

(Translation)

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**3 Months Ended June 30, 2019**

**Name of the Company :** SEGA SAMMY HOLDINGS INC.  
**Code number :** 6460  
 (URL <https://www.segasammy.co.jp/>)  
**Representative :** Haruki Satomi  
 President and Group COO (Representative Director)  
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Filing of Quarterly Report : August 9, 2019 (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, 2019**
**(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, 2019	72,734	5.7	3,409	264.6	2,372	244.6	1,718	408.7
For 3 months ended June 30, 2018	68,838	(35.8)	935	(94.4)	688	(95.8)	337	(97.1)

(Note) Comprehensive income

For 3 months ended June 30, 2019 : ¥(2,837) million (-%)

For 3 months ended June 30, 2018 : ¥706 million ((95.0)%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2019	7.32	-
For 3 months ended June 30, 2018	1.44	1.44

**(2) CONSOLIDATED FINANCIAL POSITION**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2019	444,520	298,441	66.5
March 31, 2019	464,654	305,337	65.1

(Reference) Shareholders' equity

June 30, 2019 : ¥295,694 million

March 31, 2019 : ¥302,648 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, 2019	-	20.00	-	20.00	40.00
Year ending March 31, 2020	-				
Year ending March 31, 2020 (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, 2020

(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
Full-year	390,000	17.6	27,000	106.4	23,000	206.8	15,000	467.6	63.90

(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: Yes
  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, 2019	: 266,229,476
March 31, 2019	: 266,229,476
  2. Number of treasury stock at the end of the period
 

June 30, 2019	: 31,495,017
March 31, 2019	: 31,493,927
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 

For 3 months ended June 30, 2019	: 234,734,952
For 3 months ended June 30, 2018	: 234,378,410

(Note)

- This report is not required the auditing procedures by certified public accountants or accounting auditors.
- 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 July 30, 2019. 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, the introduction of pachislot machines (No. 6-type) that conform to the regulatory revision and new voluntary regulations has begun, and expectations are rising for market revitalization, as some titles that have new gameplay utilizing the characteristics of the No.6-type machine are receiving high appraisal from players. On the other hand, the number of titles supplied for the No. 6-type machine continued to be sluggish, because the rate of pachislot machines that have been verified to be compatible through prototype testing, which was conducted by the Security Communications Association (Hotsukyo), remained low. Meanwhile, in the pachinko machine market, the launch of pachinko machines that conform to the regulatory revision is progressing.

Regarding the environment of the Entertainment Contents Business, in the digital game software field, the strong competitive environment continues, especially as top-ranking titles remain unchanged in Japan. With regard to the packaged game software market, in the market for hardware of home video game consoles, are expanding, mainly in overseas, for the expansion of the game software sales market due to the growing penetration of current-generation video game console hardware. In addition, there is growing expectation that the overseas digital sales market will expand with the launch of new platforms and services. As for the market for amusement centers and amusement machines, the rate of facilities utilization is stable mainly in prizes.

In the resort industry, in 2018, the annual estimate for the number of foreign visitors to Japan exceeded 30 million for the first time and the number 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, enforcement orders, etc. pertaining to the “Act on the Establishment of Specified Integrated Resort Areas” have been coming into force one after another from April 2019.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2020 amounted to ¥72,734 million (an increase of 5.7% for the same period in the previous fiscal year). The Group posted an operating income of ¥3,409 million (an increase of 264.6% for the same period in the previous fiscal year), ordinary income of ¥2,372 million (an increase of 244.6% for the same period in the previous fiscal year), and profit attributable to owners of parent of ¥1,718 million (an increase of 408.7% 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 continued to sell the titles released in the previous fiscal year, leading to overall sales of 17 thousand units (Overall sales of pachislot machines were 9 thousand units for the same period in the previous fiscal year). In the pachinko machine business, although the Group sold pachinko machines with a high probability change continuous rate, leading to sales of 16 thousand units, a drop from the same period in the previous fiscal year (Overall sales of pachinko machines were 40 thousand units for the same period in the previous fiscal year).

As a result, net sales in this segment were ¥17,191 million (a decrease of 20.1% from the same period in the previous fiscal year) and operating income was ¥1,332 million (a decrease of 22.6% from the same period in the previous fiscal year).

#### **« Entertainment Contents »**

In the digital game software field, profitability significantly improved due to the strong sales of some existing titles and the income such as title transfers.

In the packaged game software field, while a decline in repeat sales of previously launched titles compared to the same period in the previous fiscal year, sales amounted to 6,240 thousand copies (5,700 thousand copies for the same period in the previous fiscal year) due to the sales of new titles performed well.

In the amusement machine field, although the Group implemented the sale with the focus on prize game machines, fixed costs increased as a result of the relocation of the subsidiary headquarters.

In the amusement center operations field, amusement center operations were conducted with a focus on prizes, like-for-like sales at the existing game center operations were 109.0% compared with the same period of the previous fiscal year.

In the animated film and toy field, the Group recorded earnings from video distribution and overseas licenses, and implemented the sale of new and mainstay toy products.

As a result, net sales in this segment were ¥53,082 million (an increase of 17.9% for the same period in the previous fiscal year) and operating income was ¥4,953 million (an increase of 195.1% for the same period in the previous fiscal year).

« **Resort** »

In the Resort Business, at “Phoenix Seagaia Resort,” owing to a steady growth in the use of accommodation, the number of guests steadily increased, achieving a 12.5% growth from the same period in the previous fiscal year. However, there was an increase in expenses for entering the domestic integrated resort business.

As a result, net sales in this segment were ¥2,460 million (an increase of 6.0% for the same period in the previous fiscal year) and operating loss was ¥859 million (operating loss of ¥674 million for the same period in the previous fiscal year).

Overseas, PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method) is operating South Korea’s first integrated resort “PARADISE CITY” has attracted many guests, primarily Japanese VIPs, owing to the effects of promotional activities targeting the Japanese market.

## **(2) Forecast of Consolidated Operating Results**

No changes will be made to the forecast of consolidated operating results for the fiscal year ending March 31, 2020, announced on April 26, 2019.

The future plans for business segments are as follows.

« **Pachislot and Pachinko Machines** »

In the Pachislot Machines Business, demand for new machines to replace existing machines is expected to increase as the machines based on former standards reach their deadlines for removal mainly in the second half of the fiscal year, and the Group will move forward with the launch of new titles, including mainstay titles. On the other hand, considering that the rate of pachislot machines that have been verified to be compatible through prototype testing, which is conducted by Hotsukyo, remains low, there are concerns about the impact on the number of titles sold. In the pachinko machine business, mainstay titles are scheduled to be released in the second quarter. In addition, the Group will strive to achieve a significant improvement in profitability by improving the reuse rate and implementing cost reductions, which we have been focusing on so far.

« **Entertainment Contents** »

In the digital game software field, the Group will strive to optimize the number of titles in operation among existing titles for mobile devices, while striving to increase the rate of new titles that capitalize on IPs, which are expected to be more profitable.

In the packaged game software field, the Group will further strengthen IP development for multiple devices in all regions as well as launching multiple new titles including titles that capitalize on IPs, such as the Official Video Games of the Olympic Games Tokyo 2020 in the second half of the fiscal year. At the same time, the Group aims to increase profitability through repeat sales of existing titles (catalog titles).

In the amusement machine field, the Group plans to launch new titles in the second half of the fiscal year. In the amusement center operations field, the Group will work to enhance amusement center operations with a focus continuously on prizes.

In the animated film and toy field, the Group plans to record income from new theater films and implement initiatives such as video distribution and will implement the sale of new toy products and regular toy products.

« **Resort** »

In the Resort Business, at “Phoenix Seagaia Resort,” the Group is working to strengthen the ability to acquire guests. Overseas, the Group will continue to endeavor to accumulate further integrated resorts development and operational know-how through “PARADISE CITY.” The Group also expects the increase of prior investment as the actions required for participating domestic integrated resort will be activated.

### **(3) Other**

(Changes in Accounting Policies)

Certain overseas subsidiaries which apply the International Financial Reporting Standards adopted IFRS 16 "Leases" from the first quarter of the fiscal year ending March 31, 2020. Herewith, lessees, in principle, record all leases as assets and liabilities on the balance sheets. In initially applying the accounting standard, retained earnings have been adjusted for the cumulative effects of the application at the beginning of the first quarter of the fiscal year with the transitional treatment of the standard.

As a result, "Other, net" in noncurrent assets was ¥3,591 million increased, and "Other" in current liabilities and in noncurrent liabilities were ¥457 million, ¥3,087 million increased, respectively, for the first quarter of the fiscal year. Also the beginning balance for retained earnings was ¥147 million decreased. The impact of these change on the profit for the first quarter of the fiscal year was immaterial.

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2019 AND MARCH 31, 2019

(Unit: Millions of yen)

	Prior year (As of March 31, 2019)	Current period (As of June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	137,425	76,884
Notes and accounts receivable – trade	39,209	32,589
Short-term investment securities	14,500	54,203
Merchandise and finished goods	9,800	12,852
Work in process	25,028	25,631
Raw materials and supplies	15,192	17,511
Other	19,565	20,319
Allowance for doubtful accounts	(259)	(250)
Total current assets	260,462	239,743
Noncurrent assets		
Property, plant and equipment		
Land	21,352	21,342
Other, net	62,665	66,018
Total property, plant and equipment	84,017	87,360
Intangible assets		
Goodwill	6,448	7,144
Other	8,848	9,159
Total intangible assets	15,297	16,304
Investments and other assets		
Investment securities	73,478	68,826
Other	31,835	32,725
Allowance for doubtful accounts	(438)	(439)
Total investments and other assets	104,876	101,112
Total noncurrent assets	204,191	204,777
Total assets	464,654	444,520

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2019 AND MARCH 31, 2019

(Unit: Millions of yen)

	Prior year (As of March 31, 2019)	Current period (As of June 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	24,758	23,819
Short - term loans payable	13,352	13,352
Current portion of bonds	12,500	12,500
Income taxes payable	2,631	345
Provision	6,044	2,925
Asset retirement obligations	562	15
Other	27,692	30,222
Total current liabilities	87,542	83,181
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	-
Long - term loans payable	40,334	40,331
Net defined benefit liability	4,019	4,024
Asset retirement obligations	4,334	4,488
Provision for dismantling of fixed assets	420	420
Other	12,666	13,632
Total noncurrent liabilities	71,774	62,896
Total liabilities	159,316	146,078
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	29,953	29,953
Capital surplus	117,142	118,023
Retained earnings	201,889	198,690
Treasury stock	(54,168)	(54,169)
Total shareholders' equity	294,816	292,496
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	14,354	11,865
Deferred gains or losses on hedges	-	(360)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	(4,888)	(6,654)
Remeasurements of defined benefit plans	(524)	(543)
Total accumulated other comprehensive income	7,832	3,197
Subscription rights to shares	912	905
Non-controlling interests	1,776	1,842
Total net assets	305,337	298,441
Total liabilities and net assets	464,654	444,520

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 3 MONTHS ENDED JUNE 30, 2018 AND 2019

(Unit: Millions of yen)

	Prior period From April 1, 2018 To June 30, 2018	Current period From April 1, 2019 To June 30, 2019
Net sales	68,838	72,734
Cost of sales	42,795	44,321
Gross profit	26,043	28,413
Selling, general and administrative expenses	25,107	25,003
Operating income (loss)	935	3,409
Non-operating income		
Interest income	72	47
Dividends income	241	213
Foreign exchange gains	84	166
Gain on investments in partnership	194	128
Other	155	338
Total non-operating income	747	894
Non-operating expenses		
Interest expenses	150	129
Equity in losses of affiliates	550	1,223
Loss on valuation of compound financial instruments	36	-
Other	256	578
Total non-operating expenses	994	1,931
Ordinary income (loss)	688	2,372
Extraordinary income		
Gain on sales of noncurrent assets	53	0
Gain on sales of investment securities	25	0
Gain on reversal of subscription rights to shares	-	7
Other	5	0
Total extraordinary income	83	8
Extraordinary losses		
Loss on sales of noncurrent assets	0	0
Impairment loss	21	17
Loss on sales of investment in securities	-	97
Other	2	0
Total extraordinary losses	23	116
Income (loss) before income taxes	749	2,264
Income taxes-current	326	465
Total income taxes	326	465
Profit (loss)	423	1,799
(Breakdown)		
Profit (loss) attributable to owners of parent	337	1,718
Profit (loss) attributable to non-controlling interests	85	81

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 3 MONTHS ENDED JUNE 30, 2018 AND 2019

(Unit: Millions of yen)

	Prior period From April 1, 2018 To June 30, 2018	Current period From April 1, 2019 To June 30, 2019
Other comprehensive income		
Valuation difference on available-for-sale securities	1,339	(2,480)
Deferred gains or losses on hedges	6	(3)
Foreign currency translation adjustment	184	(1,501)
Remeasurements of defined benefit plans, net of tax	134	(19)
Share of other comprehensive income of entities accounted for using equity method	(1,381)	(631)
Total other comprehensive income	283	(4,636)
Comprehensive income	706	(2,837)
(Breakdown)		
Comprehensive income attributable to owners of parent	620	(2,916)
Comprehensive income attributable to non-controlling interests	85	79

## SEGMENT INFORMATION

### 1. Prior period (From April 1, 2018 to June 30, 2018)

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	21,503	45,012	2,321	68,837	0	68,838
(2) Inter-segment sales and transfers	262	228	4	495	(495)	-
Total	21,766	45,241	2,325	69,333	(494)	68,838
Segment income (loss)	1,720	1,678	(674)	2,724	(1,788)	935

(Notes) 1. Elimination of inter-segment transactions of ¥5 million and general corporate expenses of ¥(1,794) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(1,788) 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, 2019 to June 30, 2019)

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	17,191	53,082	2,460	72,734	0	72,734
(2) Inter-segment sales and transfers	235	147	15	398	(398)	-
Total	17,426	53,230	2,475	73,133	(398)	72,734
Segment income (loss)	1,332	4,953	(859)	5,426	(2,016)	3,409

(Notes) 1. Elimination of inter-segment transactions of ¥(2) million and general corporate expenses of ¥(2,013) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(2,016) 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.