

(Translation)

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
Year Ended March 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)
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Annual Meeting of Shareholders : June 21, 2019 (plan)
 Filing of Financial Report : June 24, 2019 (plan)
 Start of cash dividend payments : June 3, 2019 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the Year Ended March 31, 2019

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes from the prior year)

	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 Year ended March 31, 2019	331,648	2.5	13,079	(26.2)	7,495	(48.6)	2,642	(70.4)
For Year ended March 31, 2018	323,664	(11.8)	17,720	(40.0)	14,578	(48.9)	8,930	(67.7)

(Note) Comprehensive income:

For Year ended March 31, 2019 : ¥3,746 million ((63.3)%)
 For Year ended March 31, 2018 : ¥10,209 million ((56.8)%)

	Net income per share	Net income per share (Diluted)	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
For Year ended March 31, 2019	11.27	11.24	0.9	0.6	3.9
For Year ended March 31, 2018	38.10	38.04	2.9	1.8	5.5

(Reference) Equity in earnings of affiliates:

For Year ended March 31, 2019 : ¥(3,859) million
 For Year ended March 31, 2018 : ¥(4,368) million

(Note) The Group considers return on assets and the ratio of operating income to net sales as key performance indicators.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2019	464,654	305,337	65.1	1,289.32
March 31, 2018	473,467	310,456	65.0	1,313.90

(Reference) Shareholders' equity

March 31, 2019 : ¥302,648 million

March 31, 2018 : ¥307,951 million

(3) CONSOLIDATED CASH FLOWS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For Year ended March 31, 2019	14,876	(22,113)	(20,668)	148,064
For Year ended March 31, 2018	26,487	(20,422)	(28,780)	176,566

2. Cash Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends paid to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	—	20.00	—	20.00	40.00	9,375	105.0	3.0
Year ended March 31, 2019	—	20.00	—	20.00	40.00	9,384	355.0	3.1
Year ending March 31, 2020 (plan)	—	20.00	—	20.00	40.00		62.6	

(Note) The year-end dividend for the fiscal year ended March 31, 2019 is the amount that the Company plans to pay and will be finalized at the Board of Directors' meeting to be held in May 2019.

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
Entire – year	390,000	17.6	27,000	106.4	23,000	206.8	15,000	467.6	63.90

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during the year ended March 31, 2019: Yes
(Excluded) Company name: SEGA SAMMY BUSAN INC.
- (2) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the consolidated financial statements:
 1. Changes associated with revision in accounting standards: No
 2. Other changes: No
- (3) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)

March 31, 2019	: 266,229,476
March 31, 2018	: 266,229,476
 2. Number of treasury stock at the end of the period

March 31, 2019	: 31,493,927
March 31, 2018	: 31,850,504
 3. Average number of shares during the period

For Year ended March 31, 2019	: 234,541,743
For Year ended March 31, 2018	: 234,383,551

(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 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 "Outlook for the fiscal year ending March 31, 2020" on page 6.
- The Company plans to hold a briefing on financial results for analysts on April 26, 2019. The contents of the meeting, such as explanations about financial results (video and audio), will be posted on the Company's website.

1. Operating Results and Financial Position

(1) Operating results for the fiscal year ended March 31, 2019

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, in addition to machines which have already been licensed under regulations before the revision, the launch of pachinko machines that conform to the regulatory revision is progressing.

Regarding the environment of the Entertainment Contents Business, in the field of digital game software, the competitive environment is further intensifying, with titles that capitalize on powerful IPs (Intellectual Properties), in addition to being high-quality products, take up the top spots in sales rankings. With regard to the packaged game software market, in the market for hardware of home video game consoles, expectations are rising, mainly in North America and Europe, for the expansion of the game software sales market due to the growing penetration of current-generation video game console hardware. In addition, game distribution platforms such as Steam are expanding in the PC games market. 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 fiscal year ended March 31, 2019 amounted to ¥331,648 million, an increase of 2.5% from the previous fiscal year. The Group posted an operating income of ¥13,079 million (a decrease of 26.2% from the previous fiscal year), ordinary income of ¥7,495 million (a decrease of 48.6% from the previous fiscal year) and profit attributable to owners of parent of ¥2,642 million (a decrease of 70.4% from 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, in addition to the No. 5.9-type machine, the Group started launching the No. 6-type machine and housings manufactured by ZEEG Co., Ltd., leading to overall sales of 67 thousand units (Overall sales of pachislot machines were 85 thousand units for the previous fiscal year). In the pachinko machine business, the Group engaged in sales mainly of machines that meet former standards, leading to sales of 159 thousand units (Overall sales of pachislot machines were 140 thousand units for the previous fiscal year).

As a result, net sales in this segment were ¥101,425 million (a decrease of 4.0% from the previous fiscal year) and operating income was ¥13,490 million (an increase of 13.1% from the previous fiscal year).

« Entertainment Contents »

In the field of digital game software, although the Group launched services for multiple new titles, these did not receive expected appraisal while existing titles in operation continued to decline in popularity, resulting in operating results significantly lower than the original estimates.

In the packaged game software field, while delays occurred in the release of some new titles, sales amounted to 23,440 thousand copies (17,330 thousand copies for the previous fiscal year), thanks to robust repeat sales of previously launched titles (catalog titles).

In the amusement machine field, the Group implemented the sale with a focus continuously on video game machines and prize game machines.

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 104.0% compared with the previous fiscal year.

In the animated film and toy field, the Group recorded income from distributing the theater film “Detective Conan”

series and earnings from video distribution. In addition, the Group implemented the sale of new and mainstay toy products.

As a result, net sales in this segment were ¥219,631 million (an increase of 5.6% from the previous fiscal year) and operating income was ¥9,857 million (a decrease of 33.6% from 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 increased 33.8% compared with the previous fiscal year.

As a result, net sales in this segment were ¥10,589 million (an increase of 6.6% for the previous fiscal year) and operating loss was ¥2,412 million (operating loss of ¥2,502 million for 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” and it has continued to attract many guests, primarily Japanese VIPs, owing to the effects of the domestic promotional activities that began in October 2018, etc.

(2) Financial positions as of March 31, 2019

(Assets and liabilities)

Total assets as of the end of the current fiscal year decreased ¥8,813 million from the end of the previous fiscal year, to ¥464,654 million.

Current assets decreased ¥11,868 million from the end of the previous fiscal year. This was attributable to decreases in cash and deposits and short-term investment securities, etc., despite increases in notes and accounts receivable - trade and inventories.

Noncurrent assets increased ¥3,055 million from the end of the previous fiscal year. This was attributable to an increase in property, plant and equipment and an increase in investments and other assets resulting from mark-to-market valuation of investment securities held and an increase in investment in capital, etc., and other factors.

Total liabilities as of the end of the current fiscal year decreased ¥3,694 million from the end of the previous fiscal year, to ¥159,316 million. This was attributable to decreases in bonds payable and loans payable.

(Net assets)

Net assets as of the end of the current fiscal year decreased ¥5,119 million from the end of the previous fiscal year, to ¥305,337 million.

This was attributable to a decrease in shareholders’ equity due to cash dividends paid, etc., despite the recording of profit attributable to owners of parent.

(Financial ratio)

The current ratio at the end of the current fiscal year decreased 25.0 percentage points from the end of the previous fiscal year to 297.5%, remaining at a high level.

The equity ratio at the end of the current fiscal year increased 0.1 percentage points from the end of the previous fiscal year to 65.1%.

(3) Cash flows for the fiscal year ended March 31, 2019

Cash and cash equivalents at the end of the current fiscal year decreased ¥28,501 million from the end of the previous fiscal year, to ¥148,064 million.

Cash flows in respect of each area of activities in the current fiscal year are as follows.

(Cash flows from operating activities)

Factors including recording ¥6,981 million of income before income taxes, ¥18,819 million of depreciation and amortization and ¥8,334 million of impairment loss, etc., despite ¥10,203 million increase in notes and accounts receivable – trade and a ¥10,004 million increase in inventories, resulted in ¥14,876 million net cash provided by operating activities in the current fiscal year (¥26,487 million inflow in the previous fiscal year).

(Cash flows from investing activities)

Factors including investing of ¥18,235 million for purchase of property, plant and equipment related with the relocation of the headquarters of the Company, etc., ¥10,274 million for purchase of intangible assets, despite ¥10,342 million proceeds from sales of property, plant and equipment, resulted in ¥22,113 million net cash used in investing activities in

the current fiscal year (¥20,422 million outflow in the previous fiscal year).

(Cash flows from financing activities)

Expenditures of ¥15,844 million for repayment of long-term loans payable, ¥10,000 million for redemption of bonds and ¥9,379 million in cash used to pay dividends, etc., despite financing of ¥14,971 million through long-term loans payable, resulted in ¥20,668 million net cash used by financing activities in the current fiscal year (¥28,780 million outflow in the previous fiscal year).

(4) Outlook for the fiscal year ending March 31, 2020

The future plans for business segments are as follows.

« Pachislot and Pachinko Machines »

In the Pachislot and Pachinko 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 and that replacements of existing pachislot and pachinko machines with new models are expected to be delayed voluntarily for the G20 Summit, the Group expects sales of 120 thousand units of pachislot machines, up 52 thousand from the current fiscal year and 164 thousand units of pachinko machines, up 4 thousand from the current fiscal year.

In addition, the Group will strive to achieve a significant improvement in profitability compared with the current fiscal year by improving the reuse rate and implementing cost reductions, which we have been focusing on so far.

« Entertainment Contents »

With regard to the Entertainment Contents Business, the Group will strive to improve profitability in the field of digital game software and to launch new titles in the packaged game software field.

In the field of digital game software, the Group will strive to optimize the number of titles in operation among existing titles for mobile devices and the number of new title launches, while striving to increase the rate of new titles that capitalize on IPs, which are expected to be more profitable. In addition, the Group aims to improve profitability by advancing resource allocation in the packaged game software field, etc.

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. 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 and also continues to promote the sales of prize game machines.

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 regular toy products, etc.

« 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 expect the increase of prior investment as the actions required for participating domestic integrated resort will be activated.

In light of the above, the Group is forecasting consolidated net sales of ¥390,000 million (an increase of 17.6% from the previous fiscal year), operating income of ¥27,000 million (an increase of 106.4% from the previous fiscal year), ordinary income of ¥23,000 million (an increase of 206.8% from the previous fiscal year), and profit attributable to owners of parent of ¥15,000 million (an increase of 467.6% from the previous fiscal year) for the fiscal year ending March 31, 2020.

Although the Group announced in May 2017 that its medium-term management targets are to achieve a ratio of operating income to net sales of 15% and return on assets (ROA) of 5% in the fiscal year ending March 31, 2020, the forecast of consolidated operating results for the fiscal year ending March 31, 2020 announced today takes into account matters such as the current regulatory environment and business environment.

[Caution With Regard to Operating Results Outlook]

Statements in this report pertaining to market projections and the outlook for operating results reflect the assumptions and judgment of the Company's management based on the most accurate information available at the time of release. Such statements carry inherent risks and uncertainties. Factors that may affect operating results include, but are not limited to, those discussed in the projections and outlook. Readers are cautioned that changes in a variety of factors could cause actual results to differ substantially from the aforementioned projections and outlook.

(5) Basic policy concerning distribution of earnings for the fiscal year ended March 31, 2019 and the fiscal year ending March 31, 2020

SEGA SAMMY HOLDINGS gives priority to returning profits to shareholders. The Company's basic policy is to pay an appropriate dividend that is commensurate with earnings.

For the distribution of surplus, the Company paid second quarter and plans to pay year-end dividends of ¥20 per share, respectively. This reflects the Group's policy of paying dividends to shareholders stably.

For the fiscal year ending March 31, 2020, the Company plans to pay second quarter and year-end dividends of ¥20 per share, respectively.

Furthermore, the Company's policy is to use retained earnings effectively to bolster its financial position and operating base as well as for investments in line with business expansion.

In addition, the Company has introduced the shareholder benefit program to express its sincere gratitude to all shareholders for their support and for the main purpose of letting numerous shareholders experience the Company's services and hold shares over the medium to long term. Complimentary tickets will be gifted twice a year in accordance with the number of owned shares of the Company as follows.

Number of owned shares	Details of benefits
More than 100 shares Less than 1,000 shares	I. 1,000-yen worth voucher for UFO Catcher, redeemable at SEGA game centers in Japan or redeemable at SEGA Catcher Online
More than 1,000 shares Less than 3,000 shares	I. 1,000-yen worth voucher for UFO Catcher, redeemable at SEGA game centers in Japan or redeemable at SEGA Catcher Online II. Facility use ticket worth 10,000 yen, redeemable at Phoenix Seagaia Resort (Miyazaki Prefecture)
More than 3,000 shares Less than 5,000 shares	I. 1,000-yen worth voucher for UFO Catcher, redeemable at SEGA game centers in Japan or redeemable at SEGA Catcher Online II. Facility use ticket worth 20,000 yen, redeemable at Phoenix Seagaia Resort (Miyazaki Prefecture)
More than 5,000 shares	I. 1,000-yen worth voucher for UFO Catcher, redeemable at SEGA game centers in Japan or redeemable at SEGA Catcher Online II. Facility use ticket worth 20,000 yen, redeemable at Phoenix Seagaia Resort (Miyazaki Prefecture) III. 1 free accommodation ticket (1 room, maximum 2 person) usable at Sheraton Grand Ocean Resort in Phoenix Seagaia Resort (Miyazaki Prefecture) IV. 1 free accommodation ticket (1 room, maximum 2 person) usable at Paradise Hotel & Resort in Paradise City (Incheon, Korea)

2. Basic Approach Concerning Selection of Accounting Standards

To prepare for the future adoption of IFRS, the Group is working towards the establishment of internal manuals, guidelines among others. However, for the time being, Japanese GAAP is adopted.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior year (As of March 31, 2018)	Current year (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	157,896	137,425
Notes and accounts receivable – trade	29,339	39,209
Short-term investment securities	24,694	14,500
Merchandise and finished goods	8,036	9,800
Work in process	18,347	25,028
Raw materials and supplies	14,190	15,192
Income taxes receivable	4,454	4,539
Other	15,630	15,026
Allowance for doubtful accounts	(259)	(259)
Total current assets	272,331	260,462
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	93,528	89,166
Accumulated depreciation	(59,701)	(50,775)
Buildings and structures, net	33,826	38,391
Machinery, equipment and vehicles	13,469	12,845
Accumulated depreciation	(9,855)	(10,384)
Machinery, equipment and vehicles, net	3,613	2,460
Amusement machines and facilities	43,635	43,826
Accumulated depreciation	(34,354)	(32,111)
Amusement machines and facilities, net	9,280	11,715
Land	23,741	21,352
Construction in progress	1,603	1,483
Other	48,887	49,641
Accumulated depreciation	(42,807)	(41,027)
Other, net	6,079	8,614
Total property, plant and equipment	78,145	84,017
Intangible assets		
Goodwill	8,541	6,448
Other	14,942	8,848
Total intangible assets	23,483	15,297
Investments and other assets		
Investment securities	70,216	73,478
Long-term loans receivable	1,549	1,014
Lease and guarantee deposits	12,180	13,843
Net defined benefit assets	1,908	2,570
Deferred tax assets	6,392	4,098
Other	7,707	10,308
Allowance for doubtful accounts	(449)	(438)
Total investments and other assets	99,506	104,876
Total noncurrent assets	201,136	204,191
Total assets	473,467	464,654

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior year (As of March 31, 2018)	Current year (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,716	24,758
Short - term loans payable	15,838	13,352
Current portion of bonds	10,000	12,500
Income taxes payable	1,482	2,631
Accrued expenses	13,011	15,551
Provision for bonuses	5,872	5,537
Provision for directors' bonuses	608	476
Provision for point card certificates	18	31
Asset retirement obligations	1,734	562
Other	14,169	12,140
Total current liabilities	84,452	87,542
Noncurrent liabilities		
Bonds payable	22,500	10,000
Long - term loans payable	38,661	40,334
Net defined benefit liability	3,572	4,019
Deferred tax liabilities	1,846	2,110
Deferred tax liabilities for land revaluation	640	—
Asset retirement obligations	2,234	4,334
Provision for dismantling of fixed assets	420	420
Other	8,682	10,556
Total noncurrent liabilities	78,558	71,774
Total liabilities	163,010	159,316
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	117,345	117,142
Retained earnings	207,174	201,889
Treasury stock	(54,781)	(54,168)
Total shareholders' equity	299,691	294,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,528	14,354
Deferred gains or losses on hedges	17	—
Revaluation reserve for land	340	(1,109)
Foreign currency translation adjustment	(2,147)	(4,888)
Remeasurements of defined benefit plans	(479)	(524)
Total accumulated other comprehensive income	8,259	7,832
Subscription rights to shares	819	912
Non-controlling interests	1,685	1,776
Total net assets	310,456	305,337
Total liabilities and net assets	473,467	464,654

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior year From April 1, 2017 To March 31, 2018	Current year From April 1, 2018 To March 31, 2019
Net sales	323,664	331,648
Cost of sales	202,930	211,199
Gross profit	120,734	120,449
Selling, general and administrative expenses		
Advertising expenses	15,052	15,554
Sales commission	2,607	1,724
Salaries and allowances	15,274	16,087
Provision for bonuses	3,049	2,476
Provision for directors' bonuses	594	470
Retirement benefit expenses	798	1,544
Research and development expenses	23,136	23,252
Provision of allowance for doubtful accounts	70	35
Other	42,429	46,224
Total selling, general and administrative expenses	103,013	107,369
Operating income (loss)	17,720	13,079
Non-operating income		
Interest income	361	265
Dividends income	952	468
Gain on investments in partnership	888	495
Gain on valuation of compound financial instruments	52	15
Other	1,008	872
Total non-operating income	3,262	2,117
Non-operating expenses		
Interest expenses	712	532
Equity in losses of affiliates	4,368	3,859
Commission fee	86	179
Loss on investments in partnership	77	700
Foreign exchange losses	49	2
Loss on retirement of noncurrent assets	619	132
Settlement package	7	631
Rent expenses	—	996
Other	482	667
Total non-operating expenses	6,404	7,702
Ordinary income (loss)	14,578	7,495

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior year From April 1, 2017 To March 31, 2018	Current year From April 1, 2018 To March 31, 2019
Extraordinary income		
Gain on sales of noncurrent assets	64	5,225
Gain on sales of investment securities	532	1,701
Gain on liquidation of subsidiaries and affiliates	—	1,220
Gain on reversal of provision for dismantling of fixed assets	233	—
Gain on reversal of restructuring loss	124	64
Other	22	18
Total extraordinary income	977	8,230
Extraordinary losses		
Loss on sales of noncurrent assets	220	47
Impairment loss	2,474	8,334
Loss on valuation of investment securities	142	—
Early extra retirement payments	22	175
Other	283	187
Total extraordinary losses	3,142	8,744
Income (loss) before income taxes	12,413	6,981
Income taxes-current	2,541	3,599
Income taxes-deferred	503	658
Total income taxes	3,045	4,257
Profit (loss)	9,368	2,724
(Breakdown)		
Profit (loss) attributable to owners of parent	8,930	2,642
Profit (loss) attributable to non-controlling interests	437	81
Other comprehensive income		
Valuation difference on available-for-sale securities	(500)	3,816
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	189	(1,052)
Remeasurements of defined benefit plans, net of tax	(1,039)	(46)
Share of other comprehensive income of entities accounted for using equity method	2,191	(1,695)
Total other comprehensive income	841	1,022
Comprehensive income	10,209	3,746
(Breakdown)		
Comprehensive income attributable to owners of parent	9,771	3,664
Comprehensive income attributable to non-controlling interests	438	81

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2018 AND 2019

Prior year (From April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2017	29,953	117,521	207,639	(54,769)	300,345
Changes of items during the period					
Dividends from surplus			(9,375)		(9,375)
Profit attributable to owners of parent			8,930		8,930
Effect of changes in accounting period of consolidated subsidiaries			(20)		(20)
Purchase of treasury stock				(13)	(13)
Disposal of treasury stock		(0)		0	0
Purchase of shares of consolidated subsidiaries		(175)			(175)
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(175)	(465)	(12)	(654)
Balances as of March 31, 2018	29,953	117,345	207,174	(54,781)	299,691

(Unit: Millions of yen)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balances as of April 1, 2017	11,041	(71)	340	(4,479)	588	7,419
Changes of items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Purchase of shares of consolidated subsidiaries						
Reversal of revaluation reserve for land						
Net changes of items other than shareholders' equity	(512)	89	—	2,331	(1,067)	840
Total changes of items during the period	(512)	89	—	2,331	(1,067)	840
Balances as of March 31, 2018	10,528	17	340	(2,147)	(479)	8,259

(Unit: Millions of yen)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balances as of April 1, 2017	303	3,428	311,497
Changes of items during the period			
Dividends from surplus			(9,375)
Profit attributable to owners of parent			8,930
Effect of changes in accounting period of consolidated subsidiaries			(20)
Purchase of treasury stock			(13)
Disposal of treasury stock			0
Purchase of shares of consolidated subsidiaries			(175)
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	515	(1,742)	(386)
Total changes of items during the period	515	(1,742)	(1,040)
Balances as of March 31, 2018	819	1,685	310,456

Current year (From April 1, 2018 to March 31, 2019)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2018	29,953	117,345	207,174	(54,781)	299,691
Changes of items during the period					
Dividends from surplus			(9,377)		(9,377)
Profit attributable to owners of parent			2,642		2,642
Effect of changes in accounting period of consolidated subsidiaries					—
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		(18)		624	605
Purchase of shares of consolidated subsidiaries		(184)			(184)
Reversal of revaluation reserve for land			1,450		1,450
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(203)	(5,284)	613	(4,874)
Balances as of March 31, 2019	29,953	117,142	201,889	(54,168)	294,816

(Unit: Millions of yen)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balances as of April 1, 2018	10,528	17	340	(2,147)	(479)	8,259
Changes of items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Purchase of shares of consolidated subsidiaries						
Reversal of revaluation reserve for land						
Net changes of items other than shareholders' equity	3,826	(17)	(1,450)	(2,741)	(45)	(427)
Total changes of items during the period	3,826	(17)	(1,450)	(2,741)	(45)	(427)
Balances as of March 31, 2019	14,354	—	(1,109)	(4,888)	(524)	7,832

(Unit: Millions of yen)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balances as of April 1, 2018	819	1,685	310,456
Changes of items during the period			
Dividends from surplus			(9,377)
Profit attributable to owners of parent			2,642
Effect of changes in accounting period of consolidated subsidiaries			—
Purchase of treasury stock			(11)
Disposal of treasury stock			605
Purchase of shares of consolidated subsidiaries			(184)
Reversal of revaluation reserve for land			1,450
Net changes of items other than shareholders' equity	93	90	(244)
Total changes of items during the period	93	90	(5,119)
Balances as of March 31, 2019	912	1,776	305,337

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior year From April 1, 2017 To March 31, 2018	Current year From April 1, 2018 To March 31, 2019
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	12,413	6,981
Depreciation and amortization	19,180	18,819
Impairment loss	2,474	8,334
Amount of transfer of equipment by amusement center operation business	(2,757)	(4,585)
Loss (gain) on sales of noncurrent assets	156	(5,177)
Loss on retirement of noncurrent assets	619	132
Loss (gain) on liquidation of subsidiaries and affiliates	0	(1,219)
Loss (gain) on sales of investment securities	(531)	(1,562)
Loss (gain) on valuation of investment securities	142	—
Loss (gain) on investments in partnership	(810)	204
Amortization of goodwill	2,169	2,064
Increase (decrease) in allowance for doubtful accounts	(57)	(16)
Increase (decrease) in provision for directors' bonuses	9	(130)
Increase (decrease) in net defined benefit liability	(857)	791
Increase (decrease) in provision for bonuses	(27)	(352)
Increase (decrease) in provision for dismantling of fixed assets	(233)	—
Interest and dividends income	(1,313)	(734)
Interest expenses	712	532
Foreign exchange losses (gains)	69	212
Equity in (earnings) losses of affiliates	4,368	3,859
Decrease (increase) in notes and accounts receivable-trade	15,179	(10,203)
Decrease (increase) in inventories	6,953	(10,004)
Increase (decrease) in notes and accounts payable-trade	(23,760)	3,021
Increase (decrease) in guarantee deposits received	407	(674)
Other, net	(1,841)	6,975
Subtotal	32,665	17,268
Interest and dividends income received	1,308	757
Interest expenses paid	(726)	(544)
Income taxes paid	(7,901)	(5,250)
Income taxes refund	1,140	2,646
Net cash provided by (used in) operating activities	26,487	14,876

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018 AND 2019

(Unit: Millions of yen)

	Prior year From April 1, 2017 To March 31, 2018	Current year From April 1, 2018 To March 31, 2019
Net cash provided by (used in) investing activities		
Payments into time deposits	(36)	(36)
Proceeds from withdrawal of time deposits	2,711	11
Purchase of short-term investment securities	(3,000)	(3,000)
Proceeds from redemption of securities	3,000	3,000
Purchase of trust beneficiary right	(1,360)	(2,697)
Proceeds from sales of trust beneficiary right	1,058	2,453
Purchase of property, plant and equipment	(10,942)	(18,235)
Proceeds from sales of property, plant and equipment	9,564	10,342
Purchase of intangible assets	(10,529)	(10,274)
Proceeds from sales of intangible assets	—	36
Purchase of investment securities	(744)	(849)
Proceeds from sales of investment securities	2,166	6,017
Proceeds from redemption of investment securities	1,500	700
Payments for investment in partnerships	(2,161)	(2,082)
Proceeds from distribution of investment in partnerships	1,105	909
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(32)
Purchase of stocks of subsidiaries and affiliates	(6,206)	(5,282)
Payments of loans receivable	(1,587)	(559)
Collection of loans receivable	528	409
Reduction of investments in trusts	200	400
Payments for lease deposits	(5,192)	(2,554)
Collection of lease deposits	763	3,494
Other, net	(1,259)	(4,284)
Net cash provided by (used in) investing activities	(20,422)	(22,113)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(0)	—
Proceeds from long-term loans payable	10,000	14,971
Repayment of long-term loans payable	(6,354)	(15,844)
Redemption of bonds	(19,500)	(10,000)
Purchase of treasury stock	(13)	(11)
Purchase of treasury stock of subsidiaries	(2,201)	—
Proceeds from exercise of stock options	—	512
Cash dividends paid	(9,380)	(9,379)
Dividends paid to non-controlling interest	—	(7)
Other, net	(1,329)	(909)
Net cash provided by (used in) financing activities	(28,780)	(20,668)
Effect of exchange rate change on cash and cash equivalents	72	(595)
Net increase (decrease) in cash and cash equivalents	(22,642)	(28,501)
Cash and cash equivalents at beginning of period	199,208	176,566
Increase in cash and cash equivalents from newly consolidated subsidiaries	25	—
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	(25)	—
Cash and cash equivalents at end of period	176,566	148,064

SEGMENT INFORMATION

1. Outline of reporting segments

Reporting segments of the Group are the organizational units for which separated financial information is available, and on the basis of which the Board of Directors makes decision on the allocation of management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service, is carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the business run by each company, in which “Pachislot and Pachinko Machines Business”, “Entertainment Contents Business” and “Resort Business” are the reporting segments.

Line of business at each reporting segment is as follows:

Segment	Main product and business
Pachislot and Pachinko Machines Business	Development, manufacture and sales of pachislot and pachinko machines
Entertainment Contents Business	Development and sales of digital game software serving as the main axis of segments, development and sales of packaged game software and amusement machines, development and operation of amusement centers, planning, production and sales of animated films, development, manufacture and sales of toys
Resort Business	Development and operation of hotels and golf courses, etc. in the integrated resorts business and other facilities businesses

2. Information on the amounts of net sales, income or loss, assets and other items by each reporting segment

Prior year (From April 1, 2017 to March 31, 2018)

(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	105,649	208,081	9,932	323,663	1	323,664
(2) Inter-segment sales and transfers	759	1,482	22	2,263	(2,263)	—
Total	106,409	209,563	9,954	325,927	(2,262)	323,664
Segment income (loss)	11,923	14,841	(2,502)	24,262	(6,541)	17,720
Segment assets	84,129	167,097	53,373	304,600	168,866	473,467
Depreciation	6,233	11,168	1,026	18,427	752	19,180
Investments in affiliates accounted for by the equity method	463	572	25,973	27,009	839	27,848
Increases in property, plant and equipment and intangible assets	3,656	17,254	1,961	22,873	1,323	24,196

(Notes) 1. Elimination of inter-segment transactions of ¥18 million and general corporate expenses of ¥(6,560) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(6,541) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustments for segment assets of ¥168,866 million includes elimination of inter-segment transactions of ¥(16,815) million and general corporate assets of ¥185,682 million which are not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.

3. The adjustment to depreciation is mainly consisted of depreciation associated with the Company.

4. Adjustments for investments in affiliates accounted for using equity method are investments in affiliates accounted for using equity method that are not attached to each reporting segment.

5. The adjustment to property, plant and equipment and intangible assets is mainly consisted of purchase of noncurrent assets associated with the Company.

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

Current year (From April 1, 2018 to March 31, 2019)

(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	101,425	219,631	10,589	331,647	1	331,648
(2) Inter-segment sales and transfers	928	1,149	49	2,127	(2,127)	—
Total	102,354	220,781	10,639	333,774	(2,126)	331,648
Segment income (loss)	13,490	9,857	(2,412)	20,935	(7,855)	13,079
Segment assets	80,035	176,384	44,836	301,256	163,398	464,654
Depreciation	4,962	12,011	876	17,849	969	18,819
Investments in affiliates accounted for by the equity method	446	693	25,604	26,745	818	27,564
Increases in property, plant and equipment and intangible assets	5,060	25,030	192	30,283	4,141	34,424

(Notes) 1. Elimination of inter-segment transactions of ¥(7) million and general corporate expenses of ¥(7,848) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(7,855) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustments for segment assets of ¥163,398 million includes elimination of inter-segment transactions of ¥(16,326) million and general corporate assets of ¥179,724 million which are not allocated to each reporting segment. General corporate assets are mainly assets of the Company that are not allocated to each segment.

3. The adjustment to depreciation is mainly consisted of depreciation associated with the Company.

4. Adjustments for investments in affiliates accounted for using equity method are investments in affiliates accounted for using equity method that are not attached to each reporting segment.

5. The adjustment to property, plant and equipment and intangible assets is mainly consisted of purchase of noncurrent assets associated with the Company.

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