

(Translation)

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**3 Months Ended June 30, 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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Filing of Quarterly Report : August 10, 2017 (plan)  
 Start of cash dividend payments : —

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the 3 Months Ended June 30, 2017****(1) RESULTS OF CONSOLIDATED OPERATIONS**

(Percentage represents changes from the prior period)

	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 3 months ended June 30, 2017	107,277	51.9	16,618	443.9	16,250	444.3	11,536	180.6
For 3 months ended June 30, 2016	70,634	33.4	3,055	—	2,985	—	4,111	—

(Note) Comprehensive income

For 3 months ended June 30, 2017 : ¥14,184 million (—%)  
 For 3 months ended June 30, 2016 : ¥(5,459) million (—%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2017	49.22	49.10
For 3 months ended June 30, 2016	17.54	—

**(2) CONSOLIDATED FINANCIAL POSITION**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2017	507,609	318,898	62.5
March 31, 2017	521,599	311,497	59.0

(Reference) Shareholders' equity

June 30, 2017 : ¥317,170 million  
 March 31, 2017 : ¥307,764 million

## 2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	For the year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	20.00	—	20.00	40.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (plan)		20.00	—	20.00	40.00

(Note) Revision of the forecast from latest announcement: No

## 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) Revision of the forecast from latest announcement: No

## 4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during period: No
- (2) Adoption of the simplified method of accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the quarterly consolidated financial statements:
  1. Changes associated with revision in accounting standards: No
  2. Other changes: No
- (4) Number of shares outstanding (common stock)
  1. Number of shares outstanding at the end of the period (including treasury stock)
 

June 30, 2017	: 266,229,476
March 31, 2017	: 266,229,476
  2. Number of treasury stock at the end of the period
 

June 30, 2017	: 31,843,473
March 31, 2017	: 31,841,869
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

For 3 months ended June 30, 2017	: 234,386,923
For 3 months ended June 30, 2016	: 234,393,962

(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 the 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 “Forecast of Consolidated Operating Results” on page 4.
- The Company plans to hold a telephone conference on financial results for analysts on August 4, 2017. The contents of the meeting will be posted on the Company’s website on the same day.

## **Operating Results and Financial Position**

### **(1) Overview**

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, titles receiving high appraisal are arising mainly in some series with successful track records. In order to revitalize the market going ahead, it is essential to develop and supply machines that are 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 video game titles and prizes.

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 first quarter of the fiscal year ending March 31, 2018 amounted to ¥107,277 million, an increase of 51.9% for the same period in the previous fiscal year. The Group posted an operating income of ¥16,618 million (an increase of 443.9% for the same period in the previous fiscal year), ordinary income of ¥16,250 million (an increase of 444.3% for the same period in the previous fiscal year) and profit attributable to owners of parent of ¥11,536 million (an increase of 180.6% for the same period in 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.

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

In the pachislot machine business, the Group has launched titles including “Pachislot Beast King Oujya no kakusei,” which has greatly improved playability from its predecessor, leading to overall sales of pachislot machines of 25 thousand units (Overall sales of pachislot machines were 29 thousand units for the same period in the previous fiscal year). In the pachinko machine business, sales were strong for the titles such as “Pachinko CR Hokuto No Ken 7 Resurrection,” a new title of the mainstay “Hokuto No Ken” series, leading to overall sales of pachinko machines of 97 thousand units (Overall sales of pachinko machines were 20 thousand units for the same period in the previous fiscal year).

As a result, net sales in this segment were ¥54,935 million (an increase of 158.6% for the same period in the previous fiscal year) and operating income was ¥15,104 million (operating income of ¥343 million for the same period in the previous fiscal year).

#### **« Entertainment Contents »**

In the field of digital game software, sales remained robust for “PHANTASY STAR ONLINE 2,” which celebrated its fifth anniversary from its release. With regard to titles for smart devices, the Group conducted various events, updates and other measures mainly for existing major titles including “Hortensia SAGA” and “Puyopuyo!! Quest.”

In the packaged game software field, sales amounted to 4,560 thousand copies (2,410 thousand copies for the same period in the previous fiscal year) thanks to the strength of overseas development for “Persona5,” a new installment of the ATLUS brand, and its cumulative worldwide shipments exceeded 1.5 million. In addition, the Group also launched PC game titles including “Endless Space 2” and “Warhammer 40,000: Dawn of War III.”

In the amusement machine field, in addition to reporting income from revenue share models such as “KanColle Arcade,” sales were strong for prize game machines such as “UFO CATCHER TRIPLE.”

In the amusement center operations field, like-for-like sales were 100.1% compared with the same period of the previous fiscal year. On the one hand the Group worked to enhance amusement center operations with focus on prize, but on the other hand operations of new video games fell into a decline from the same period in the previous fiscal year,

which had favorable operations.

In the animation film and toy fields, the theater film “Detective Conan Crimson Love Letter” has been popular. In addition, the Group implemented the sale of classic and mainstay toy products including “ANPANMAN D.I.Y. Moving ANPANMANGO-CAR.”

As a result, net sales in this segment were ¥50,278 million (an increase of 7.7% for the same period in the previous fiscal year). Although sales volumes were higher compared with the same period of the previous fiscal year, operating income was ¥3,717 million (a decrease of 24.8% for the same period in the previous fiscal year) because of increasing of development expenses associated with the introduction of mainstay titles.

#### « Resort »

In the Resort Business, PARADISE SEGASAMMY Co., Ltd. (associate accounted for using the equity method,) a joint venture between Paradise Co., Ltd. and the Group opened South Korea’s first integrated resort “PARADISE CITY” on April 20, 2017 in Incheon, South Korea, with the goal of creating a facility that can be enjoyed by people of all generations. In addition, major renovations conducted in the previous fiscal year on one of the leading resorts in Japan, “Phoenix Seagaia Resort,” generated positive effects, and implementation of a program for visitors from neighboring areas resulted in a 28% increase in the number of visitors from the same period in the previous fiscal year, when the 2016 Kumamoto Earthquake occurred. The Resort Business reported a decrease in income due to sales of a portion of shares of a company engaged in the development and operations of an indoor theme park in the previous fiscal year.

As a result, net sales in this segment were ¥2,062 million (a decrease of 23.4% for the same period in the previous fiscal year) and operating loss was ¥735 million (operating loss of ¥898 million for the same period in the previous fiscal year).

## (2) Forecast of Consolidated Operating Results

During the first quarter of the fiscal year ending March 31, 2018, significant progress has been made in operating income, ordinary income and profit attributable to owners of parent against the forecast of consolidated operating results for the fiscal year ending March 31, 2018, announced on May 12, 2017, mainly as a result of robust sales of mainstay titles in the pachinko machine business of the Pachislot and Pachinko Machines Business.

During the current fiscal year, the Group plans to concentrate the sales of mainstay titles in the first half of the fiscal year mainly in Pachislot and Pachinko Machines Business, and as changes to various regulations are scheduled in the second half of the fiscal year, flexible approach is required especially in the Pachislot and Pachinko Machines Business upon carefully assessing the market environment for the second half of the fiscal year. From the above, no change has been made to the forecast announced on May 12, 2017. A modified forecast of the consolidated operating results will be released promptly if any adjustment is necessary.

The future plans for business segments are as follows.

#### « Pachislot and Pachinko Machines »

In the pachislot machine business, the Group will promote the sales of titles including “Pachislot Hokuto No Ken Shindensetsu souzou,” a new title of the mainstay “Hokuto No Ken” series. Incidentally, new voluntary regulations are scheduled to be adopted for new pachislot machines installed on and after October 1, 2017.

In the pachinko machine business, the Group will promote the sales of titles including “Pachinko CR GHOST IN THE SHELL -STAND ALONE COMPLEX-,” which will be based on the popular animation “GHOST IN THE SHELL -STAND ALONE COMPLEX-.”

Revised laws and regulations, including the Enforcement Regulations of the Act on Control and Improvement of Amusement Business, etc. are scheduled to go into effect on February 1, 2018.

#### « Entertainment Contents »

With regard to the Entertainment Contents Business, EPISODE 5, a major update of “PHANTASY STAR ONLINE 2,” was launched in July, 2017. In addition, for existing major titles for smart devices, the Group plans for continued contribution to income through various events and updates.

In the packaged game software field, the Group plans to launch new PC game titles such as “Total War: WARHAMMER 2.” In the amusement machine field, the Group expects continued contribution to income from revenue share models, especially the popular title “KanColle Arcade,” and also promotes the sales of titles including CTV KIT “StarHorse 3 SeasonVI FULL THROTTLE.”

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 animated film and toy fields, the Group plans to report income from distributing the theater film “Detective Conan Crimson Love Letter,” which broke box-office records for the series. 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 customers by continuously creating new experience value, including summer vacation events and the renovation of garden area.

Overseas, the Group intends to continue to accumulate further expertise through reinforcing its dispatched personnel at “PARADISE CITY” and to improve facilities utilization, by means such as promotions to attract guests mainly in Japan.

**(3) Other**

(Additional information)

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 companies of the SEGA SAMMY Group located in the Tokyo metropolitan area. As a result, at the end of the previous fiscal year, the Company and certain subsidiaries had shortened the useful lives of the noncurrent assets that will become unable to use as a result of the relocation, and the effects of this change are accounted for prospectively.

Comparing results with the previous method, operating income, ordinary income and income before income taxes were decreased by ¥431 million, respectively, for the first quarter of the fiscal year ending March 31, 2018. The impact on segment information is described in the related section.

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2017 AND MARCH 31, 2017

(Unit: Millions of yen)

	Prior year (As of March 31, 2017)	Current period (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	137,494	143,056
Notes and accounts receivable – trade	44,500	36,076
Short-term investment securities	65,203	66,705
Merchandise and finished goods	18,669	7,886
Work in process	14,838	14,021
Raw materials and supplies	13,933	11,969
Other	29,805	28,359
Allowance for doubtful accounts	(329)	(227)
Total current assets	324,115	307,847
Noncurrent assets		
Property, plant and equipment		
Land	23,740	23,750
Other, net	57,869	56,675
Total property, plant and equipment	81,609	80,425
Intangible assets		
Goodwill	10,807	10,473
Other	11,352	12,494
Total intangible assets	22,160	22,968
Investments and other assets		
Investment securities	69,845	70,669
Other	24,607	26,433
Allowance for doubtful accounts	(739)	(734)
Total investments and other assets	93,713	96,368
Total noncurrent assets	197,483	199,761
Total assets	521,599	507,609

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2017 AND MARCH 31, 2017

(Unit: Millions of yen)

	Prior year (As of March 31, 2017)	Current period (As of June 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	45,631	36,848
Short - term loans payable	6,354	4,373
Income taxes payable	2,950	4,059
Provision	7,324	3,322
Asset retirement obligations	303	306
Other	50,001	42,949
<b>Total current liabilities</b>	<b>112,567</b>	<b>91,859</b>
<b>Noncurrent liabilities</b>		
Bonds payable	32,500	32,500
Long - term loans payable	44,500	44,496
Net defined benefit liability	3,303	3,175
Asset retirement obligations	3,735	3,742
Provision for dismantling of fixed assets	420	420
Other	13,076	12,516
<b>Total noncurrent liabilities</b>	<b>97,534</b>	<b>96,851</b>
<b>Total liabilities</b>	<b>210,102</b>	<b>188,711</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	29,953	29,953
Capital surplus	117,521	117,500
Retained earnings	207,639	214,467
Treasury stock	(54,769)	(54,771)
<b>Total shareholders' equity</b>	<b>300,345</b>	<b>307,150</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	11,041	12,326
Deferred gains or losses on hedges	(71)	(51)
Revaluation reserve for land	340	340
Foreign currency translation adjustment	(4,479)	(3,106)
Remeasurements of defined benefit plans	588	511
<b>Total accumulated other comprehensive income</b>	<b>7,419</b>	<b>10,020</b>
Subscription rights to shares	303	432
Non-controlling interests	3,428	1,294
<b>Total net assets</b>	<b>311,497</b>	<b>318,898</b>
<b>Total liabilities and net assets</b>	<b>521,599</b>	<b>507,609</b>

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 3 MONTHS ENDED JUNE 30, 2016 AND 2017

(Unit: Millions of yen)

	Prior period From April 1, 2016 To June 30, 2016	Current period From April 1, 2017 To June 30, 2017
Net sales	70,634	107,277
Cost of sales	42,642	65,042
Gross profit	27,992	42,235
Selling, general and administrative expenses	24,936	25,616
Operating income (loss)	3,055	16,618
Non-operating income		
Interest income	67	96
Dividends income	487	499
Foreign exchange gains	418	—
Gain on investments in partnership	16	47
Gain on valuation of compound financial instruments	—	162
Other	255	386
Total non-operating income	1,244	1,192
Non-operating expenses		
Interest expenses	259	189
Equity in losses of affiliates	322	970
Foreign exchange loss	—	72
Loss on valuation of compound financial instruments	430	—
Other	302	328
Total non-operating expenses	1,315	1,561
Ordinary income (loss)	2,985	16,250
Extraordinary income		
Gain on sales of noncurrent assets	104	0
Gain on sales of investment securities	45	432
Gain on liquidation of subsidiaries and affiliates	254	—
Gain on liquidation of silent partnership	1,087	—
Gain on reversal of restructuring loss	—	124
Other	49	—
Total extraordinary income	1,542	557
Extraordinary losses		
Loss on sales of noncurrent assets	0	—
Impairment loss	27	370
Loss on sales of shares of subsidiaries and associates	40	—
Restructuring loss	68	—
Other	24	0
Total extraordinary losses	160	370
Income (loss) before income taxes	4,366	16,437
Income taxes-current	178	4,854
Total income taxes	178	4,854
Profit (loss)	4,188	11,582
(Breakdown)		
Profit (loss) attributable to owners of parent	4,111	11,536
Profit (loss) attributable to non-controlling interests	77	45

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 3 MONTHS ENDED JUNE 30, 2016 AND 2017

(Unit: Millions of yen)

	Prior period From April 1, 2016 To June 30, 2016	Current period From April 1, 2017 To June 30, 2017
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,312)	1,278
Deferred gains or losses on hedges	(469)	0
Foreign currency translation adjustment	(5,164)	810
Remeasurements of defined benefit plans, net of tax	42	(75)
Share of other comprehensive income of associates accounted for using equity method	(743)	588
Total other comprehensive income	(9,648)	2,601
Comprehensive income	(5,459)	14,184
Comprehensive income attributable to owners of parent	(5,268)	14,137
Comprehensive income attributable to non-controlling interests	(190)	46

## SEGMENT INFORMATION

1. Prior period (From April 1, 2016 to June 30, 2016)

(1) Information on the amounts of net sales, income (loss) by each reporting segment

(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	21,239	46,700	2,694	70,634	0	70,634
(2) Inter-segment sales and transfers	121	121	6	249	(249)	—
Total	21,360	46,821	2,701	70,883	(249)	70,634
Segment income (loss)	343	4,941	(898)	4,387	(1,331)	3,055

(Notes) 1. Elimination of inter-segment transactions of ¥3 million and general corporate expenses of ¥(1,334) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(1,331) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustment has been made to segment income (loss) and operating income in the consolidated financial statements.

2. Current period (From April 1, 2017 to June 30, 2017)

(1) Information on the amounts of net sales, income (loss) by each reporting segment

(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	54,935	50,278	2,062	107,277	0	107,277
(2) Inter-segment sales and transfers	158	185	2	347	(347)	—
Total	55,094	50,464	2,065	107,625	(347)	107,277
Segment income (loss)	15,104	3,717	(735)	18,086	(1,467)	16,618

(Notes) 1. Elimination of inter-segment transactions of ¥7 million and general corporate expenses of ¥(1,475) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(1,467) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustment has been made to segment income (loss) and operating income in the consolidated financial statements.

(2) Change of reporting segments, etc.

(Impact of the change of the useful lives of the noncurrent assets)

As described in “Additional information,” at the end of the previous fiscal year, the Company and some of the companies of the SEGA SAMMY Group located in the Tokyo metropolitan area had shortened the useful lives of the noncurrent assets that will become unable to use as a result of the relocation, and the effects of this change are accounted for prospectively.

Comparing the result with the previous method, segment income for “Pachislot and Pachinko Machines Business” decreased by ¥137 million, “Entertainment Contents Business” decreased by ¥256 million, respectively, for the first quarter of the fiscal year ending March 31, 2018. In addition, general corporate expenses included in “Adjustment” increased by ¥36 million.