

Major Questions Regarding 1Q Financial Results for the Fiscal Year Ending March 2020

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SEGA SAMMY HOLDINGS INC.

Pachislot and Pachinko Machines Business

Q: Could you tell us about the product line up for 2Q onward, including the status of approval for installation?

A: We plan to launch the Pachinko and Pachislot versions of “AnoHana: The Flower We Saw That Day,” a popular IP, in 2Q and have already received more orders than we expected. As for Pachislot of which the approval ratio for prototype testing is transitioning low, although there is an unannounced title that has been approved, we believe that it is necessary to observe the approval status of major title.

Q: What is the outlook for “P Hokuto No Ken 8 Haou” scheduled for launch in 2Q?

A: “P Hokuto No Ken 8 Haou” will be in service from early September but it is necessary to observe the status of additional orders even after the launch of service as the status of orders received as of July 30 is expected to fall below the assumption.

On the other hand, we believe that even if the order of “P Hokuto No Ken 8 Haou” falls below the assumption, we are able to cover the loss to a certain degree as “P AnoHana: The Flower We Saw That Day” exceeds the assumption and some sales of Pachislot titles in 1Q were not included in our initial plan.

Entertainment Contents Business

Q: Income from alienation of titles was recorded in the Digital Games area. I would like to know the profit level when excluding such amount.

A: Within the operating income in the Digital Games area, we believe about 1 billion yen is the actual capability for 1Q. This is impacted by the reduction of amortization of titles due to impairment losses in the previous fiscal year and the improvement of profitability due to the update of some existing titles, etc. Other amounts are one-off profits including income from alienation.

Q: Is there a possibility that one-off loss including additional impairment loss will be incurred in the Digital Games area going forward?

A: We do not think that additional risk of impairment loss will be incurred at this stage.

Q: Concerning the operating income for 1Q in the Digital Games area, you've said that about 1 billion yen is the actual capability, but will this remain the same in 2Q onward?

A: We believe that it may change depending on how new titles scheduled to be launched from now onward will progress.

Q: You explained that common fixed expenses including rent associated with relocation were incurred in the Amusement Machine Sales area, but how much is the cost?

A: The estimated amount of increase in common fixed expenses including rent associated with relocation is expected to be approximately 0.2 billion yen in 1Q and approximately 0.8 billion yen for the full year.

Resort Business

Q: I think there were many Japanese visitors to PARADISE CITY during the Golden Week holiday in May. However, I would like to know the overall trend of visitors by country.

A: Table drop at PARADISE CITY is increasing smoothly and we believe the status of attracting customers in the most recent period continued to increase. As for the trend by country, figures are based mainly on the number of VIP customers, but Japanese customers had the largest number followed by Chinese customers based on drop. The most common class excluding VIPs also account for several tens of percent of the total number.

Q: I would like to know whether there will be an upside in PARADISE CITY in the future.

A: Before the opening of PARADISE CITY, we expected many Chinese VIP customers to visit PARADISE CITY, but issues between China and South Korea remain unsolved and Japanese customers now cover losses from that. Short-term sales change according to table drop as well as the hold rate, but we believe that there will be an upside if the number of Chinese visitors to PARADISE CITY recovers.