

Summary of 1st Quarter Year Results for FY Ending March 2018

Consolidated Income Statements (Summary)

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 1Q	Full Year Results	Results Through 1Q	YoY Change	Full Year Forecasts	YoY Change
Net Sales	70.6	366.9	107.2	+52%	380.0	+4%
Operating Income	3.0	29.5	16.6	+453%	20.0	-32%
Ordinary Income	2.9	28.5	16.2	+459%	16.0	-44%
Income before income taxes	4.3	33.7	16.4	+281%	16.0	-53%
Profit attributable to owners of parent	4.1	27.6	11.5	+180%	11.0	-60%
Dividends per share (JPY)	-	40.00	-	-	40.00	-
Earnings per share (JPY)	17.54	117.79	49.22	-	46.93	-
Net Assets per share (JPY)	1,215.03	1,313.06	1,353.20	-	-	-

<Summary of Results Through 1Q>

- Net Sales: **107.2 billion yen**, Operating Income: **16.6 billion yen**, Profit attributable to owners of parent: **11.5 billion yen**
- Both sales and profits increased year-on-year with the launch of large titles mainly in Pachislot and Pachinko Machines Business.

<Forecasts>

- In Pachislot and Pachinko Machines Business, launch of titles are expected to concentrate in the first half.
- Since regulations are scheduled to be changed in the second half of the fiscal year, flexible approach is required in the pachislot and pachinko machines business upon carefully assessing the market environment for the second half of the fiscal year.

Costs and Expenses

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 1Q	Full Year Results	Results Through 1Q	YoY Change	Full Year Forecasts	YoY Change
R&D Expense / Content Production Expense	13.9	67.1	15.3	+10%	71.0	+6%
Cap-ex	6.1	27.0	5.0	-18%	24.4	-10%
Depreciation	3.9	16.3	4.2	+8%	16.6	+2%
Advertising	3.1	14.8	3.2	+3%	20.5	+39%

Consolidated Balance Sheet (Summary)

(JPY billion) 【 Assets 】				【 Liabilities and Net Assets 】			
Account	As of end of March 2017	As of end of June 2017	Change	Account	As of end of March 2017	As of end of June 2017	Change
Total Current Assets	324.1	307.8	-16.3	Total Current Liabilities	112.5	91.8	-20.7
Total Noncurrent Assets	197.4	199.7	+2.3	Total Noncurrent Liabilities	97.5	96.8	-0.7
				Total Liabilities	210.1	188.7	-21.4
				Total Net Assets	311.4	318.8	+7.4
Total Assets	521.5	507.6	-13.9	Total Liabilities and Net Assets	521.5	507.6	-13.9

Account	As of end of March 2017	As of end of June 2017	Change
Equity ratio	59.0%	62.5%	+3.5pt
Current ratio	287.9%	335.1%	+47.2pt

- Total Assets: **507.6 billion yen** (decreased by **13.9 billion yen**)
- Current Assets: Down **16.3 billion yen** due to decrease in accounts receivable and inventories
- Liabilities: Down **20.7 billion yen** due to redemption of Corporate Bonds and repayment of Borrowings
- Equity Ratio: **62.5%** (+3.5pt)
- Current Ratio: **335.1%** (+47.2pt) (Current Ratio as of the end of FY ended March 2017: 287.9%)

Pachislot and Pachinko Machines Business

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 1Q	Full Year Results	Results Through 1Q	YoY Change	Full Year Forecasts	YoY Change
Sales	21.2	148.2	54.9	+159%	150.0	+1%
Pachislot	11.4	86.2	10.2	-11%	63.1	-27%
Pachinko	6.3	48.3	41.1	+552%	71.6	+48%
Other / Elimination	3.5	13.7	3.6	-	15.3	-
Operating Income	0.3	26.3	15.1	+4,933%	20.0	-24%
Operating Income Margin	1.4%	17.7%	27.5%	+26.1pt	13.3%	-4.4pt
Unit Sales (Pachislot)	29,902	215,736	25,440	-15%	158,000	-27%
Unit Sales (Pachinko)	20,525	138,321	97,499	+375%	203,000	+47%

<Summary of Results Through 1Q>
【Overall】

- Both sales and profits increased year-on-year due to favorable sales of mainstay titles in Pachinko.

【Pachislot】

- Secured unit sales on par with the same quarter of the previous fiscal year through sales of titles such as “Pachislot Beast King Ujya no kakusei” and “Pachislot Sakura Wars ~Atsuki chishioni~.”

【Pachinko】

- Unit sales increased year-on-year due to favorable sales of a mainstay title “Pachinko CR Hokuto No Ken 7 Resurrection.”

<Forecasts>
【Overall】

- Sales schedule centered on the first half.
- Revised regulations including those pertaining to the Act on Control and Improvement of Amusement Business, etc. are scheduled to be enforced on February 1, 2018.

【Pachislot】

- Planning to launch titles including “Pachislot Hokuto No Ken Shindensetsu souzou,” the new title of the mainstay “Hokuto No Ken” series.
- New voluntary regulations will be applied to new machines installed on October 1, 2017 and after.

【Pachinko】

- Planning to launch titles including “Pachinko CR GHOST IN THE SHELL -STAND ALONE COMPLEX-,” which adopts the motif of the popular animation, “GHOST IN THE SHELL -STAND ALONE COMPLEX.”

Entertainment Contents Business

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 1Q	Full Year Results	Results Through 1Q	YoY Change	Full Year Forecasts	YoY Change
Sales	46.7	205.7	50.2	+7%	220.0	+7%
Digital Games	12.0	47.3	9.5	-21%	59.0	+25%
Packaged Games	10.7	47.1	14.4	+35%	51.5	+9%
Amusement Machine Sales	10.3	49.4	10.4	+1%	43.5	-12%
Amusement Center Operations	8.8	37.2	9.0	+2%	38.0	+2%
Animation / Toy	4.2	22.7	5.1	+21%	24.5	+8%
Other / Elimination	0.7	2.0	1.8	-	3.5	-
Operating Income	4.9	11.1	3.7	-24%	10.0	-10%
Digital Games	2.4	4.9	1.2	-50%	7.3	+49%
Packaged Games	2.4	2.6	1.3	-46%	3.2	+23%
Amusement Machine Sales	-0.1	1.7	0.5	-	-0.4	-
Amusement Center Operations	0.6	2.2	0.4	-33%	1.7	-23%
Animation / Toy	-0.1	1.2	0.1	-	1.5	+25%
Other / Elimination	-0.3	-1.5	0.2	-	-3.3	-
Operating Income Margin	10.5%	5.4%	7.4%	-3.1pt	4.5%	-0.9pt
Sales in Units (Thousands)	2,410	10,280	4,560	+89%	11,600	+13%
Domestic Facilities	193	191	190	-	190	-
Same Store Sales Comparisons	111.2%	108.5%	100.1%	-11.1pt	101.3%	-7.2pt

<Summary of Results Through 1Q>
【Overall】

- Sales increased as overseas sales of “Persona5” performed well and the sales of major titles in the packaged game field are concentrated.
- Profits decreased due to incurrence of cost such as development expenses as a result of launching major titles in the packaged game field.

【Digital Games】

- Number of titles under service(Domestic) : 27 ⇒25
- “PHANTASY STAR ONLINE 2,” which marked its 5th anniversary since commencing service, performed strongly.
- Held various events and conducted updates mainly for existing mainstay titles including “Hortensia Saga” and “Puyopuyo!! Quest.”

【Packaged Games】

- Overseas sales of “Persona5” by ATLUS performed well (accumulated worldwide shipment exceeded 1.8 million units.)
- Launched new PC game titles in “Warhammer 40,000: Dawn of War III” and “Endless Space 2.”

【Amusement Machine Sales】

- Recorded distribution earnings from titles under revenue sharing model including “KanColle Arcade.”
- Sales of “UFO CATCHER 9” and “UFO CATCHER TRIPLE” were solid.
- Preliminary expenses for casino machine development and sales incurred.

【Amusement Center Operations】

- Store sales of domestic (amusement) facilities performed at **100.1%** against last fiscal year’s same-store sales.
- Facility operation was reinforced focusing on the prize category, although video game utilization decreased compared to the same quarter of the previous fiscal year when video game title performed well.
- Implemented measures for new-style stores such as “SEGA VR AREA AKIHABARA” and “Sega Collaboration Café.”

【Animation / Toy】

- The movie “Detective Conan Crimson Love Letter” reached a record high box office revenue.
- Earnings from distribution for the movie “Detective Conan” etc.
- Conducted sales of regular and mainstay products, such as “ANPANMAN” D.I.Y. Moving ANPANMANGO-CAR”

Entertainment Contents Business

<Forecasts>

【Overall】

- In addition to continuous efforts such as the holding of events and conducting updates for existing titles, new titles are scheduled to be launched in the second half in the Digital games.

【Digital Games】

- EPISODE 5 of “**PHANTASY STAR ONLINE 2,**” a large-scale update, is scheduled for launch. (July 26)
- Planned launch of new titles from the second half.

【Packaged Games】

- Planning to launch new titles:
 - “**SONIC MANIA**” (August)
 - “**Sekaijyu to Mystery DUNGEON2**” (August)
 - “**Total War: WARHAMMER 2**” (September)
 - “**Shin Megami Tensei:DEEP STRANGE JOURNEY**” (October)

【Amusement Machine Sales】

- Expecting profit contributions from titles under revenue sharing model, primarily from “**KanColle Arcade.**”
- Planning to launch “**StarHorse3 SeasonVI FULL THROTTLE,**” a CVT kit for “**StarHorse3**” series.
- Preliminary expenses for casino machine development and sales to be incurred.

【Amusement Center Operations】

- Continue to reinforce facility operation focusing on the prize category.
- Scheduled to introduce e-money in existing-style game centers.
- Reinforce measures for new-style stores such as collaboration café.

【Animation / Toy】

- Distribution earnings expected from movies such as “**Detective Conan Crimson Love Letter**” and “**ANPANMAN: BURUBURU'S TREASURE HUNTING.**”
- Planning to focus on sales of regular and mainstay products, such as “**ANPANMAN**” series and “**Disney**” series.

Resort Business

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 1Q	Full Year Results	Results Through 1Q	YoY Change	Full Year Forecasts	YoY Change
Sales	2.6	13.0	2.0	-23%	10.0	-23%
Operating Income	-0.8	-2.2	-0.7	-	-3.0	-

< PHOENIX RESORT >

Sales	1.4	8.4	1.8	+29%	10.0	+19%
Operating Income	-0.5	-0.8	-0.3	-	0.0	-
Number of facility users (thousand people)	99	561	126	+27%	651	+16%
3 accommodation facilities	44	293	57	+30%	332	+13%
2 golf courses	20	87	25	+25%	100	+15%
Other facilities	35	181	44	+26%	218	+20%

< PARADISE SEGASAMMY * >

Sales (Billion KRW)	21	95	22	+5%	-	-
Operating Income (Billion KRW)	15	-0	-12	-	-	-
Number of visitors (Thousands)	11	57	17	+55%	-	-

* PARADISE SEGASAMMY Co., Ltd. is an equity method affiliate

* Figures for PARADISE SEGASAMMY are recorded with three months delay

<Summary of Results Through 1Q>

- Number of visitors increased compared to the same quarter of the previous fiscal year which faced the impacts of the earthquake, large-scale renewal work at “**Phoenix Seagaia Resort**” and the holding of events targeting people in surrounding prefectures.
- “**PARADISE CITY**,” South Korea’s first integrated resort (IR), opened.
- Sales decrease due to partially transferred shares of subsidiary that operates indoor theme park (**JOYPOLIS**) in the previous year.

<Forecasts>

- Planning renewal work on garden area of “**Phoenix Seagaia Resort**” and implementation of various projects and programs only available at Seagaia as measures for the summer vacation season.
- Planning prior investments in the integrated resort (IR) business.

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