

Major Questions Concerning Results for Third Quarter of Year Ending March 2018

February 15, 2018

SEGA SAMMY HOLDINGS INC.

Q: When will models that meet the revised voluntary regulations for Pachislot machines be launched onto the market?
What will the impact on the financial results be from the next fiscal year?

A: Machines that meet the voluntary regulations before the revision will be launched early in the next fiscal year, and those that meet the revised voluntary regulations could be launched onto the market in summer at the earliest. Regarding the impact on our financial results in the next fiscal year, we are currently formulating a plan and will consider the title lineup, etc. hereafter.

Q: The latest revision of the voluntary regulations on Pachislot and Pachinko machines appears to involve easing measures. What is the background that resulted in these easing measures?

A: The latest revision of the voluntary regulations is based on the assumption that gambling elements will be curbed by the revision to the rules. Accordingly, we recognize that the degree of freedom in the development of game elements, etc. has increased to the extent to which gambling elements have been curbed.

Q: Similarly to revision of the voluntary regulations on Pachislot machines, are there comparable revision of voluntary regulations on Pachinko machines as well? What is your vision for the next fiscal year?

A: As is the case with Pachislot machines, voluntary regulations on Pachinko machines also aim to limit gambling elements. Following the latest revision to the rules, there are some changes for Pachinko machines such as multi stage payout-ratio is newly approved. Accordingly, we will further advance the development of machines to provide new ways of playing and convert them to sales strategies from the next fiscal year.

Q: How do you view the fixed costs for Pachislot and Pachinko Machines Business in terms of their reductions and continuity in the future?

A: In the third quarter, some development expenses and advertising expenses were not generated as we had expected. Development expenses are anticipated to be generated in the future when we develop titles. Advertising expenses, mainly expenses related to the implementation of BtoC measures, were not generated as we had expected. We think that there is a possibility that advertising expenses could decline.

Q: In the Entertainment Contents Business, operating income has already topped your revised forecast. Are there any major risk factors in the fourth quarter, such as the possibility of a write-down?

A: The Entertainment Contents Business remains strong, and we plan to launch new titles in the fourth quarter as well. Because we need to assess the selling situation of new titles, there is no change in our results forecast at this time. Although there is the possibility that a write-down, etc. will occur in the fourth quarter, we do not have any specific plan to record the write-down of major titles at this time.

Q: Results in the Entertainment Contents Business remain strong. How much growth can you expect in your plan for the next fiscal year?

A: We have yet to develop a specific plan, but as we indicated in the medium-term objectives for the fiscal year ending March 2020, we expect that growth will continue in the next fiscal year. We think that this segment has become able to make a profit in each sub-segment, particularly the packaged game field. In the digital game field, “Magia Record: Puella Magi Madoka Magica Side Story,” using the IP of other companies and titles using our own IP, such as the new title “D × 2 Shin Megami Tensei Liberation,” have become hits. We will continue to enable the digital game field to grow larger by accumulating hit titles.

In addition, we are also proceeding with the establishment of a development system for each IP studio and the global expansion of products and services, as shown in the medium-term objectives for the fiscal year ending March 2020, and these efforts are gradually beginning to bear fruit.

Q: What are the details and costs related to the Integrated Resort (IR) business in Japan? Will these costs be generated in the next fiscal year as well?

A: We do not publish specific costs for the IR business in Japan, but prior investment expenses, etc. for the IR business in Japan are included in the Resort segment. Because the plan for the next fiscal year is in the process of being formulated, it is still not clear what costs will be generated specifically.

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