

(Translation)

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**9 Months Ended December 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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Filing of Quarterly Report : February 14, 2018 (plan)  
Start of cash dividend payments : —

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the 9 Months Ended December 31, 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 9 months ended December 31, 2017	260,804	(8.7)	25,623	(26.9)	24,315	(31.3)	13,754	(62.3)
For 9 months ended December 31, 2016	285,727	16.6	35,067	189.8	35,398	179.9	36,527	462.1

(Note) Comprehensive income

For 9 months ended December 31, 2017 : ¥16,118 million ((51.9)%)  
For 9 months ended December 31, 2016 : ¥33,543 million (—%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2017	58.68	58.58
For 9 months ended December 31, 2016	155.84	155.34

**(2) CONSOLIDATED FINANCIAL POSITION**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2017	485,062	316,222	64.7
March 31, 2017	521,599	311,497	59.0

(Reference) Shareholders' equity

December 31, 2017 : ¥313,944 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	—	20.00	—		
Year ending March 31, 2018 (plan)				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	330,000	(10.1)	13,000	(56.0)	10,000	(65.0)	5,000	(81.9)	21.33

(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)
    - December 31, 2017 : 266,229,476
    - March 31, 2017 : 266,229,476
  2. Number of treasury stock at the end of the period
    - December 31, 2017 : 31,848,575
    - March 31, 2017 : 31,841,869
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
    - For 9 months ended December 31, 2017 : 234,384,732
    - For 9 months ended December 31, 2016 : 234,392,686

(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 February 7, 2018. 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 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 hardware of home video game console. In the PC games market, game distribution platforms such as Steam are expanding. 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 three quarters of the fiscal year ending March 31, 2018 amounted to ¥260,804 million, a decrease of 8.7% for the same period in the previous fiscal year. The Group posted an operating income of ¥25,623 million (a decrease of 26.9% for the same period in the previous fiscal year), ordinary income of ¥24,315 million (a decrease of 31.3% for the same period in the previous fiscal year) and profit attributable to owners of parent of ¥13,754 million (a decrease of 62.3% for the same period in the previous fiscal year).

As announced on December 5, 2017, SEGA SAMMY CREATION INC. (hereafter “SSC”), a wholly owned subsidiary of the Company, and Sega Sammy Creation USA Inc., a wholly owned subsidiary of SSC, received Manufacturer licenses and Distributor licenses for the manufacture, sale and distribution of gaming machines in the State of Nevada as of December 1, 2017.

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, early deliveries in the third quarter were made of “Pachislot CODE GEASS Lelouch of the Rebellion R2 C.C.ver.,” whose operation started in January 2018, leading to overall sales of pachislot machines of 75 thousand units (Overall sales of pachislot machines were 169 thousand units for the same period in the previous fiscal year). In the pachinko machine business, the Group has launched titles including “Pachinko CR SOUTEN-NO-KEN Tenra” the latest title of the “Pachinko SOUTEN-NO-KEN” series that has achieved new gameplay with the newly installed system, leading to overall sales of pachinko machines of 129 thousand units (Overall sales of pachinko machines were 111 thousand units for the same period in the previous fiscal year).

As a result, net sales in this segment were ¥95,499 million (a decrease of 20.2% for the same period in the previous fiscal year) and operating income was ¥15,179 million (a decrease of 41.4% for the same period in the previous fiscal year).

#### **« Entertainment Contents »**

In the field of digital game software, the Group conducted various events, updates and other measures mainly for existing major titles including “PHANTASY STAR ONLINE 2,” “Hortensia SAGA” and “Puyopuyo!! Quest.” With regard to new titles, sales were robust for “Magia Record : Puella Magi Madoka Magica Side Story,” whose development and operation were outsourced to f4samurai, Inc., a consolidated subsidiary of the Company.

In the packaged game software field, sales amounted to 14,280 thousand copies (8,130 thousand copies for the same period in the previous fiscal year) thanks to the sales of the new titles including “SONIC FORCES” and “Ryu ga Gotoku KIWAMI 2” as well as “Football Manager 2018,” a new PC game title.

In the amusement machine field, sales were strong for prize game machines including “UFO CATCHER” series.

In the amusement center operations field, like-for-like sales were 102.1% compared with the same period in the previous fiscal year. The Group worked to enhance amusement center operations with focus on prize.

In the animated film and toy field, the Group recorded income from distributing a theater film such as “Yowamushi Pedal RE:GENERATION.” In addition, the Group implemented the sale of toy products including “ANPANMAN” series and “Disney&Disney/Pixar Characters Dream Switch.”

As a result, net sales in this segment were ¥157,944 million (an increase of 1.6% for the same period in the previous fiscal year) and operating income was ¥17,279 million (an increase of 12.3% for the same period in the previous fiscal year).

#### « Resort »

In the Resort Business, the Group implemented various measures to attract customers at “Phoenix Seagaia Resort,” one of the leading resorts in Japan, including the opening of “THE LIVING GARDEN -Forest area-,” the increase in the number of visitors resulted in 9% compared with the same period in the previous fiscal year.

However, 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. In addition, by the outbreak of the prior investment costs for the full-hedged integrated resort business, margin of loss increased from the same period in the previous fiscal year.

As a result, net sales in this segment were ¥7,359 million (a decrease of 30.2% for the same period in the previous fiscal year) and operating loss was ¥1,843 million (operating loss of ¥1,822 million for the same period in the previous fiscal year).

Overseas, PARADISE SEGASAMMY Co., Ltd. (affiliate 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” in April, 2017. It has served many visitors and signs of gradual improvement in profitability were seen.

## (2) Forecast of Consolidated Operating Results

During the first three quarters of the fiscal year ending March 31, 2018, operating income, ordinary income and profit attributable to owners of parent surpassed the forecast of consolidated operating results for the full year of the fiscal year ending March 31, 2018 announced on November 30, 2017, mainly as a result of robust performances in every business field of the Entertainment Contents Business. However, no change has been made to the forecast announced on November 30, 2017, as we need to discern the status of sales trends and other factors.

The future plans for business segments are as follows.

#### « Pachislot and Pachinko Machines »

In the Pachislot and Pachinko Machines Business, “Rules for Partial Revision of Ordinance for Act on Control and Improvement of Amusement Business, etc., and Regulations for the Verification of Licenses, Formats, and Other Aspects of Pachislot and Pachinko Machines” was enforced on February 1, 2018. In addition, Nihon Dendo-shiki Yugiki Kogyo Kyodo Kumiai (Nichidenkyo), a union of pachislot machine manufacturers, and Nihon Yugiki Kogyo Kumiai (Nikkoso), a union for pachinko machine manufacturers, decided to adopt voluntary regulations based on the regulatory revision. Therefore, the Group will advance sales of machines which have already been licensed under regulations before revision, and advance development of machines conforming to the regulatory revision and new voluntary regulations. In the fourth quarter, the Group will promote the sales of titles including “Pachislot CODE GEASS Lelouch of the Rebellion R2 C.C.ver.,” the Group's first No. 5.9-type machine, and “Pachislot Valkyria Chronicles” in the pachislot machine business and titles including “Dejihane CRA SOUTEN-NO-KEN Tenki” in the pachinko machine business.

#### « Entertainment Contents »

In the field of digital game software, in addition to contributions to income from existing major titles, the Group also plans to launch new titles. In January 2018, the Group launched the new title “D×2 Shin Megami Tensei Liberation,” making a good start.

In the packaged game software field, the Group plans to launch new titles such as “Hokuto ga Gotoku” and “Valkyria Chronicles 4.”

In the amusement machine field, the Group plans to launch new titles such as “SOUL REVERSE” and “SEGA World Drivers Championship,” and also continues to promote the sales of prize game machines.

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 record production income from TV animation series “Yowamushi Pedal GLORY LINE,” etc. In addition, the Group will implement the sale of mainly classic and mainstay toy products including “Let’s bake the bread in the oven! Uncle Jam’s Bakery,” a new toy product of “ANPANMAN” series.

« **Resort** »

The Group will continue to attract more customers by continuously creating new experience value through the renewal of the buffet restaurant “PINE TERRACE,” attracting customers during the sports camp season, and offering many other measures to entertain customers to our facilities.

Overseas, the Group will endeavor to improve the value of facilities in “PARADISE CITY,” where Phase 1 Stage 2 development facilities are scheduled to open in the next fiscal year. The Group will continue to endeavor to accumulate further integrated resorts development and operational know-how through dispatching personnel to “PARADISE CITY.”

**(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 ¥1,349 million, respectively, for the first three quarters 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 DECEMBER 31, 2017 AND MARCH 31, 2017

(Unit: Millions of yen)

	Prior year (As of March 31, 2017)	Current period (As of December 31, 2017)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	137,494	114,715
Notes and accounts receivable – trade	44,500	33,689
Short-term investment securities	65,203	70,179
Merchandise and finished goods	18,669	7,366
Work in process	14,838	18,529
Raw materials and supplies	13,933	13,886
Other	29,805	29,656
Allowance for doubtful accounts	(329)	(219)
<b>Total current assets</b>	<b>324,115</b>	<b>287,803</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Land	23,740	23,747
Other, net	57,869	54,554
<b>Total property, plant and equipment</b>	<b>81,609</b>	<b>78,301</b>
<b>Intangible assets</b>		
Goodwill	10,807	9,552
Other	11,352	15,188
<b>Total intangible assets</b>	<b>22,160</b>	<b>24,740</b>
<b>Investments and other assets</b>		
Investment securities	69,845	69,955
Other	24,607	24,998
Allowance for doubtful accounts	(739)	(737)
<b>Total investments and other assets</b>	<b>93,713</b>	<b>94,216</b>
<b>Total noncurrent assets</b>	<b>197,483</b>	<b>197,259</b>
<b>Total assets</b>	<b>521,599</b>	<b>485,062</b>

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

(Unit: Millions of yen)

	Prior year (As of March 31, 2017)	Current period (As of December 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	45,631	20,474
Short - term loans payable	6,354	11,684
Income taxes payable	2,950	6,733
Provision	7,324	3,096
Asset retirement obligations	303	96
Other	50,001	45,759
<b>Total current liabilities</b>	<b>112,567</b>	<b>87,846</b>
<b>Noncurrent liabilities</b>		
Bonds payable	32,500	25,000
Long - term loans payable	44,500	36,821
Net defined benefit liability	3,303	2,945
Asset retirement obligations	3,735	3,822
Provision for dismantling of fixed assets	420	420
Other	13,076	11,985
<b>Total noncurrent liabilities</b>	<b>97,534</b>	<b>80,994</b>
<b>Total liabilities</b>	<b>210,102</b>	<b>168,840</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	29,953	29,953
Capital surplus	117,521	117,327
Retained earnings	207,639	211,997
Treasury stock	(54,769)	(54,778)
<b>Total shareholders' equity</b>	<b>300,345</b>	<b>304,499</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	11,041	10,941
Deferred gains or losses on hedges	(71)	(1)
Revaluation reserve for land	340	340
Foreign currency translation adjustment	(4,479)	(2,196)
Remeasurements of defined benefit plans	588	362
<b>Total accumulated other comprehensive income</b>	<b>7,419</b>	<b>9,445</b>
Subscription rights to shares	303	691
Non-controlling interests	3,428	1,586
<b>Total net assets</b>	<b>311,497</b>	<b>316,222</b>
<b>Total liabilities and net assets</b>	<b>521,599</b>	<b>485,062</b>

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 9 MONTHS ENDED DECEMBER 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior period From April 1, 2016 To December 31, 2016	Current period From April 1, 2017 To December 31, 2017
Net sales	285,727	260,804
Cost of sales	172,077	158,113
Gross profit	113,649	102,691
Selling, general and administrative expenses	78,582	77,067
Operating income (loss)	35,067	25,623
Non-operating income		
Interest income	231	274
Dividends income	918	939
Foreign exchange gains	265	84
Gain on investments in partnership	317	814
Gain on valuation of compound financial instruments	604	275
Other	1,016	760
Total non-operating income	3,352	3,149
Non-operating expenses		
Interest expenses	734	540
Equity in losses of affiliates	889	3,132
Commission fee	34	61
Other	1,363	721
Total non-operating expenses	3,021	4,456
Ordinary income (loss)	35,398	24,315
Extraordinary income		
Gain on sales of noncurrent assets	9,516	61
Gain on sales of investment securities	1,132	445
Gain on liquidation of subsidiaries and affiliates	290	—
Gain on liquidation of silent partnership	1,087	—
Gain on reversal of subscription rights to shares	801	—
Gain on reversal of provision for dismantling of fixed assets	5	233
Other	41	128
Total extraordinary income	12,875	868
Extraordinary losses		
Loss on sales of noncurrent assets	3	0
Impairment loss	4,801	634
Loss on valuation of investment securities	26	0
Loss on sales of shares of subsidiaries and affiliates	40	113
Restructuring loss	267	—
Other	106	25
Total extraordinary losses	5,246	774
Income (loss) before income taxes	43,027	24,410
Income taxes-current	6,106	10,319
Total income taxes	6,106	10,319
Profit (loss)	36,920	14,090
(Breakdown)		
Profit (loss) attributable to owners of parent	36,527	13,754
Profit (loss) attributable to non-controlling interests	393	335

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 9 MONTHS ENDED DECEMBER 31, 2016 AND 2017

(Unit: Millions of yen)

	Prior period From April 1, 2016 To December 31, 2016	Current period From April 1, 2017 To December 31, 2017
Other comprehensive income		
Valuation difference on available-for-sale securities	826	(114)
Deferred gains or losses on hedges	(0)	—
Foreign currency translation adjustment	(1,832)	2,110
Remeasurements of defined benefit plans, net of tax	127	(225)
Share of other comprehensive income of entities accounted for using equity method	(2,499)	257
Total other comprehensive income	(3,377)	2,028
Comprehensive income	33,543	16,118
Comprehensive income attributable to owners of parent	33,416	15,780
Comprehensive income attributable to non-controlling interests	127	338

## SEGMENT INFORMATION

1. Prior period (From April 1, 2016 to December 31, 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	119,739	155,440	10,547	285,726	0	285,727
(2) Inter-segment sales and transfers	573	768	34	1,376	(1,376)	—
Total	120,313	156,209	10,581	287,103	(1,376)	285,727
Segment income (loss)	25,885	15,387	(1,822)	39,450	(4,382)	35,067

(Notes) 1. Elimination of inter-segment transactions of ¥0 million and general corporate expenses of ¥(4,383) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(4,382) 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 December 31, 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	95,499	157,944	7,359	260,803	0	260,804
(2) Inter-segment sales and transfers	551	898	8	1,458	(1,458)	—
Total	96,051	158,842	7,368	262,262	(1,457)	260,804
Segment income (loss)	15,179	17,279	(1,843)	30,615	(4,992)	25,623

(Notes) 1. Elimination of inter-segment transactions of ¥10 million and general corporate expenses of ¥(5,002) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(4,992) 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 ¥421 million, “Entertainment Contents Business” decreased by ¥819 million, respectively, for the first three quarters of the fiscal year ending March 31, 2018. In addition, general corporate expenses included in “Adjustment” increased by ¥108 million.