

(Translation)

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**9 Months Ended December 31, 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)  
**Any inquiry to :** Yoichi Owaki  
 Vice President, Senior Executive Officer  
 Managing Director of Finance & Accounting Division  
 Sumitomo Fudosan Osaki Garden Tower,  
 1-1-1 Nishi-Shinagawa, Shinagawa-ward, Tokyo  
 Tel (03) 6864-2400

Filing of Quarterly Report : February 14, 2020 (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, 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 9 months ended December 31, 2019	280,808	12.2	28,066	135.4	25,852	186.6	22,989	-
For 9 months ended December 31, 2018	250,321	(4.0)	11,921	(53.5)	9,021	(62.9)	681	(95.0)

(Note) Comprehensive income

For 9 months ended December 31, 2019 : ¥15,653 million ( -%)

For 9 months ended December 31, 2018 : ¥175 million ((98.9)%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2019	97.92	97.89
For 9 months ended December 31, 2018	2.90	2.90

**(2) CONSOLIDATED FINANCIAL POSITION**

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2019	466,098	312,505	66.5
March 31, 2019	464,654	305,337	65.1

(Reference) Shareholders' equity

December 31, 2019 : ¥309,724 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	-	20.00	-		
Year ending March 31, 2020 (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, 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	367,000	10.7	27,000	106.4	24,000	220.2	21,000	694.7	89.44

(Note) Revision of the forecast from latest announcement: Yes

## 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)
    - December 31, 2019 : 266,229,476
    - March 31, 2019 : 266,229,476
  2. Number of treasury stock at the end of the period
    - December 31, 2019 : 31,258,139
    - March 31, 2019 : 31,493,927
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
    - For 9 months ended December 31, 2019 : 234,787,174
    - For 9 months ended December 31, 2018 : 234,478,804

(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 5.
- The Company plans to hold a telephone conference on financial results for analysts on February 5, 2020. 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, while the rate of machines that have been verified to be compatible through prototype testing, which was conducted by the Security Communications Association (Hotsukyo), remained low, the launch of machines that conform to the regulatory revision is progressing. The expectations for market revitalization are rising, with reviewed voluntary regulations of Nihon Dendo-shiki Yugiki Kyodo Kumiai (Nichidenkyo), a union of pachislot machine manufacturers, and Nihon Yugiki Kogyo Kumiai (Nikkoso), a union for pachinko machine manufacturers related to pachislot machines, and with a greater range of gameplay available through pachinko machine development, due in part to changes to the criteria for interpretation of technological standards related to pachinko machines.

Regarding the environment of the entertainment contents business, in the digital game software field, the strong competitive environment for mobile game continues, especially in Japan. With regard to the packaged game software field, in the market for hardware of home video game consoles, the game software sales market is expanding, mainly in overseas due to the growing penetration of current-generation video game console hardware. In addition, the expectations are rising for expanding overseas download sales and revenue opportunities from new business models with the launch of new platforms and services. As for the market for amusement centers and amusement machines, the rate of facilities utilization is still mainly in prizes. However, there are concerns about the impact of consumption tax hike.

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 third quarter of the fiscal year ending March 31, 2020 amounted to ¥280,808 million (an increase of 12.2% for the same period in the previous fiscal year). The Group posted an operating income of ¥28,066 million (an increase of 135.4% for the same period in the previous fiscal year), ordinary income of ¥25,852 million (an increase of 186.6% for the same period in the previous fiscal year). And profit attributable to owners of parent of ¥22,989 million (profit attributable to owners of parent of ¥681 million for the same period in the previous fiscal year) as a result of recording extraordinary income of gain on sales of noncurrent asset by Sammy Corporation, consolidated subsidiary of the Company.

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 including mainstay titles "Pachislot Hokuto No Ken Tenshou" and "Pachislot Psalms of Planets Eureka Seven 3 HI-EVOLUTION ZERO", leading to overall sales of 105 thousand units (Overall sales of pachislot machines were 31 thousand units for the same period in the previous fiscal year). In the pachinko machine business, the Group has launched including "P GAOGAOKING 3", leading to sales of 75 thousand units, (Overall sales of pachinko machines were 136 thousand units for the same period in the previous fiscal year).

As a result, net sales in this segment were ¥86,253 million (an increase of 13.3% from the same period in the previous fiscal year) and operating income was ¥20,757 million (an increase of 116.2% from the same period in the previous fiscal year).

« **Entertainment Contents** »

In the digital game software field, the Group recorded transient sales such as title transfers conducted by the second quarter, and offering titles. Also sales of existing titles in operation have been performing solidly. Besides, expenses substantially decreased due to the impairment loss on fixed assets recorded in the previous fiscal year.

In the packaged game software field, the Group sold including mainstay new titles "PERSONA 5 ROYAL", "Mario & Sonic at the Olympic Games Tokyo 2020" and "New Sakura Wars", in addition to selling repeat titles. As a result, sales amounted to 19,330 thousand copies (18,510 thousand copies for the same period in the previous fiscal year).

In the amusement machine field, the Group launched new title "StarHorse4".

In the amusement center operations field, the Group operated with a focus on prizes, like-for-like growth in sales were 100.7% compared with the same period of the previous fiscal year.

In the animated film and toy field, the Group recorded allocated revenue of movies, and sales of new toy products such as "Fun to change mouse covers! Sumikkogurashi Personal Computer" performed steadily.

As a result, net sales in this segment were ¥186,263 million (an increase of 12.1% for the same period in the previous fiscal year) and operating income was ¥16,197 million (an increase of 52.8% 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 as result of implemented measures including accommodation packages focusing on the Kyushu region, achieving an 8.2% growth from the same period in the previous fiscal year. However, there was an increase in expenses for participating in the domestic integrated resort business.

As a result, net sales in this segment were ¥8,290 million (an increase of 4.3% for the same period in the previous fiscal year) and operating loss was ¥2,310 million (operating loss of ¥1,918 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**

Revisions have been made to the forecast of consolidated operating results for the full-year announced on April 26, 2019. For details, please refer to "Notice of Revisions to Full-Year Operating Results Forecast" announced on February 5, 2020.

## **(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 increased by ¥3,512 million, and "Other" in current liabilities and in noncurrent liabilities increased by ¥491 million, ¥3,029 million, respectively, for the third quarter of the fiscal year. Also the beginning balance for retained earnings decreased by ¥147 million. The impact of these changes on the profit for the third quarter of the fiscal year was immaterial.

## **CONSOLIDATED FINANCIAL STATEMENTS**

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

(Unit: Millions of yen)

	Prior year (As of March 31, 2019)	Current period (As of December 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	137,425	102,056
Notes and accounts receivable – trade	39,209	57,826
Short-term investment securities	14,500	33,500
Merchandise and finished goods	9,800	11,812
Work in process	25,028	23,980
Raw materials and supplies	15,192	18,478
Other	19,565	16,689
Allowance for doubtful accounts	(259)	(299)
Total current assets	260,462	264,044
Noncurrent assets		
Property, plant and equipment		
Land	21,352	21,188
Other, net	62,665	65,646
Total property, plant and equipment	84,017	86,834
Intangible assets		
Goodwill	6,448	6,256
Other	8,848	10,544
Total intangible assets	15,297	16,800
Investments and other assets		
Investment securities	73,478	63,069
Other	31,835	35,812
Allowance for doubtful accounts	(438)	(462)
Total investments and other assets	104,876	98,419
Total noncurrent assets	204,191	202,054
Total assets	464,654	466,098

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

(Unit: Millions of yen)

	Prior year (As of March 31, 2019)	Current period (As of December 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	24,758	26,672
Short - term loans payable	13,352	8,351
Current portion of bonds	12,500	10,000
Income taxes payable	2,631	2,077
Provision	6,044	4,477
Asset retirement obligations	562	4
Other	27,692	32,519
<b>Total current liabilities</b>	<b>87,542</b>	<b>84,102</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long - term loans payable	40,334	36,155
Net defined benefit liability	4,019	4,146
Asset retirement obligations	4,334	4,865
Provision for dismantling of fixed assets	420	420
Other	12,666	13,902
<b>Total noncurrent liabilities</b>	<b>71,774</b>	<b>69,490</b>
<b>Total liabilities</b>	<b>159,316</b>	<b>153,593</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	29,953	29,953
Capital surplus	117,142	117,956
Retained earnings	201,889	215,265
Treasury stock	(54,168)	(53,761)
<b>Total shareholders' equity</b>	<b>294,816</b>	<b>309,413</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	14,354	10,090
Deferred gains or losses on hedges	-	(748)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	(4,888)	(7,483)
Remeasurements of defined benefit plans	(524)	(438)
<b>Total accumulated other comprehensive income</b>	<b>7,832</b>	<b>311</b>
Subscription rights to shares	912	846
Non-controlling interests	1,776	1,933
<b>Total net assets</b>	<b>305,337</b>	<b>312,505</b>
<b>Total liabilities and net assets</b>	<b>464,654</b>	<b>466,098</b>

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 9 MONTHS ENDED DECEMBER 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior period From April 1, 2018 To December 31, 2018	Current period From April 1, 2019 To December 31, 2019
Net sales	250,321	280,808
Cost of sales	158,575	171,789
Gross profit	91,746	109,018
Selling, general and administrative expenses	79,825	80,952
Operating income (loss)	11,921	28,066
Non-operating income		
Interest income	205	174
Dividends income	456	398
Foreign exchange gains	123	-
Gain on investments in partnership	364	462
Gain on valuation of compound financial instruments	15	-
Other	432	824
Total non-operating income	1,597	1,860
Non-operating expenses		
Interest expenses	417	354
Equity in losses of affiliates	1,637	1,824
Foreign exchange losses	-	373
Commission fee	77	59
Rent expenses	935	84
Other	1,429	1,378
Total non-operating expenses	4,497	4,074
Ordinary income (loss)	9,021	25,852
Extraordinary income		
Gain on sales of noncurrent assets	58	2,909
Gain on sales of investment securities	493	94
Gain on liquidation of subsidiaries and affiliates	1,220	-
Other	13	18
Total extraordinary income	1,784	3,023
Extraordinary losses		
Loss on sales of noncurrent assets	10	0
Impairment loss	6,627	212
Loss on valuation of investment securities	-	173
Other	146	118
Total extraordinary losses	6,784	505
Income (loss) before income taxes	4,021	28,369
Income taxes-current	3,227	5,194
Total income taxes	3,227	5,194
Profit (loss)	794	23,175
(Breakdown)		
Profit (loss) attributable to owners of parent	681	22,989
Profit (loss) attributable to non-controlling interests	113	185

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 9 MONTHS ENDED DECEMBER 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior period From April 1, 2018 To December 31, 2018	Current period From April 1, 2019 To December 31, 2019
Other comprehensive income		
Valuation difference on available-for-sale securities	1,195	(4,267)
Deferred gains or losses on hedges	1	(0)
Foreign currency translation adjustment	(1,535)	(402)
Remeasurements of defined benefit plans, net of tax	403	(59)
Share of other comprehensive income of entities accounted for using equity method	(682)	(2,791)
Total other comprehensive income	(618)	(7,521)
Comprehensive income	175	15,653
(Breakdown)		
Comprehensive income attributable to owners of parent	62	15,468
Comprehensive income attributable to non-controlling interests	112	184

## SEGMENT INFORMATION

### 1. Prior period (From April 1, 2018 to December 31, 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	76,160	166,210	7,949	250,320	1	250,321
(2) Inter-segment sales and transfers	700	762	28	1,491	(1,491)	-
Total	76,861	166,972	7,978	251,811	(1,490)	250,321
Segment income (loss)	9,601	10,602	(1,918)	18,285	(6,364)	11,921

(Notes) 1. Elimination of inter-segment transactions of ¥(2) million and general corporate expenses of ¥(6,361) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(6,364) 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 December 31, 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	86,253	186,263	8,290	280,806	1	280,808
(2) Inter-segment sales and transfers	628	770	58	1,458	(1,458)	-
Total	86,881	187,034	8,349	282,264	(1,456)	280,808
Segment income (loss)	20,757	16,197	(2,310)	34,644	(6,578)	28,066

(Notes) 1. Elimination of inter-segment transactions of ¥(12) million and general corporate expenses of ¥(6,565) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(6,578) 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.