

Summary of 2nd Quarter Results for FY Ending March 2018

Consolidated Income Statements (Summary)

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 2Q	Full Year Results	Results Through 2Q	YoY Change	Full Year Forecasts	YoY Change
Net Sales	169.5	366.9	194.7	+15%	380.0	+4%
Operating Income	15.3	29.5	26.8	+75%	20.0	-32%
Ordinary Income	15.4	28.5	25.2	+64%	16.0	-44%
Income before income taxes	27.1	33.7	25.6	-6%	16.0	-53%
Profit attributable to owners of parent	24.2	27.6	17.7	-27%	11.0	-60%
Dividends per share (JPY)	20.00	40.00	20.00	-	40.00	-
Earnings per share (JPY)	103.47	117.79	75.78	-	46.93	-
Net Assets per share (JPY)	1,292.06	1,313.06	1,380.42	-	-	-

<Summary of Results Through 2Q>

■ Net Sales: **194.7 billion yen**, Operating Income: **26.8 billion yen**, Profit attributable to owners of parent: **17.7 billion yen**

■ Both sales and profits increased year-on-year

■ Major titles were launched in Pachislot and Pachinko Machines Business

■ Overall Entertainment Contents Business performed strongly

<Forecasts>

■ Revising the sales schedule of the pachislot and pachinko machines significantly and expect the number of titles and unit sales will likely be less than originally planned for the full year.

■ Following the favorable results in the first half, the Group plans to launch multiple new titles in the Entertainment Contents Business.

Costs and Expenses

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 2Q	Full Year Results	Results Through 2Q	YoY Change	Full Year Forecasts	YoY Change
R&D Expense / Content Production Expense	31.7	67.1	30.7	-3%	71.0	+6%
Cap-ex	13.8	27.0	10.3	-25%	24.4	-10%
Depreciation	7.6	16.3	8.2	+8%	16.6	+2%
Advertising	7.6	14.8	7.8	+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 September 2017	Change	Account	As of end of March 2017	As of end of September 2017	Change
Total Current Assets	324.1	298.7	-25.4	Total Current Liabilities	112.5	94.9	-17.6
Total Noncurrent Assets	197.4	202.1	+4.7	Total Noncurrent Liabilities	97.5	80.3	-17.2
				Total Liabilities	210.1	175.2	-34.9
				Total Net Assets	311.4	325.5	+14.1
Total Assets	521.5	500.8	-20.7	Total Liabilities and Net Assets	521.5	500.8	-20.7

Account	As of end of March 2017	As of end of September 2017	Change
Equity ratio	59.0%	64.6%	+5.6pt
Current ratio	287.9%	314.6%	+26.7pt

■ Total Assets: **500.8 billion yen** (decreased by 20.7 billion yen)

■ Current Assets: Down **25.4 billion yen** due to decrease in Cash and Deposits, etc.

■ Liabilities: Down **34.9 billion yen** due to payment of trade payables, redemption of Corporate Bonds and repayment of Borrowings

■ Equity Ratio: **64.6%** (+5.6pt)

■ Current Ratio: **314.6%** (+26.7pt)

Pachislot and Pachinko Machines Business

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 2Q	Full Year Results	Results Through 2Q	YoY Change	Full Year Forecasts	YoY Change
Sales	64.9	148.2	88.3	+36%	150.0	+1%
Pachislot	31.8	86.2	32.3	+2%	63.1	-27%
Pachinko	26.4	48.3	48.8	+85%	71.6	+48%
Other / Elimination	6.7	13.7	7.2	-	15.3	-
Operating Income	10.6	26.3	21.4	+102%	20.0	-24%
Operating Income Margin	16.3%	17.7%	24.2%	+7.9pt	13.3%	-4.4pt
Unit Sales (Pachislot)	81,895	215,736	75,380	-8%	158,000	-27%
Unit Sales (Pachinko)	75,542	138,321	119,312	+58%	203,000	+47%

<Summary of Results Through 2Q>
【Overall】

- Both sales and profits increased year-on-year.
- Launched mainstay titles for both pachislot and pachinko machines.

【Pachislot】

- Launched titles including “Pachislot Hokuto No Ken Shindensetsu souzou,” the new title of the mainstay “Hokuto No Ken” series.

【Pachinko】

- Launched 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-”

<Forecasts>
【Overall】

- Plans to revise the sales schedule of the pachislot and pachinko machines significantly.
- Expect the number of titles and unit sales will likely be less than originally planned for the full year.

【Pachislot】

- The Group plans to launch its first No. 5.9-type machines.

【Pachinko】

- To launch newest title “Pachinko CR SOUTEN-NO-KEN Tenra,” which realizes new gaming elements with a new system added to the “Pachinko SOUTEN-NO-KEN” series, and others.

Entertainment Contents Business

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 2Q	Full Year Results	Results Through 2Q	YoY Change	Full Year Forecasts	YoY Change
Sales	97.8	205.7	101.5	+4%	220.0	+7%
Digital Games	23.0	47.3	19.3	-16%	59.0	+25%
Packaged Games	23.0	47.1	27.1	+18%	51.5	+9%
Amusement Machine Sales	22.5	49.4	22.6	-	43.5	-12%
Amusement Center Operations	19.0	37.2	19.6	+3%	38.0	+2%
Animation / Toy	9.4	22.7	10.3	+10%	24.5	+8%
Other / Elimination	0.9	2.0	2.6	-	3.5	-
Operating Income	9.1	11.1	10.1	+11%	10.0	-10%
Digital Games	3.8	4.9	2.0	-47%	7.3	+49%
Packaged Games	2.7	2.6	3.5	+30%	3.2	+23%
Amusement Machine Sales	0.8	1.7	2.4	+200%	-0.4	-
Amusement Center Operations	2.0	2.2	1.7	-15%	1.7	-23%
Animation / Toy	0.1	1.2	0.7	+600%	1.5	+25%
Other / Elimination	-0.3	-1.5	-0.2	-	-3.3	-
Operating Income Margin	9.3%	5.4%	10.0%	+0.7pt	4.5%	-0.9pt
Sales in Units (Thousands)	4,650	10,280	8,650	+86%	11,600	+13%
Domestic Facilities	189	191	189	-	190	-
Same Store Sales Comparisons	110.8%	108.5%	101.5%	-9.3pt	101.3%	-7.2pt

<Summary of Results Through 2Q>
【Overall】

- Both sales and profits increased year-on-year.
- Sales of titles remained strong in all business fields

【Digital Games】

- Number of titles under service (Domestic): 25⇒21
- Held various events and conducted updates mainly for existing mainstay titles
- The new title “**Magia Record : Puella Magi Madoka Magica Side Story,**” which our group company f4samurai developed and is commissioned to operate, kicked off to a good start

【Packaged Games】

- “**SONIC MANIA**” performed strongly, becoming the most popular title among new SONIC titles released in the past 15 years, etc.
- New PC game title “**Total War: WARHAMMER 2**” had solid performance.

【Amusement Machine Sales】

- Recorded distribution earnings from existing titles under revenue sharing model.
- Launched a CTV kit “**StarHorse3 Season VI FULL THROTTLE.**”
- 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 **101.5%** against last fiscal year’s same-store sales.
- Reinforced facility operation focusing on the prize category.
- Reinforced measures for new-style stores such as “**SEGA Collaboration Cafe**” and “**Sweets Spoon**” in Ikebukuro and Akihabara.
- Started accepting e-money at existing stores. (4 stores as of September 30, 2017)

【Animation / Toy】

- Recorded earnings from distribution of the movie “**Detective Conan Crimson Love Letter**” and others.
- Focused on sales of regular and mainstay products, such as “**ANPANMAN**” series.

Entertainment Contents Business

<Forecasts>

【Overall】

- Planning to release several new titles in the digital games field, the packaged games field and amusement machine sales field.

【Digital Games】

- Expect continuous profit contributions from events, etc. of existing titles
- Planning to release several new titles including
 - 『PoPoLoCRoIS ~Narcia's tears & the Fairy's flute』
 - 『D×2 Shin Megami Tensei Liberation』, etc.

【Packaged Games】

- Planning to release several new titles including
 - “SONIC FORCES” (November)
 - “Football Manager 2018” (November)
 - “Ryu ga Gotoku KIWAMI 2” (December)
 - “Hokuto ga Gotoku” (February), etc.

【Amusement Machine Sales】

- Expect to record earnings from existing titles under revenue sharing model.
- Planning to release new mainstay titles such as “SOUL REVERSE” and “SEGA World Drivers Championship.”
- Preliminary expenses for casino machine development and sales to be incurred.

【Amusement Center Operations】

- Continue to reinforce facility operation by introducing prize category machines and expanding prize category section.
- Reinforce measures for new-style stores such as “SEGA Collaboration Cafe.”
- Continue to increase the number of existing stores accepting e-money. (6 stores as of October 31, 2017)

【Animation / Toy】

- Expect to record distribution earnings from a movie “Yowamushi Pedal RE:GENERATION” etc. .
- Planning to sell “ANPANMAN” series, “Disney&Disney/Pixar Characters Dream Switch” and others.

Resort Business

(JPY Billion)	FY Ended March 2017		FY Ending March 2018			
	Results Through 2Q	Full Year Results	Results Through 2Q	YoY Change	Full Year Forecasts	YoY Change
Sales	6.7	13.0	4.7	-30%	10.0	-23%
Operating Income	-1.3	-2.2	-1.2	-	-3.0	-

< PHOENIX RESORT >

Sales	3.5	8.4	4.2	+20%	10.0	+19%
Operating Income	-0.7	-0.8	-0.4	-	0.0	-
Number of facility users (thousand people)	259	561	296	+14%	651	+16%
3 accommodation facilities	134	293	156	+16%	332	+13%
2 golf courses	39	87	46	+18%	100	+15%
Other facilities	85	181	94	+11%	218	+20%

< PARADISE SEGASAMMY * >

Sales (Billion KRW)	46	95	62	+35%	-	-
Operating Income (Billion KRW)	3	-0	-30	-	-	-
Number of Casino visitors (Thousands)	24	57	59	+146%	-	-

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

* Figures for PARADISE SEGASAMMY are recorded with three months delay

<Summary of Results Through 2Q>

- Both sales and margin of loss decreased year-on-year.
- Profitability of “Phoenix Seagaia Resort” improved.
- Sales decreased due to partial transfer of shares of the subsidiary that operates indoor theme park (JOYPOLIS).

<Forecasts>

- Conduct measures such as holding of events to draw customers at “Phoenix Seagaia Resort.”
- Planning prior investments in the integrated resort business.

※The contents in this material and comments made during the questions and answers etc. of this briefing session are the judgment and forecasts of the Company’s management based on the currently available information.

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