

SEGA-SAMMY  
H O L D I N G S

SEGA-SAMMY  
G R O U P

# FY Ended March 2018 Full Year Results Presentation

May 14th, 2018

[Disclaimer]

The contents of this material and comments made during the questions and answers etc of this briefing session are the judgment and projections of the Company's management based on currently available information.

These contents involve risk and uncertainty and the actual results may differ materially from these contents/comments.

# 1.Results / Forecasts

## Consolidated Performance

(JPY Billion)

	2017/3 Results	2018/3 Results	2019/3 Forecasts
Sales	366.9	323.6	390.0
Operating Income	29.5	17.7	21.0
Operating Income Margin	8.0%	5.5%	5.4%
Ordinary Income	28.5	14.5	16.0
Income before income taxes	33.7	12.4	17.0
Profit attributable to owners of parent	27.6	8.9	12.0
ROA <sup>※</sup>	5.2%	1.8%	—

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

## Highlights

## Results for FY ended March 2018

## Pachislot and Pachinko Machines:

Decreased unit sales reflecting impact of amendment to rules

## Entertainment Contents:

Strong performance in packaged games and amusement machines sales

## Forecasts for FY ending March 2019

## Pachislot and Pachinko Machines:

Full-scale sales of machines conforming to new rules from second half

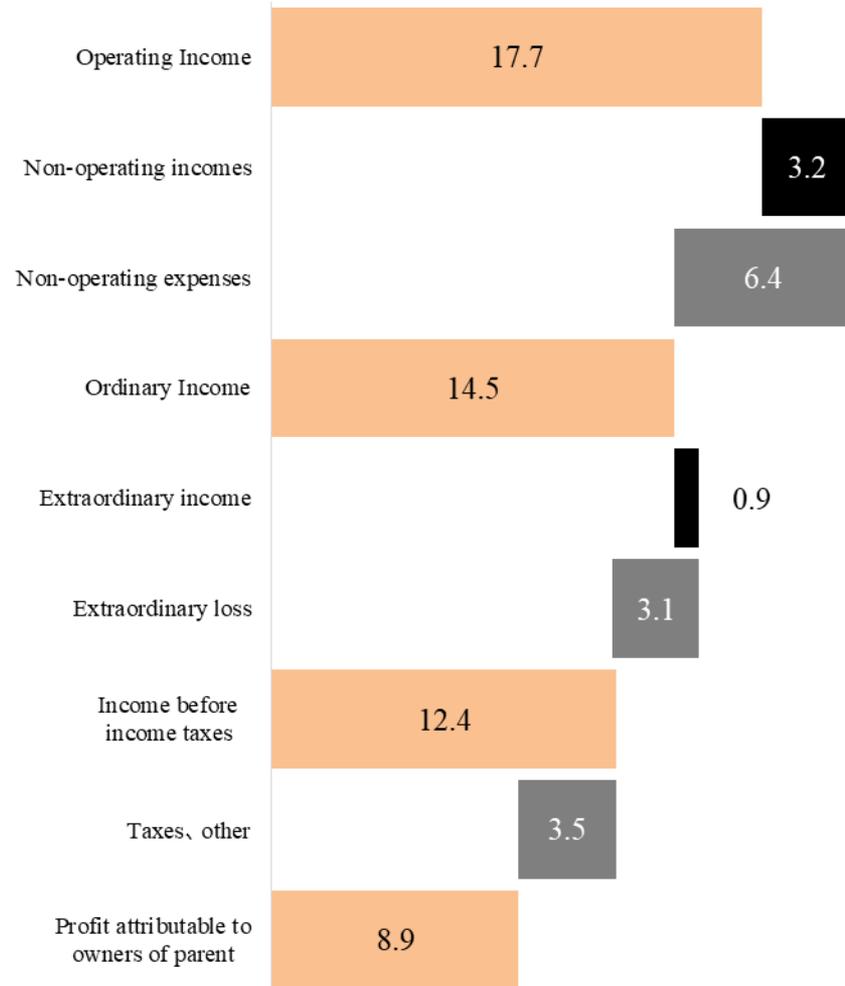
## Entertainment Contents:

Launch of new digital game titles

⇒Details in “FY Ended March 2018 Appendix”.

## Income

(JPY Billion)



## Non-operating income / loss (JPY Billion)

Non-operating income	
Dividends income	0.9
Non-operating loss	
Equity in losses of affiliates	4.3

## Extraordinary Gain / loss

Extraordinary Gain	
Gain on sales of investment securities	0.5
Extraordinary Loss	
Impairment loss	2.4

## Consolidated Costs and Expenses

(JPY Billion)

	2017/3 Results	2018/3 Results	2019/3 Forecasts
R&D Expense / Content Production Expense	67.1	62.0	73.3
Cap-ex	27.0	24.1	32.1
Depreciation	16.3	16.2	14.8
Advertising	14.8	15.4	22.1

## Details of Costs and Expenses

18/3	19/3
Entertainment Contents Decreased because launch of new titles were delayed	Entertainment Contents Increase in number of new title launches
Resorts Decreased because of completion of renovation of a hotel	Pachislot and Pachinko Machines / Entertainment Contents Increase in Head Office Relocation
—	Pachislot and Pachinko Machines Decrease of amount of accelerated depreciation with relocation
—	Entertainment Contents Increase in promotional expenses in the digital game associated with new title launches

⇒Details in “FY Ended March 2018 Appendix”.

## Consolidated Balance Sheet

(JPY Billion)

	As of end of March 2017	As of end of March 2018	Change
Current Assets	324.1	277.3	-46.8
Cash and Deposits	137.4	157.8	+20.4
Non Current Assets	197.4	196.1	-1.3
Current Liabilities	112.5	84.4	-28.1
Short Term Borrowings	6.3	15.8	+9.5
Noncurrent Liabilities	97.5	78.5	-19.0
Long Term Debt	44.5	38.6	-5.9
Total Liabilities	210.1	163.0	-47.1
Total Net Assets	311.4	310.4	-1.0
Total Assets	521.5	473.5	-48.0

	As of end of March 2017	As of end of March 2018	Change
Cash and cash equivalents	199.2	176.5	-22.7
Interest bearing debt	102.8	86.9	-15.9
Net cash	96.4	89.6	-6.8
Equity Ratio	59.0%	65.0%	+6.0pt

Main factor	YoY
Current Assets	-46.8
Decrease in securities and trade receivable	
Liabilities	-47.1
Decreased due to redemption of corporate bonds and settlement of trade payable	

⇒Details in “FY Ended March 2018 Appendix”.

## Consolidated Cash Flows

Cash and cash  
equivalents

(JPY Billion)

End of  
FY 2017

199.2

Cash Flows  
from  
Operating  
Activities

+ 26.4

Cash Flows  
from  
Investing  
Activities

- 20.4

Cash Flows  
from  
Financing  
Activities

- 28.7

End of  
FY 2018

176.5

## Breakdown of Cash Flows

### Cash Flows from Operating Activities

Income before income taxes	+ 12.4
Depreciation and amortization	+ 19.1
Decrease in notes and accounts receivable-trade	+ 15.1
Decrease in notes and accounts payable-trade	- 23.7

### Cash Flows from Investing Activities

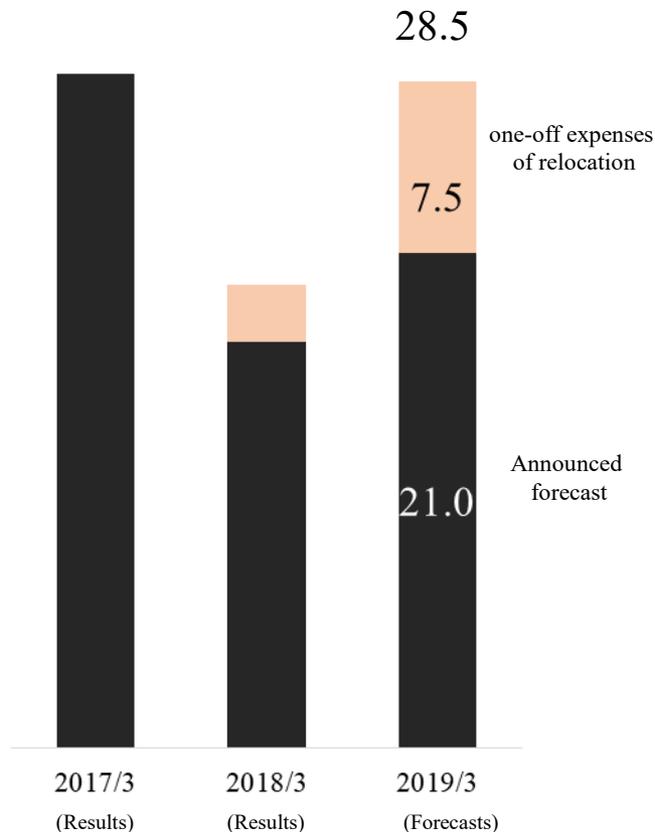
Purchase of property, plant and equipment	- 10.9
Purchase of intangible assets	- 10.5
Proceeds from sales of property, plant and equipment	+ 9.5

### Cash Flows from Financing Activities

Redemption of bonds	- 19.5
Cash dividends paid	- 9.3
Proceeds from long-term loans payable	+ 10.0

## Incurrence of Relocation Expenses Associated with Headquarters Relocation

Operating Income (Reference) (JPY Billion)



■ Relocation starts from August

	(JPY Billion)		
	Operating Income (Before consideration)	one-off expenses of relocation	Operating Income (After consideration)
<b>Consolidated</b>	<b>28.5</b>	<b>-7.5</b>	<b>21.0</b>
Pachislot and Pachinko Machines	20.1	-1.6	18.5
Entertainment Contents	18.5	-5.0	13.5
Resort	-3.0	0.0	-3.0
Other / Elimination	-7.1	-0.9	-8.0

⇒Details in “FY Ended March 2018 Appendix”.

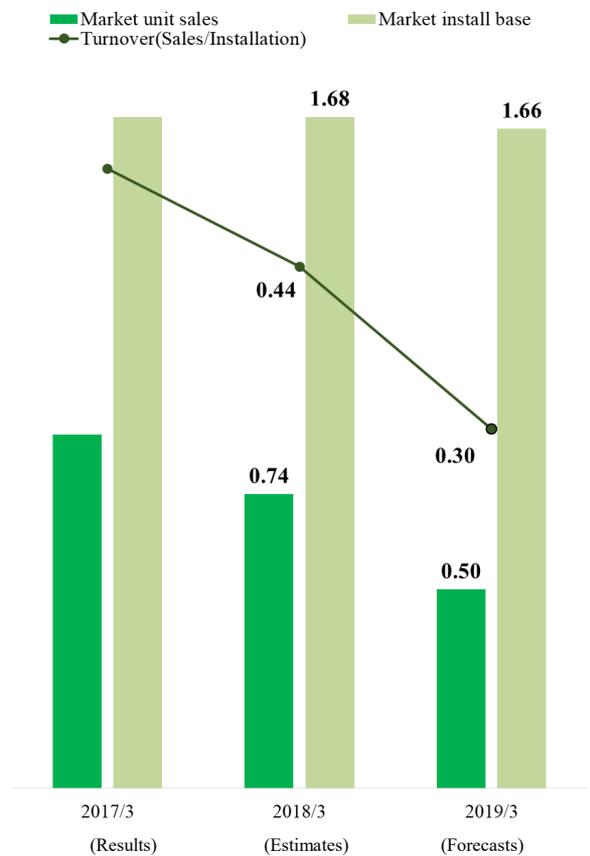
## 2. Segment Results / Forecasts

## Market Forecasts

Although the downward trend will continue, No. 6-type pachislot machines will make a full-scale launch from the second half.

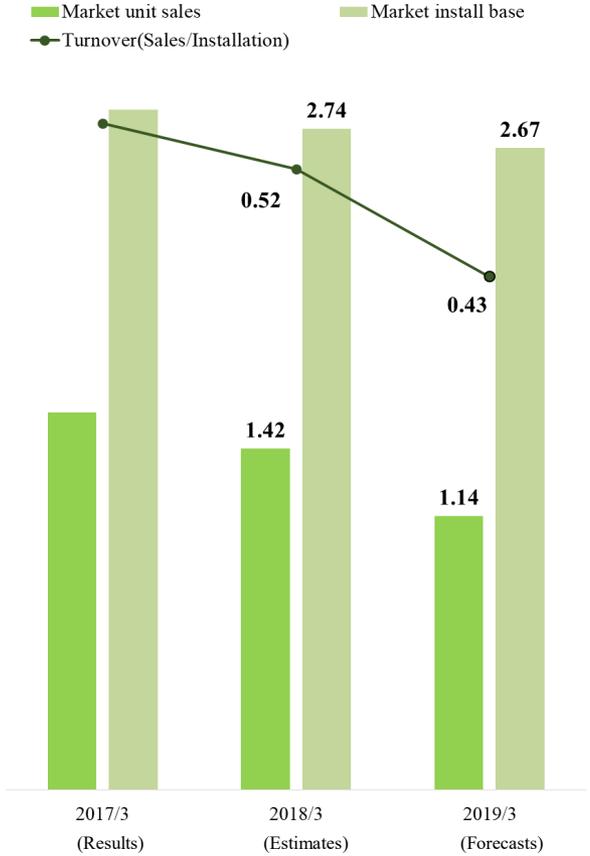
### Pachislot Market

(million units)



### Pachinko Market

(million units)



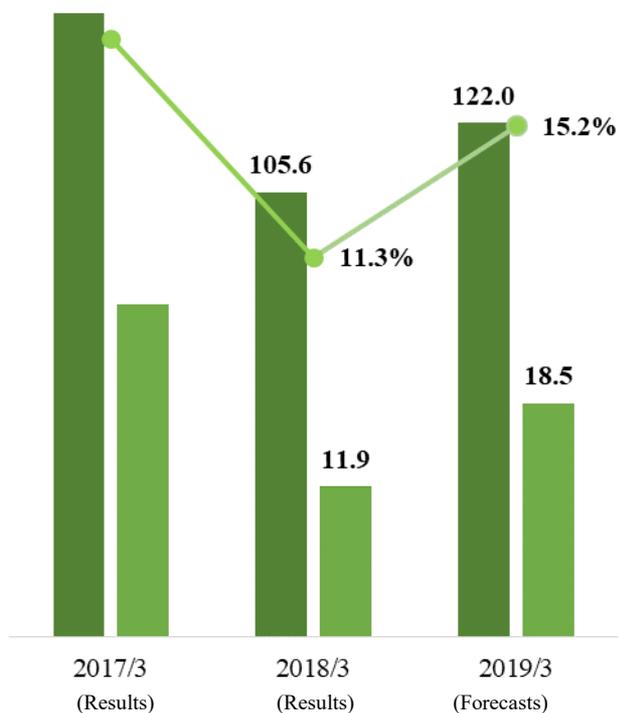
Source: National Police Agency, Yano Research Institute Ltd.,  
 \* The data for 18/03 and 19/03, which have not been publicized yet, are our estimates and forecasts.

# Segment Results: Pachislot and Pachinko Machines

## Pachislot and Pachinko Machines

■ Sales  
■ Operating Income  
● Operating Income Margin

(JPY Billion)



Unit Sales (Thousands)

	2017/3 (Results)	2018/3 (Results)	2019/3 (Forecasts)
Pachislot	215	85	103
Pachinko	138	140	201
Board+ Frame	115	97	94
Board	23	42	106

## Highlights

Results for FY ended March 2018

Postponement of sales of titles due to impact of revision of rules

Forecasts for FY ending March 2019

Pachislot: Acceleration of sales of No. 6-type machines from the second half

Pachinko: Sales centered on machines

conforming to previous regulation

(“Pachinko CR Shin Hokuto Muso Chapter 2”etc.)

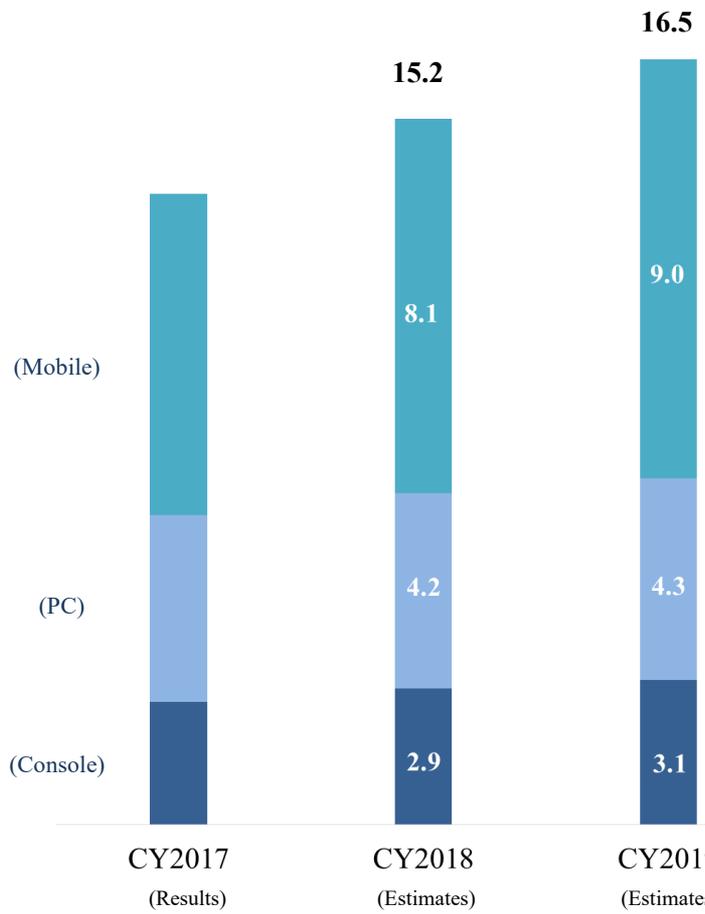
⇒Details in “FY Ended March 2018 Appendix”.

Market Forecasts

Markets for digital games and packaged games will continue to show expansionary trend.

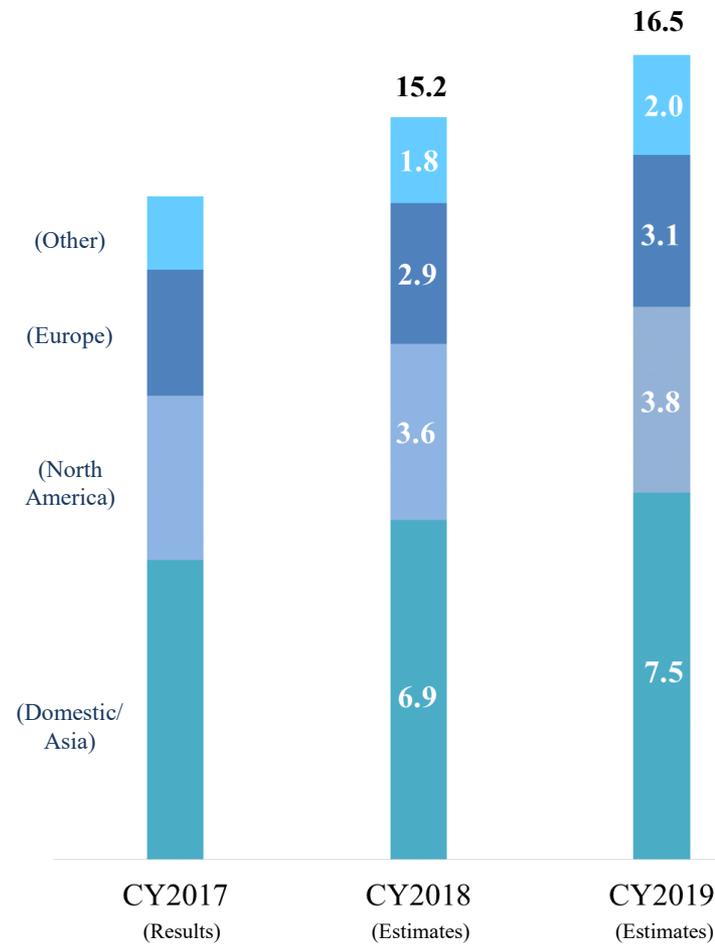
By Device

(Trillion yen)



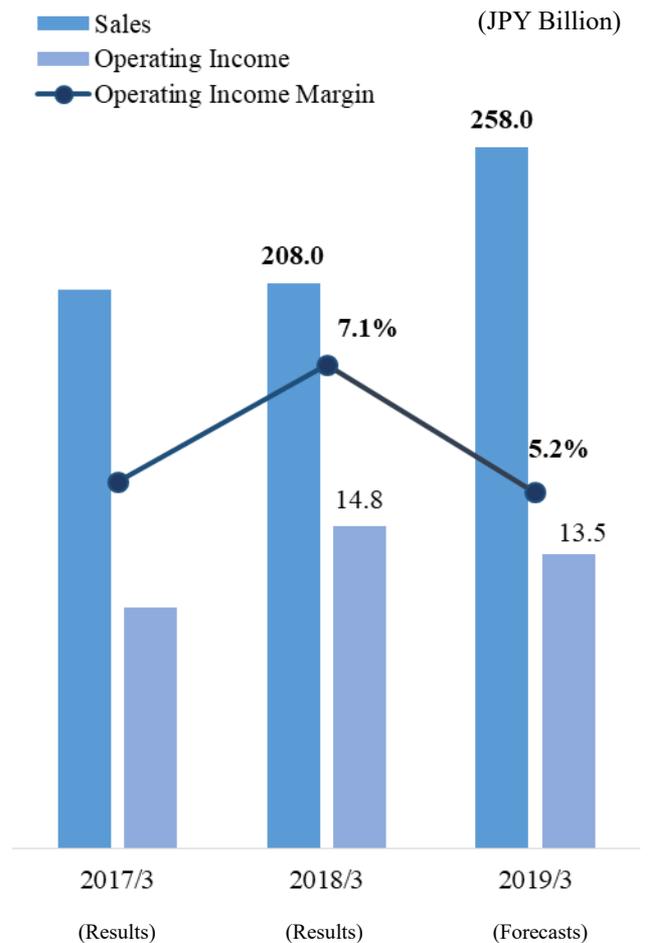
By Region

(Trillion yen)



※ Data: In-house estimation based on data of International Development Group etc.  
 ※ Figures of packaged version is not included in Asia because out of scope of the survey  
 ※ Console and PC include packaged products, downloads, Free-to-play, fixed rate services, mobile includes tablet devices etc.

## Entertainment Contents



## Highlights

### Results for FY ended March 2018

Strong performances in packaged games field and amusement machine sales and operation field

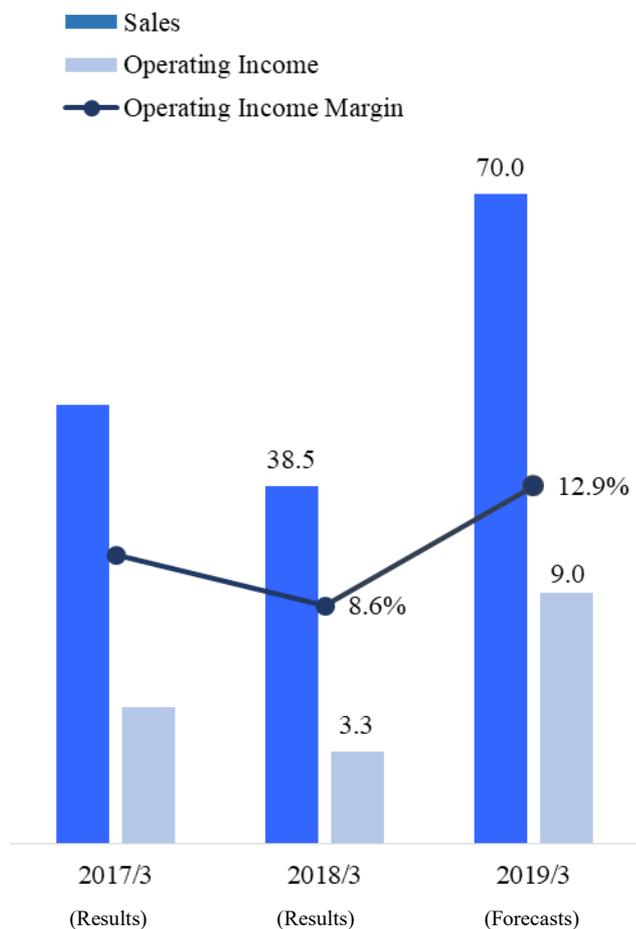
### Forecasts for FY ending March 2019

Launch of new titles mainly in digital games field

⇒Details in “FY Ended March 2018 Appendix”.

## ■ Digital Games

(JPY Billion)



## Highlights

Results for FY ended March 2018

Fewer than anticipated new title launches

Forecasts for FY ending March 2019

Launch of multiple new titles

launch title numbers

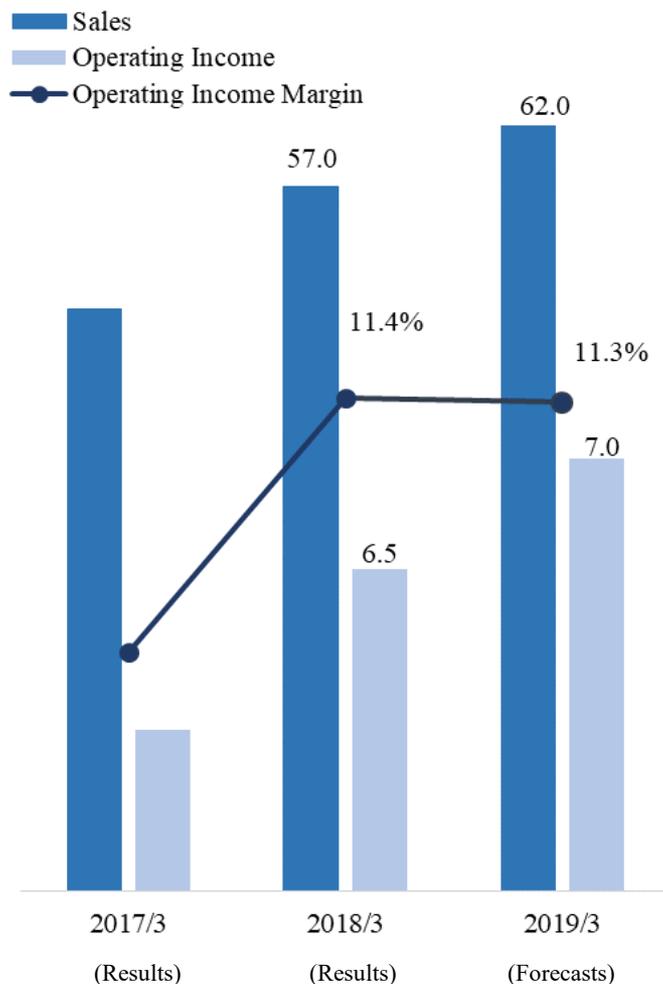
2018/3		2019/3
3 titles	⇒	12 titles

<New titles>

kotodaman	Distribution began in April 2018
Pro Soccer Club wo Tsukurou! Road to World	Distribution began in April 2018
PoPoLoCRoIS ~Narcia's tears & the Fairy's flute	Distribution began in May 2018
WONDER GRAVITY ~BEST BUDDY: PINO & GRAVITOR~	
Ryu ga Gotoku ONLINE	

## ■ Packaged Games

(JPY Billion)



## Highlights

### Results for FY ended March 2018

Solid performance of new titles

Strong repeat sales of catalog titles especially overseas

### Forecasts for FY ending March 2019

Planning new title launches

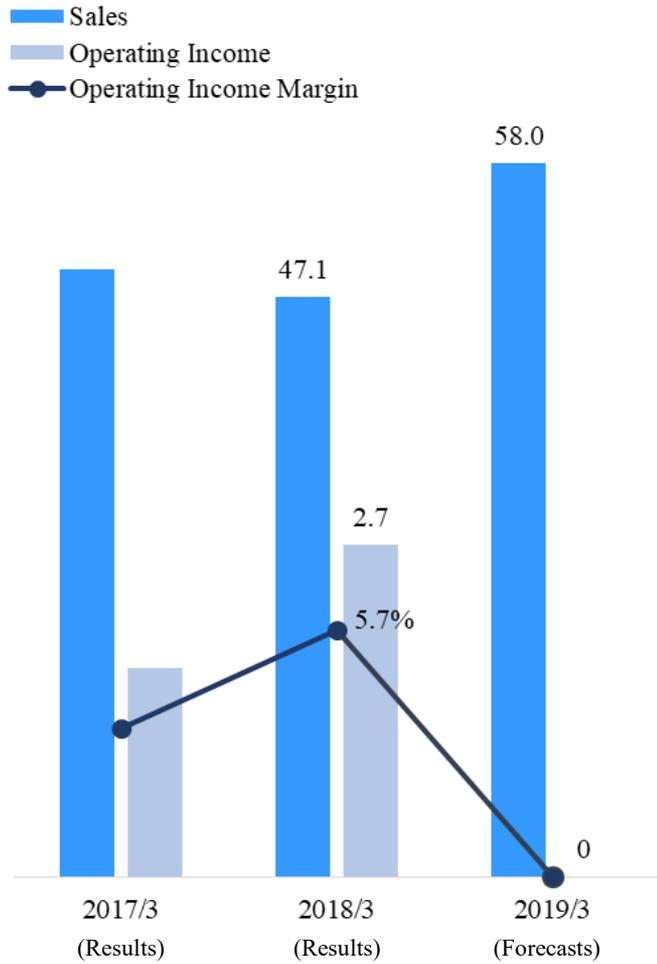
Planning overseas expansion/repeat sales

## Unit sales of packaged game

(Thousands)

	2017/3 Results	2018/3 Results	2019/3 Forecasts
<b>Total</b>	<b>10,280</b>	<b>17,330</b>	<b>20,000</b>
Japan	1,850	1,540	2,150
New title	1,500	950	1,590
Repeat title	350	590	560
Asia	1,060	810	770
New title	700	540	460
Repeat title	360	270	310
North America / Europe	7,370	14,980	17,080
New title	3,040	6,640	4,950
Repeat title	4,330	8,340	12,130

## ■ Amusement Machine Sales



## Highlights

### Results for FY ended March 2018

Strong sales of the “UFO CATCHER” Series and prizes  
 Earnings from revenue sharing titles and CVT kit were recorded

### Forecasts for FY ending March 2019

Sales of “Fate/Grand Order Arcade”  
 Prior investment in casino machines

<New titles>

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Fate/Grand Order Arcade

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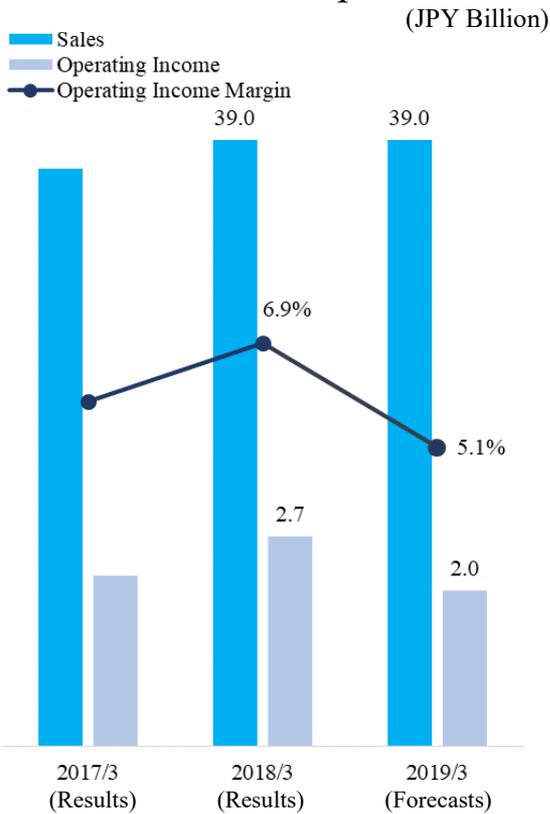
O·N·G·E·K·I

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UFO CATCHER TRIPLE TWIN

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## ■ Amusement Center Operations



### Highlights

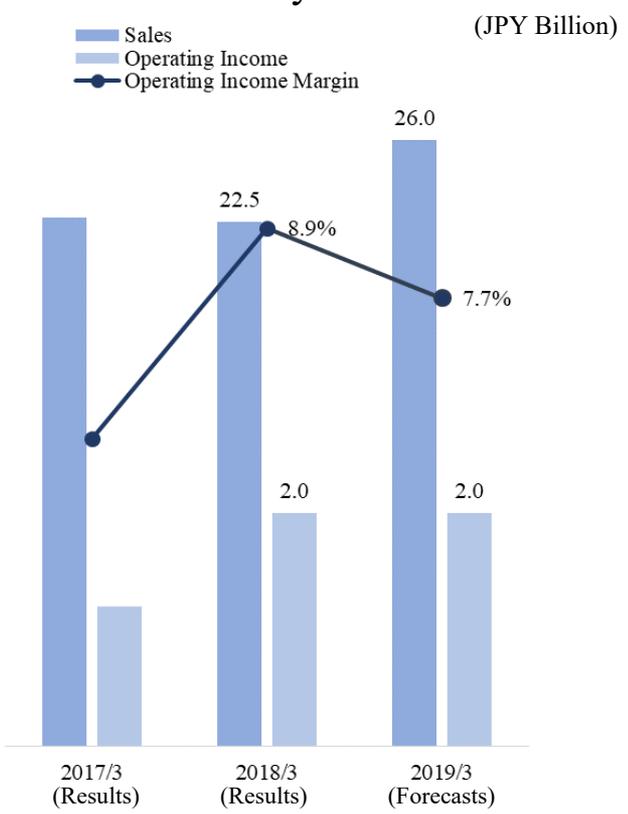
#### Results for FY ended March 2018

- Strong performance in the prize field
- Expansion of “Sega Catcher Online,” an online crane game

#### Forecasts for FY ending March 2019

- Expansion focusing on prizes
- Introduction of e-money and new video games

## ■ Animation / Toys



### Highlights

#### Results for FY ended March 2018

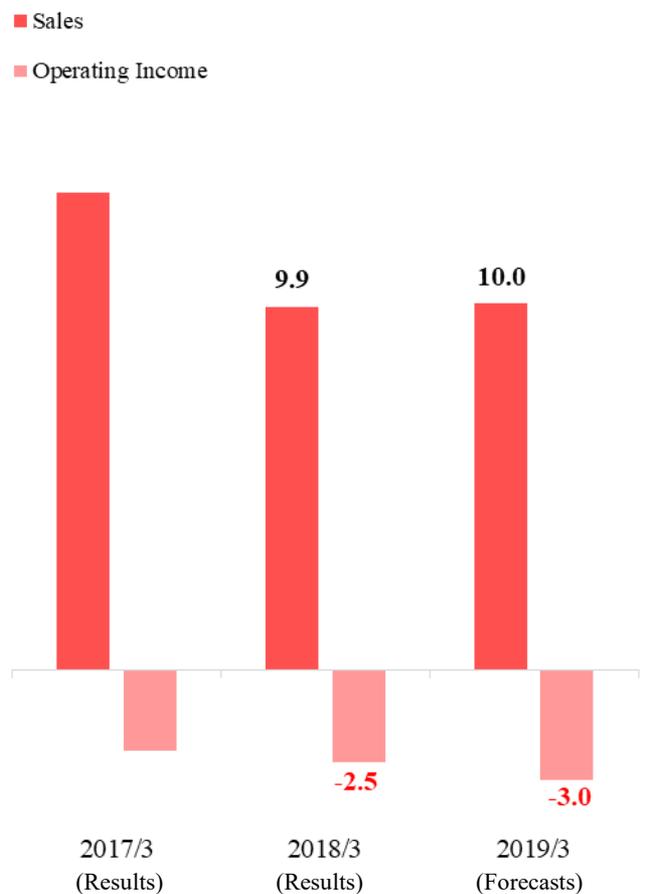
- Earnings from film distribution and internet distribution were recorded
- Sales of “Disney&Disney/Pixar Characters Dream Switch” and other regular, mainstay products

#### Forecasts for FY ending March 2019

- Release of theatrical anime “Detective Conan: Zero the Enforcer”
- Sales focusing on regular, mainstay products such as the “ANPANMAN” series

## Resort Business

(JPY Billion)



## Highlights

### Results for FY ended March 2018

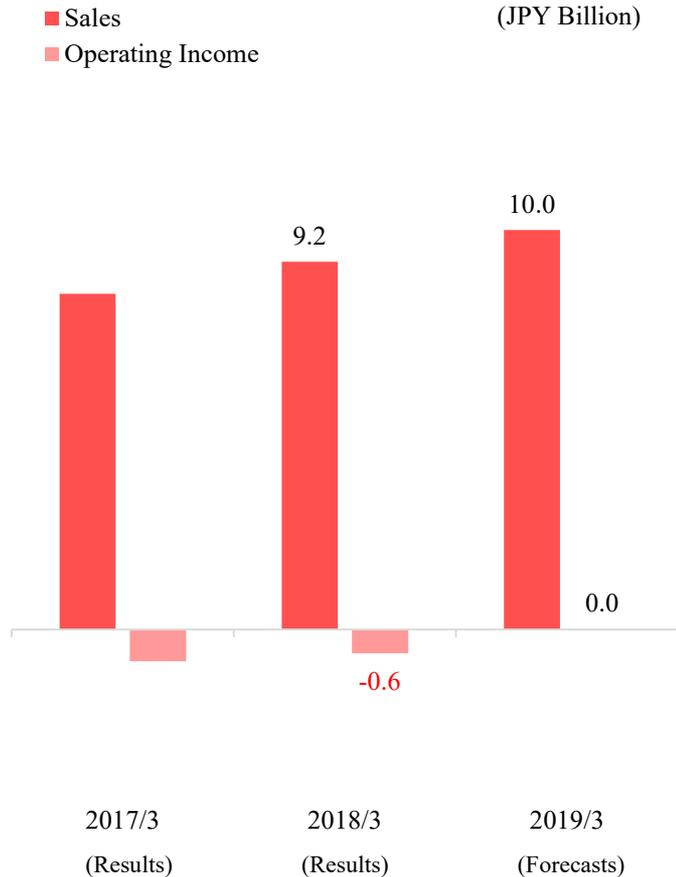
Sales decreased year-on-year due to partial transfer of shares of the subsidiary in FY ended March 2017

### Forecasts for FY ending March 2019

Prior investment in domestic IR

⇒Details in “FY Ended March 2018 Appendix”.

## ■ PHOENIX RESORT



## Highlights

### Results for FY ended March 2018

Largest-scale renewal since opening completed.

Number of members of Seagaia Premium Members Club topped 30,000.

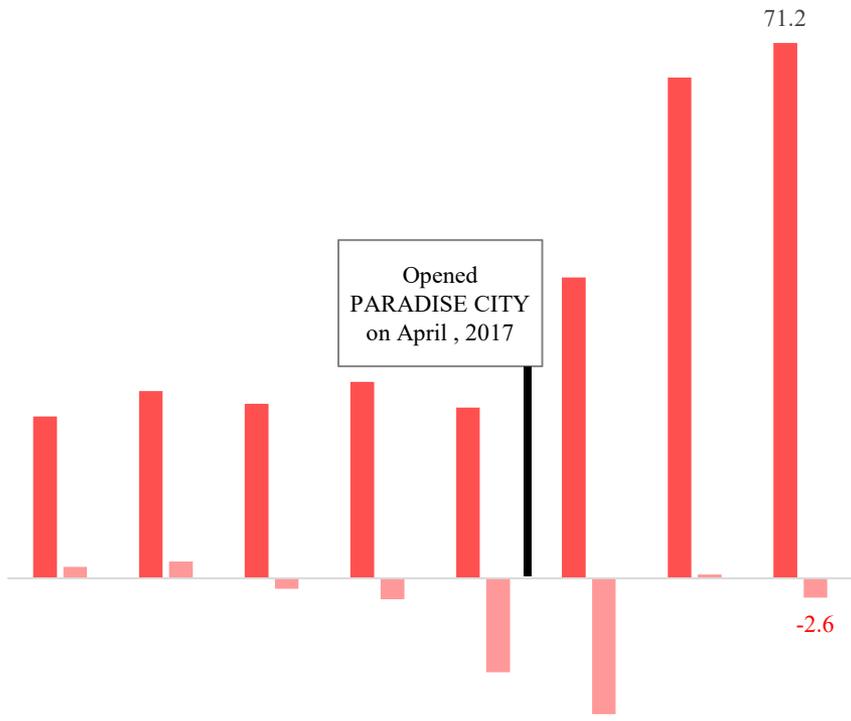
### Forecasts for FY ending March 2019

Results are expected to improve from the previous fiscal year when business was affected by factors such as the weather.

Various initiatives are planned, including proposing various accommodation plans and organizing events each season.

## ■ PARADISE SEGASAMMY

■ Sales (Billion KRW)    ■ Operating Income (Billion KRW)



17/3 1Q (Jan-Mar)    17/3 2Q (Apr-Jun)    17/3 3Q (Jul-Sep)    17/3 4Q (Oct-Dec)    18/3 1Q (Jan-Mar)    18/3 2Q (Apr-Jun)    18/3 3Q (Jul-Sep)    18/3 4Q (Oct-Dec)

### Highlights

Results for FY ended March 2018  
 PARADISE CITY opened in April 2017.

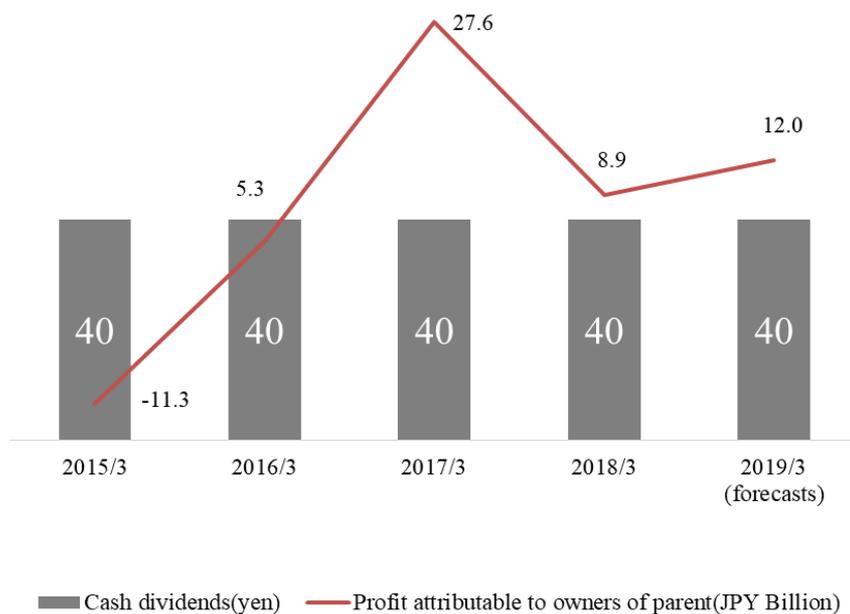
Forecasts for FY ending March 2019  
 1-2 Phase which includes a Club and Spa,  
 is scheduled to open.

\* PARADISE SEGASAMMY Co., Ltd. is an equity method affiliate  
 \* Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay

No. of shares held	Details of benefits (Annual)	
1 unit (100 shares) or more	¥2,000 UFO Catcher voucher that can be used at Sega Game Centers across Japan	—
10 units (1,000 shares) or more	¥20,000 voucher that can be used at Phoenix Seagaia Resort (Miyazaki)	

## Introduction of Shareholder Benefits

To encourage shareholders to experience our services and hold our shares in the long term



## Dividend Policy

Continue to pay an annual dividend of ¥40



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

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