Basic policy concerning distribution of earnings for the fiscal year ended March 31, 2017 and the fiscal year ending March 31, 2018

SEGA SAMMY HOLDINGS gives priority to returning profits to shareholders. The Company’s basic policy is to pay an appropriate dividend that is commensurate with earnings.

For the distribution of surplus, the Company paid second quarter and plans to pay year-end dividends of ¥20 per share,

respectively. This reflects the Group's policy of paying dividends to shareholders stably.

For the fiscal year ending March 31, 2018, the Company plans to pay second quarter and year-end dividends of ¥20 per share, respectively.

Furthermore, the Company's policy is to use retained earnings effectively to bolster its financial position and operating base as well as for investments in line with business expansion.

## **2. Basic Approach Concerning Selection of Accounting Standards**

To prepare for the future adoption of IFRS, the Group is working towards the establishment of internal manuals, guidelines among others. However, for the time being, Japanese GAAP is adopted.

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior year (As of March 31, 2016)	Current year (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	141,316	137,494
Notes and accounts receivable – trade	55,612	44,500
Short-term investment securities	48,401	65,203
Merchandise and finished goods	6,971	18,669
Work in process	17,382	14,838
Raw materials and supplies	10,123	13,933
Income taxes receivable	3,735	1,559
Deferred tax assets	6,286	6,929
Other	13,143	21,317
Allowance for doubtful accounts	(681)	(329)
Total current assets	302,292	324,115
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	105,839	101,210
Accumulated depreciation	(70,622)	(65,645)
Buildings and structures, net	35,216	35,564
Machinery, equipment and vehicles	17,121	15,724
Accumulated depreciation	(10,892)	(10,802)
Machinery, equipment and vehicles, net	6,229	4,921
Amusement machines and facilities	51,574	46,783
Accumulated depreciation	(40,189)	(37,204)
Amusement machines and facilities, net	11,385	9,579
Land	38,742	23,740
Construction in progress	1,977	577
Other	51,259	50,767
Accumulated depreciation	(43,729)	(43,540)
Other, net	7,529	7,226
Total property, plant and equipment	101,080	81,609
Intangible assets		
Goodwill	12,201	10,807
Other	12,616	11,352
Total intangible assets	24,817	22,160
Investments and other assets		
Investment securities	76,504	69,845
Long-term loans receivable	703	1,757
Lease and guarantee deposits	12,727	11,123
Net defined benefit assets	—	828
Deferred tax assets	674	535
Other	14,705	10,363
Allowance for doubtful accounts	(549)	(739)
Total investments and other assets	104,765	93,713
Total noncurrent assets	230,664	197,483
Total assets	532,957	521,599

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior year (As of March 31, 2016)	Current year (As of March 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	33,011	45,631
Short - term loans payable	14,002	6,354
Current portion of bonds	14,200	19,500
Income taxes payable	2,536	2,950
Accrued expenses	15,467	13,961
Provision for bonuses	4,608	5,907
Provision for directors' bonuses	606	595
Provision for business restructuring	136	—
Provision for point card certificates	—	5
Provision for dismantling of fixed assets	391	815
Asset retirement obligations	30	303
Deferred tax liabilities	34	15
Other	20,964	16,524
<b>Total current liabilities</b>	<b>105,990</b>	<b>112,567</b>
<b>Noncurrent liabilities</b>		
Bonds payable	52,000	32,500
Long - term loans payable	48,895	44,500
Net defined benefit liability	3,906	3,303
Deferred tax liabilities	3,258	2,574
Deferred tax liabilities for land revaluation	640	640
Asset retirement obligations	3,952	3,735
Provision for dismantling of fixed assets	2,368	420
Other	11,993	9,860
<b>Total noncurrent liabilities</b>	<b>127,015</b>	<b>97,534</b>
<b>Total liabilities</b>	<b>233,006</b>	<b>210,102</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	29,953	29,953
Capital surplus	118,404	117,521
Retained earnings	194,505	207,639
Treasury stock	(54,758)	(54,769)
<b>Total shareholders' equity</b>	<b>288,105</b>	<b>300,345</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	11,494	11,041
Deferred gains or losses on hedges	(40)	(71)
Revaluation reserve for land	(4,600)	340
Foreign currency translation adjustment	(876)	(4,479)
Remeasurements of defined benefit plans	651	588
<b>Total accumulated other comprehensive income</b>	<b>6,628</b>	<b>7,419</b>
Subscription rights to shares	801	303
Non-controlling interests	4,415	3,428
<b>Total net assets</b>	<b>299,950</b>	<b>311,497</b>
<b>Total liabilities and net assets</b>	<b>532,957</b>	<b>521,599</b>

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED MARCH 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior year From April 1, 2015 To March 31, 2016	Current year From April 1, 2016 To March 31, 2017
Net sales	347,981	366,939
Cost of sales	220,609	231,261
Gross profit	127,372	135,678
Selling, general and administrative expenses		
Advertising expenses	17,264	14,328
Sales commission	3,689	4,084
Salaries and allowances	17,119	15,775
Provision for bonuses	2,356	3,066
Provision for directors' bonuses	586	592
Retirement benefit expenses	1,022	1,098
Provision for directors' retirement benefits	4	—
Research and development expenses	24,451	25,223
Provision of allowance for doubtful accounts	96	(36)
Other	43,163	42,018
Total selling, general and administrative expenses	109,754	106,150
Operating income (loss)	17,617	29,527
Non-operating income		
Interest income	463	337
Dividends income	923	929
Gain on investments in partnership	223	460
Foreign exchange gains	58	294
Gain on bad debts recovered	159	0
Gain on valuation of compound financial instruments	—	520
Other	1,362	1,344
Total non-operating income	3,190	3,886
Non-operating expenses		
Interest expenses	921	940
Equity in losses of affiliates	338	1,457
Sales discounts	2	9
Commission fee	204	58
Loss on investments in partnership	236	243
Penalty payment for cancellation of game center lease agreement	2	48
Bond issuance cost	41	—
Loss on retirement of noncurrent assets	481	685
Settlement package	3	505
Loss on valuation of compound financial instruments	1,127	—
Other	1,037	921
Total non-operating expenses	4,398	4,870
Ordinary income (loss)	16,409	28,542

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED MARCH 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior year From April 1, 2015 To March 31, 2016	Current year From April 1, 2016 To March 31, 2017
Extraordinary income		
Gain on sales of noncurrent assets	68	9,518
Gain on sales of shares of subsidiaries and associates	16	—
Gain on sales of investment securities	123	1,382
Gain on liquidation of subsidiaries and affiliates	306	290
Gain on reversal of subscription rights to shares	14	801
Gain on reversal of provision for dismantling of fixed assets	523	177
Other	244	1,148
Total extraordinary income	1,297	13,319
Extraordinary losses		
Loss on sales of noncurrent assets	72	81
Impairment loss	1,329	6,034
Loss on valuation of investment securities	19	1,105
Loss on sales of shares of subsidiaries and associates	568	56
Early extra retirement payments	1,956	149
Restructuring loss	1,220	419
Other	523	276
Total extraordinary losses	5,691	8,123
Income (loss) before income taxes	12,015	33,738
Income taxes-current	4,040	6,354
Income taxes-deferred	2,354	(686)
Total income taxes	6,395	5,667
Profit (loss)	5,620	28,070
(Breakdown)		
Profit (loss) attributable to owners of parent	5,369	27,607
Profit (loss) attributable to non-controlling interests	251	462
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,300)	(456)
Deferred gains or losses on hedges	(51)	39
Revaluation reserve for land	99	—
Foreign currency translation adjustment	(3,309)	(2,561)
Remeasurements of defined benefit plans, net of tax	(1,547)	(57)
Share of other comprehensive income of associates accounted for using equity method	(1,077)	(1,381)
Total other comprehensive income	(12,186)	(4,416)
Comprehensive income	(6,566)	23,653
(Breakdown)		
Comprehensive income attributable to owners of parent	(6,728)	23,457
Comprehensive income attributable to non-controlling interests	161	196

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2016 AND 2017

Prior year (From April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2015	29,953	119,282	198,704	(49,335)	298,604
Changes of items during the period					
Dividends from surplus			(9,436)		(9,436)
Profit attributable to owners of parent			5,369		5,369
Effect of changes in accounting period of consolidated subsidiaries			(129)		(129)
Purchase of treasury stock				(5,549)	(5,549)
Disposal of treasury stock		14		127	141
Change of scope of consolidation			(1)		(1)
Change of scope of equity method			(0)		(0)
Purchase of shares of consolidated subsidiaries		(892)			(892)
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(877)	(4,198)	(5,422)	(10,499)
Balances as of March 31, 2016	29,953	118,404	194,505	(54,758)	288,105

(Unit: Millions of yen)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balances as of April 1, 2015	17,794	10	(4,699)	3,414	2,206	18,726
Changes of items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Change of scope of consolidation						
Change of scope of equity method						
Purchase of shares of consolidated subsidiaries						
Reversal of revaluation reserve for land						
Net changes of items other than shareholders' equity	(6,300)	(50)	99	(4,290)	(1,554)	(12,097)
Total changes of items during the period	(6,300)	(50)	99	(4,290)	(1,554)	(12,097)
Balances as of March 31, 2016	11,494	(40)	(4,600)	(876)	651	6,628

(Unit: Millions of yen)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balances as of April 1, 2015	832	4,289	322,452
Changes of items during the period			
Dividends from surplus			(9,436)
Profit attributable to owners of parent			5,369
Effect of changes in accounting period of consolidated subsidiaries			(129)
Purchase of treasury stock			(5,549)
Disposal of treasury stock			141
Change of scope of consolidation			(1)
Change of scope of equity method			(0)
Purchase of shares of consolidated subsidiaries			(892)
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	(31)	126	(12,003)
Total changes of items during the period	(31)	126	(22,502)
Balances as of March 31, 2016	801	4,415	229,950

Current year (From April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2016	29,953	118,404	194,505	(54,758)	288,105
Changes of items during the period					
Dividends from surplus			(9,375)		(9,375)
Profit attributable to owners of parent			27,607		27,607
Effect of changes in accounting period of consolidated subsidiaries					—
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		(0)		0	0
Change of scope of consolidation			155		155
Change of scope of equity method			(312)		(312)
Purchase of shares of consolidated subsidiaries		(883)			(883)
Reversal of revaluation reserve for land			(4,941)		(4,941)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(883)	13,133	(10)	12,239
Balances as of March 31, 2017	29,953	117,521	207,639	(54,769)	300,345

(Unit: Millions of yen)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balances as of April 1, 2016	11,494	(40)	(4,600)	(876)	651	6,628
Changes of items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Change of scope of consolidation						
Change of scope of equity method						
Purchase of shares of consolidated subsidiaries						
Reversal of revaluation reserve for land						
Net changes of items other than shareholders' equity	(452)	(31)	4,941	(3,602)	(63)	790
Total changes of items during the period	(452)	(31)	4,941	(3,602)	(63)	790
Balances as of March 31, 2017	11,041	(71)	340	(4,479)	588	7,419

(Unit: Millions of yen)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balances as of April 1, 2016	801	4,415	299,950
Changes of items during the period			
Dividends from surplus			(9,375)
Profit attributable to owners of parent			27,607
Effect of changes in accounting period of consolidated subsidiaries			—
Purchase of treasury stock			(11)
Disposal of treasury stock			0
Change of scope of consolidation			155
Change of scope of equity method			(312)
Purchase of shares of consolidated subsidiaries			(883)
Reversal of revaluation reserve for land			(4,941)
Net changes of items other than shareholders' equity	(497)	(987)	(693)
Total changes of items during the period	(497)	(987)	11,546
Balances as of March 31, 2017	303	3,428	311,497

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior year From April 1, 2015 To March 31, 2016	Current year From April 1, 2016 To March 31, 2017
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	12,015	33,738
Depreciation and amortization	21,015	20,561
Impairment loss	1,329	6,034
Amount of transfer of equipment by amusement center operation business	(3,486)	(3,554)
Loss (gain) on sales of noncurrent assets	3	(9,437)
Loss on retirement of noncurrent assets	562	685
Loss (gain) on sales of shares of subsidiaries and associates	(8)	67
Loss (gain) on liquidation of subsidiaries and affiliates	(306)	(290)
Loss (gain) on sales of investment securities	(123)	(1,323)
Loss (gain) on valuation of investment securities	19	1,105
Loss (gain) on investments in partnership	12	(216)
Amortization of goodwill	2,364	2,456
Increase (decrease) in allowance for doubtful accounts	640	(107)
Increase (decrease) in provision for directors' bonuses	122	(4)
Increase (decrease) in net defined benefit liability	(1,561)	(871)
Increase (decrease) in provision for directors' retirement benefits	(41)	—
Increase (decrease) in provision for bonuses	390	1,383
Increase (decrease) in provision for dismantling of fixed assets	(588)	(1,105)
Increase (decrease) in provision for business restructuring	(70)	(129)
Interest and dividends income	(1,386)	(1,266)
Interest expenses	921	940
Foreign exchange losses (gains)	(85)	(240)
Equity in (earnings) losses of affiliates	338	1,457
Decrease (increase) in notes and accounts receivable-trade	(17,603)	10,664
Decrease (increase) in inventories	(5,141)	(12,778)
Increase (decrease) in notes and accounts payable-trade	6,922	12,496
Increase (decrease) in guarantee deposits received	(165)	(478)
Other, net	2,920	2,936
Subtotal	19,012	62,723
Interest and dividends income received	1,369	1,291
Interest expenses paid	(885)	(962)
Income taxes paid	(8,163)	(6,859)
Income taxes refund	5,574	2,933
Net cash provided by (used in) operating activities	16,906	59,126

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior year From April 1, 2015 To March 31, 2016	Current year From April 1, 2016 To March 31, 2017
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,661)	(992)
Proceeds from withdrawal of time deposits	4,687	6,437
Purchase of short-term investment securities	(1,000)	(3,000)
Proceeds from redemption of securities	5,100	1,000
Purchase of trust beneficiary right	(1,241)	(1,026)
Proceeds from sales of trust beneficiary right	1,591	1,001
Purchase of property, plant and equipment	(14,277)	(15,295)
Proceeds from sales of property, plant and equipment	861	13,406
Purchase of intangible assets	(9,151)	(9,250)
Proceeds from sales of intangible assets	16	0
Purchase of investment securities	(14,405)	(1,194)
Proceeds from sales of investment securities	5,980	3,688
Proceeds from redemption of investment securities	2,446	1,990
Payments for investment in partnerships	(1,023)	(1,148)
Proceeds from distribution of investment in partnerships	449	717
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(390)	(2,250)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(11)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	425	972
Purchase of stocks of subsidiaries and affiliates	(10,949)	(839)
Payments of loans receivable	(308)	(1,757)
Collection of loans receivable	287	703
Reduction of investments in trusts	—	600
Payments for lease deposits	(858)	(988)
Collection of lease deposits	753	1,089
Other, net	(1,612)	1,379
Net cash provided by (used in) investing activities	(35,280)	(4,767)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(500)	(1)
Proceeds from long-term loans payable	29,880	2,000
Repayment of long-term loans payable	(13,361)	(14,043)
Proceeds from issuance of bonds	9,958	—
Redemption of bonds	(1,600)	(14,200)
Proceeds from exercise of stock options	3	—
Cash dividends paid	(9,422)	(9,376)
Purchase of treasury stock	(12)	(11)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(996)	(984)
Other, net	336	(1,718)
Net cash provided by (used in) financing activities	14,285	(38,334)
Effect of exchange rate change on cash and cash equivalents	(1,128)	(1,124)
Net increase (decrease) in cash and cash equivalents	(5,217)	14,900
Cash and cash equivalents at beginning of period	190,837	185,613
Increase in cash and cash equivalents from newly consolidated subsidiary	73	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1)	(1,305)
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	(79)	—
Cash and cash equivalents at end of period	185,613	199,208

(Changes in accounting estimates)

At a meeting of the Board of Directors held on March 31, 2017, the Company resolved to relocate the headquarters of the Company and some of the operating companies of the SEGA SAMMY Group located in the Tokyo metropolitan area. As a result, the Company has shorten the useful lives of the noncurrent assets that will become unable to use as a result of the relocation, and such change is effective into the future.

These changes have no impact on profit and loss for the consolidated fiscal year ended March 31, 2017. Meanwhile, the impact of these changes on profit and loss for the consolidated fiscal year ending March 31, 2018 onward is in the process of being calculated.

(Additional information)

(Adopting of implementation guidance on recoverability of deferred tax assets)

Effective from the fiscal year ended March 31, 2017, the Company adopted “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, issued on March 28, 2016)

(Amendment of deferred tax assets and deferred tax liabilities due to changes in income tax rate)

With the enactment of the “Act to Partially Revise the Act on Partial Revision to the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security” (Act No. 85 of 2016) and the “Act to Partially Revise the Act for Partial Revision to the Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security” (Act No. 86 of 2016) in the Diet on November 18, 2016, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2017 has been changed from that for the previous fiscal year.

As a result, net deferred tax assets at the end of the fiscal year ended March 31, 2017 decreased by ¥352 million while income taxes-deferred increased by ¥352 million.

## SEGMENT INFORMATION

### 1. Outline of reporting segments

Reporting segments of the Group are the organizational units for which separated financial information is available, and on the basis of which the Board of Directors makes decision on the allocation of management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service, is carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the business run by each company, in which “Pachislot and Pachinko Machines Business”, “Entertainment Contents Business” and “Resort Business” are the reporting segments.

Line of business at each reporting segment is as follows:

Segment	Main product and business
Pachislot and Pachinko Machines Business	Development, manufacture and sales of pachislot and pachinko machines
Entertainment Contents Business	Development and sales of digital game software serving as the main axis of segments, development and sales of packaged game software and amusement machines, development and operation of amusement centers, planning, production and sales of animated films, development, manufacture and sales of toys
Resort Business	Development and operation of hotels and theme parks in the integrated resorts business and other facilities businesses

(Change in classification of reporting segments)

Effective from the fiscal year ended March 31, 2017, pachislot and pachinko machines related business of Sammy Networks Co., Ltd. that was formerly included in the “Entertainment Contents Business” was reclassified as the “Pachislot and Pachinko Machines Business” to enhance business performance through the leveraging of the Group synergies in the Pachislot and Pachinko Machines Business.

Segment information of the previous fiscal year is based on the segment classification after the change.

2. Information on the amounts of net sales, income or loss, assets and other items by each reporting segment

Prior year (From April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Note)	Amount in consolidated financial statements
	Pachislot Pachinko	Entertainment Contents	Resort			
Net sales						
(1) Sales to third parties	141,037	190,551	16,392	347,981	—	347,981
(2) Inter-segment sales and transfers	640	1,018	57	1,715	(1,715)	—
Total	141,677	191,570	16,450	349,697	(1,715)	347,981
Segment income (loss)	20,955	4,216	(1,825)	23,346	(5,728)	17,617
Segment assets	121,789	173,570	56,208	351,568	181,388	532,957
Depreciation	7,913	11,437	1,047	20,398	616	21,015
Investments in associates accounted for by the equity method	545	825	23,127	24,498	892	25,390
Increases in property, plant and equipment and intangible assets	6,766	16,115	5,045	27,927	119	28,046

- (Notes) 1. Elimination of inter-segment transactions of ¥129 million and general corporate expenses of ¥(5,858) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(5,728) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.
2. Adjustments for segment assets of ¥181,388 million includes elimination of inter-segment transactions of ¥(38,013) million and general corporate assets of ¥219,401 million which are not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.
3. The adjustment to depreciation is mainly consisted of depreciation associated with the Company.
4. Adjustments for investments in associates accounted for using equity method are investments in associates accounted for using equity method that are not attached to each reporting segment.
5. The adjustment to property, plant and equipment and intangible assets is mainly consisted of purchase of noncurrent assets associated with the Company.
6. Adjustment has been made to segment income (loss) and operating income in the consolidated financial statements.

Current year (From April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Note)	Amount in consolidated financial statements
	Pachislot Pachinko	Entertainment Contents	Resort			
Net sales						
(1) Sales to third parties	148,222	205,704	13,012	366,939	0	366,939
(2) Inter-segment sales and transfers	752	1,152	48	1,953	(1,953)	—
Total	148,974	206,857	13,060	368,892	(1,952)	366,939
Segment income (loss)	26,331	11,176	(2,244)	35,263	(5,735)	29,527
Segment assets	117,325	170,845	48,428	336,599	184,999	521,599
Depreciation	7,600	11,177	1,162	19,940	620	20,561
Investments in associates accounted for by the equity method	337	1,359	21,274	22,970	895	23,866
Increases in property, plant and equipment and intangible assets	5,871	16,667	4,505	27,045	18	27,063

- (Notes) 1. Elimination of inter-segment transactions of ¥7 million and general corporate expenses of ¥(5,742) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(5,735) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.
2. Adjustments for segment assets of ¥184,999 million includes elimination of inter-segment transactions of ¥(99,861) million and general corporate assets of ¥284,861 million which are not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.
3. The adjustment to depreciation is mainly consisted of depreciation associated with the Company.
4. Adjustments for investments in associates accounted for using equity method are investments in associates accounted for using equity method that are not attached to each reporting segment.
5. The adjustment to property, plant and equipment and intangible assets is mainly consisted of purchase of noncurrent assets associated with the Company.
6. Adjustment has been made to segment income (loss) and operating income in the consolidated financial statements.