

(Translation)

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
Year Ended March 31, 2020

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)
Any inquiry to : Yoichi Owaki
 Vice President, Senior Executive Officer
 Managing Director of the Finance & Accounting Division
 Sumitomo Fudosan Osaki Garden Tower,
 1-1-1 Nishi-Shinagawa, Shinagawa-ward, Tokyo
 Tel (03) 6864-2400

Annual Meeting of Shareholders : June 24, 2020 (plan)
 Filing of Financial Report : June 25, 2020 (plan)
 Start of cash dividend payments : June 4, 2020 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the Year Ended March 31, 2020
(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, 2020	366,594	10.5	27,643	111.3	25,296	237.5	13,775	421.3
For Year ended March 31, 2019	331,648	2.5	13,079	(26.2)	7,495	(48.6)	2,642	(70.4)

(Note) Comprehensive income:

For Year ended March 31, 2020 : ¥(774) million (-%)
 For Year ended March 31, 2019 : ¥3,746million ((63.3)%)

	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, 2020	58.65	58.63	4.6	3.0	7.5
For Year ended March 31, 2019	11.27	11.24	0.9	0.6	3.9

(Reference) Equity in earnings of affiliates:

For Year ended March 31, 2020 : ¥(2,805) million
 For Year ended March 31, 2019 : ¥(3,859) 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, 2020	458,268	296,858	64.2	1,251.02
March 31, 2019	464,654	305,337	65.1	1,289.32

(Reference) Shareholders' equity

March 31, 2020 : ¥294,102 million

March 31, 2019 : ¥302,648 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, 2020	38,537	(15,464)	(10,956)	158,617
For Year ended March 31, 2019	14,876	(22,113)	(20,668)	148,064

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, 2019	-	20.00	-	20.00	40.00	9,384	355.0	3.1
Year ended March 31, 2020	-	20.00	-	20.00	40.00	9,397	68.2	3.1
Year ending March 31, 2021 (plan)	-	-	-	-	-		-	

(Note) Dividends for the fiscal year ending March 31, 2021 are not yet decided.

3. Forecast of Consolidated Operating Results for the Year ending March 31, 2021

The forecast of consolidated operating results for the fiscal year ending March 31, 2021 remains pending for the reason that it is difficult at the current time to reasonably calculate the impact on operating results. Going forward, we will carefully assess the impact on operating results, and will promptly announce the forecast of consolidated operating results once it becomes possible to disclose reasonable forecasts.

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during the year ended March 31, 2020: No

- (2) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the consolidated financial statements:
 1. Changes associated with revision in accounting standards: Yes
 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, 2020	:	266,229,476
March 31, 2019	:	266,229,476

 2. Number of treasury stock at the end of the period

March 31, 2020	:	31,138,238
March 31, 2019	:	31,493,927

 3. Average number of shares during the period

For Year ended March 31, 2020	:	234,849,839
For Year ended March 31, 2019	:	234,541,743

(Note)

- This report is not required the auditing procedures by certified public accountants or accounting auditors.
- The forecast of consolidated operating results for the fiscal year ending March 31, 2021 remains pending for the reason that it is difficult at the current time to reasonably calculate the impact on operating results. Going forward, we will carefully assess the impact on operating results, and will promptly announce the forecast of consolidated operating results once it becomes possible to disclose reasonable forecasts. With regard to the business risks from the spread of COVID-19, refer to "Outlook for the fiscal year ending March 31, 2021" on page 8.
- The Company plans to hold a briefing on financial results for analysts on May 13, 2020. 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, 2020

With regard to the pachislot and pachinko industry, while the rate of machines that have been verified to be compatible through prototype testing, which was conducted by the Security Communications Association (Hotsukyo), remained low, the launch of machines that conform to the regulatory revision is progressing. The expectations for market revitalization are rising, with reviewed voluntary regulations of Nihon Dendo-shiki Yugiki Kyodo Kumiai (Nichidenkyo), a union of pachislot machine manufacturers, and Nihon Yugiki Kogyo Kumiai (Nikkoso), a union for pachinko machine manufacturers related to pachislot machines, and with a greater range of gameplay available through pachinko machine development, due in part to changes to the criteria for interpretation of technological standards related to pachinko machines.

Regarding the environment of the entertainment contents business, in the digital game software field, the strong competitive environment for mobile game continues, especially in Japan. With regard to the packaged game software field, in the market for hardware of home video game consoles, the game software sales market is expanding, mainly in overseas due to the growing penetration of current-generation video game console hardware. In addition, the expectations are rising for expanding overseas download sales and revenue opportunities from new business models with the launch of new platforms and services. As for the market for amusement centers and amusement machines, prizes still occupy a central position of the facility operations, but the number of visitors is decreasing due to the spread of the novel coronavirus disease (COVID-19).

In the resort industry, the foreign visitors to Japan which made a record 31,880 thousand in 2019, was in an increasing trend with numbers reaching record highs, while the hotel occupancy rate was also in an upward trend. However, there are also concerns that the number of foreign visitors to Japan which reached a record-high, may decline in 2020 due to the impact from the spread of COVID-19 and travel restrictions imposed by each country. In addition, the enforcement order, etc. pertaining to the "Act on the Establishment of Specified Integrated Resort Areas" have been sequentially enforced from April 2019, including the establishment of the Japan Casino Regulatory Commission in January 2020, initiatives to enter the domestic integrated resort business are progressing.

With regard to the impact from the spread of COVID-19 on the current fiscal year, despite evidence of the amusement center operations field in the entertainment contents business, and the resort business were affected in March by a significant decrease in the number of visitors due to requests for people to stay home, voluntary avoidance of travel, and other factors, the impact on overall business activities was minimal. However, due to concerns over uncertainties associated with the spread of COVID-19, careful consideration of the recoverability of deferred tax assets resulted in a decrease in deferred tax assets.

In this business environment, net sales for the fiscal year ended March 31, 2020 amounted to ¥366,594 million, (an increase of 10.5% from the previous fiscal year). The Group posted an operating income of ¥27,643 million (an increase of 111.3% from the previous fiscal year), ordinary income of ¥25,296 million (an increase of 237.5% from the previous fiscal year) and profit attributable to owners of parent of ¥13,775 million (an increase of 421.3% 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, the Group has launched including mainstay titles "Pachislot Hokuto No Ken Tenshou" leading to overall sales of 123 thousand units (Overall sales of pachislot machines were 67 thousand units for the same period in the previous fiscal year). In the pachinko machine business, the Group has launched including "P Hokuto No Ken 8 Haou", leading to sales of 104 thousand units, (Overall sales of pachinko machines were 159 thousand units in the previous fiscal year).

As a result, net sales in this segment were ¥108,364 million (an increase of 6.8% from the previous fiscal year) and operating income was ¥24,929 million (an increase of 84.8% from the previous fiscal year).

« **Entertainment Contents** »

In the digital game software field, the Group recorded transient sales such as title transfers and offering titles. Also sales of existing titles in operation have been performing solidly. Besides, expenses substantially decreased due to the impairment loss on fixed assets recorded in the previous fiscal year.

In the packaged game software field, the Group sold repeat titles steadily though expenses increased, partly as the result of the amortization of development expenses due to multiple releases of "Total War: THREE KINGDOMS", "Mario & Sonic at the Olympic Games Tokyo 2020" etc. As a result, sales amounted to 26,760 thousand copies (23,440 thousand copies in the previous fiscal year).

In the amusement machine field, the Group implemented sales with a focus on prize game machines etc., but sales remained sluggish, partly due to the poor performance of video games.

In the amusement center operations field, the Group operated with a focus on prizes, however, like-for-like growth in sales were 97.7% compared with the previous fiscal year, due to a slump in the numbers of guests and visitors due to the impact from the consumption tax hike, multiple typhoons, and the spread of COVID-19 in March.

In the animated film and toy field, the Group recorded allocated revenue of movies, video distribution sales, and sales of new and mainstay toy products.

As a result, net sales in this segment were ¥247,749 million (an increase of 12.8% from the previous fiscal year) and operating income was ¥14,874 million (an increase of 50.9% from the previous fiscal year).

« **Resort** »

In the resort business, at "Phoenix Seagaia Resort", though measures including accommodation packages focusing on the Kyushu region, and the 25th anniversary commemorative project implemented, a sharp drop was seen in the number of customers in March owing to the spread of COVID-19, and the number of guests only increased 3.3% from the previous fiscal year. In addition, expenses for participating in the domestic integrated resort increased.

As a result, net sales in this segment were ¥10,478 million (a decrease of 1.0% for the previous fiscal year) and operating loss was ¥3,667 million (operating loss of ¥2,412 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" has attracted many guests, primarily Japanese VIPs, owing to the effects of promotional activities targeting the Japanese market. We endeavored to accumulate development and operational know-how for participating in the domestic integrated resort business through these facilities.

(2) Financial positions as of March 31, 2020

(Assets and liabilities)

Total assets as of the end of the current fiscal year decreased ¥6,385 million from the end of the previous fiscal year, to ¥458,268 million.

Current assets increased ¥8,513 million from the end of the previous fiscal year. This was attributable to increases in cash and deposits and other factors, despite a decrease in short-term investment securities, merchandise and finished goods.

Noncurrent assets decreased ¥14,899 million from the end of the previous fiscal year. This was attributable to decreases in investments and other assets resulting from revaluation of investment securities and other factors, despite an increase in property, plant and equipment, and intangible assets.

Total liabilities as of the end of the current fiscal year increased ¥2,093 million from the end of the previous fiscal year, to ¥161,410 million. This was attributable to increases in other on current and noncurrent liabilities due to applying IFRS 16 "Leases" by certain overseas subsidiaries adopting the International Financial Reporting Standards, despite decreases in notes and accounts payable - trade, and loans payable.

(Net assets)

Net assets as of the end of the current fiscal year decreased ¥8,479 million from the end of the previous fiscal year, to ¥296,858 million.

This was attributable to a decrease in shareholders' equity due to cash dividends paid, decreasing valuation difference on available-for-sale securities and foreign currency translation adjustment, despite the recording of profit attributable to owners of parent.

(Financial ratio)

The current ratio at the end of the current fiscal year increased 14.7 percentage points from the end of the previous fiscal year to 312.2%, remaining at a high level.

The equity ratio at the end of the current fiscal year decreased 0.9 percentage points from the end of the previous fiscal year to 64.2%.

(3) Cash flows for the fiscal year ended March 31, 2020

Cash and cash equivalents at the end of the current fiscal year increased ¥10,552 million from the end of the previous fiscal year, to ¥158,617 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 ¥27,104 million of income before income taxes, ¥17,193 million of depreciation and amortization, etc., despite ¥2,811 million increase in notes and accounts receivable - trade, and ¥6,582 million decrease in notes and accounts payable - trade, resulted in ¥38,537 million net cash provided by operating activities in the current fiscal year (¥14,876 million inflow in the previous fiscal year).

(Cash flows from investing activities)

Factors including investing of ¥10,036 million for purchase of property, plant and equipment, ¥7,103 million for purchase of intangible assets respectively, despite ¥4,315 million proceeds from sales of property, plant and equipment, resulted in ¥15,464 million net cash used in investing activities in the current fiscal year (¥22,113 million outflow in the previous fiscal year).

(Cash flows from financing activities)

Factors including ¥13,352 million for repayment of long-term loans payable, ¥12,500 million for redemption of bonds, and ¥9,395 million in cash used to pay dividends, etc., despite financing of ¥14,956 million through long-term loans payable, ¥9,933 million through proceeds from issuance of bonds respectively, resulted in ¥10,956 million net cash used by financing activities in the current fiscal year (¥20,668 million outflow in the previous fiscal year).

(4) Outlook for the fiscal year ending March 31, 2021

The current global pandemic of the COVID-19 is spreading and at this point it is not possible to predict when it will come to an end. In addition to this, there are concerns over other various uncertainties, including the impacts from the spread of COVID-19 on domestic and overseas economic activity, the sense of uncertainty over the economic outlook, and restrictions over consumer activities. Therefore, the forecast of consolidated operating results for the fiscal year ending March 31, 2021 remains pending for the reason that it is difficult at the current time to reasonably calculate the impact on operating results. Going forward, we will carefully assess the impact on operating results, and will promptly announce the forecast of consolidated operating results once it becomes possible to disclose reasonable forecasts.

The risks for each business segment from the spread of COVID-19 that are assumed at this time are as follows. In such an environment, the Group will undertake business operations with the highest priority on ensuring the safety of all customers, business partners, and employees.

[Impacts from the spread of COVID-19]

Segment	Sub-segment	Elements	Details
Pachislot and Pachinko Machines		Development	Part of the development schedule has been delayed, and there is a possibility that it will impact the future business if suspension of operation and work from home continue in the future.
		Production	Components have been secured for titles that have already been announced. As for the future, we need to carefully observe the operation status of in-house and partner plants.
		Sales	Even for titles that have already been announced, launch and delivery timings have not been determined, and if suspension of operation in pachinko halls continue, there is a possibility that the schedule will be delayed and etc.
		Other	Due to a temporary decline in the number of reception slots for reservation of prototype testing at Security Communications Association and may cause for the delay in obtaining the approval. Suspension of operation in pachinko halls expanded nationwide. If the requests for suspension of pachinko hall continue to be issued, it may lead to a decline in the purchasing power of the machines for pachinko hall operators.
Entertainment Contents	Digital Games	Development	The development environment for employees working from home is being developed, but the development schedule is becoming delayed.
		Operations	Some events and updates have been delayed due to development delays.
	Packaged Games	Development	The development environment for employees working from home is being developed, but the development efficiency has begun to decline and there is concern about the impact on external development partners. If the current situation is prolonged, there may be the delay in development schedule.
		Sales	Growth is seen mainly in overseas download sales. If this situation prolongs, it could result in delays to sales schedules, including for new titles.
	Amusement Machine Sales	Development	Delays in the development schedule have begun to occur due to factors such as a decline in development efficiency due to work from home and the inability to conduct location testing.
		Production	There are some concerns about the supply of components.
		Sales	Suspension of shipments of machines have begun due to closure of facilities. There are concerns about a decline in orders and a decline in revenue from billing due to the drop of facility utilization.

Segment	Sub-segment	Elements	Details
Entertainment Contents	Amusement Center Operations	Facility operations	<p>From March 3 to 24, suspended operations of 9 facilities for kids and VR section</p> <p>From April 8, temporary closure of stores in areas where self-restraint on going outside is issued</p> <p>From April 17, temporary closure of stores nationwide</p> <p>From May 8, stores in some areas resumed operations</p> <p>Even after the removal of the emergency declaration, there are concerns that the operation of facilities will be worsen and the ability to attract customers will decline.</p>
	Animation	Planning and development, Production	There is the possibility of delays in animation production, planning and development schedules if work from home period is prolonged.
		Sales	<p>Potential delay in recording of distribution revenues due to the delays of movie release.</p> <p>There are concerns about an increase in the number of broadcast viewers and an excess supply of contents in the market..</p>
	Toys	Development	There is the possibility of delays in development schedule.
		Production	There are some concerns about procurement of materials.
		Sales	<p>The volume of orders is declining due to the shortening of operation time and the closures of the shops.</p> <p>If the current situation is prolonged, there may be the delay in launch schedule.</p>
	Resort	Phoenix Seagaia Resort	Facility Operation
PARADISE CITY		Facility operations	<p>Casino section: From March 24 to April 20, closure of the operation; from AM 6:00 in April 20, operation resumed</p> <p>Some facilities other than casino section</p> <ul style="list-style-type: none"> - CIMER (spa): <ul style="list-style-type: none"> From March 2 to May 1: suspension of the operation; From May 2, operation resumed - WONDERBOX (theme park): <ul style="list-style-type: none"> From March 2 to May 1: suspension of the operation; From May 2, operation resumed - CHROMA (club): <ul style="list-style-type: none"> From March 2 suspension of operation; Resumption timing not yet determined <p>As it is a casino exclusively for foreigners, there are concerns that demand will decrease due to the worldwide policy of self-restraint and/or prohibition on going out and restrictions to foreign visitors entering South Korea.</p>

(5) Basic policy concerning distribution of earnings for the fiscal year ended March 31, 2020 and the fiscal year ending March 31, 2021

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.

Dividends for the fiscal year ending March 31, 2021 shall remain pending at this point due to difficulties over predicting the forecast of consolidated operating results for the full year. Going forward, we will announce the dividends once it becomes possible to disclose the forecast of consolidated operating results for the full year.

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. Hereby, the shareholders can select either from the shareholders benefit tickets or the option for donation to social contribution activities.

1. Shareholders benefit tickets

The tickets will be gifted annually, divided twice in a year, in accordance with the number of owned shares of the Company and holding periods of them as follows.

Number of owned shares	Less than 2 consecutive years	More than 2 consecutive years
100 shares or more Less than 1,000 shares	(1) 2,000 yen worth	
1,000 shares or more Less than 3,000 shares	(1) 2,000 yen worth (2) 20,000 yen worth	
3,000 shares or more Less than 5,000 shares	(1) 2,000 yen worth (2) 40,000 yen worth	(1) 2,000 yen worth (2) 40,000 yen worth (3) 1 ticket
5,000 shares or more Less than 20,000 shares	(1) 2,000 yen worth (2) 40,000 yen worth (3) 2 tickets (4) 2 tickets	(1) 2,000 yen worth (2) 40,000 yen worth (4) 2 tickets (5) 2 tickets
20,000 shares or more	(1) 2,000 yen worth (2) 40,000 yen worth (4) 2 tickets (6) 2 tickets	

- (1) Voucher for either UFO Catcher redeemable at SEGA game centers in Japan or redeemable at SEGA Catcher Online
- (2) Facility use ticket redeemable at Phoenix Seagaia Resort (Miyazaki Prefecture)
- (3) Free accommodation ticket (1 room, maximum 2 adults) usable at Sheraton Grand Ocean Resort in Phoenix Seagaia Resort (Miyazaki Prefecture)
- (4) Free accommodation ticket (1 room, maximum 2 adults) usable at Paradise Hotel & Resort in Paradise City (Incheon, Korea)
- (5) Free accommodation ticket (1 room, maximum 2 adults) usable at premium category "Club Floor" of Sheraton Grande Ocean Resort in Phoenix Seagaia Resort
- (6) Free accommodation ticket (1 room, maximum 2 adults) usable at premium category suite room of Sheraton Grande Ocean Resort in Phoenix Seagaia Resort

2. Donation to social contribution activities

Target: All shareholders who hold more than 100 shares of the Company

Contents: Shareholders who endorse social contribution activities of the Company and return unused shareholder benefit tickets, the Company will donate 1,000 yen per shareholder to social contribution activities. No receipts will be issued.

<Donation Partners> Shareholders can choose from the following organizations.

- Support for culture and arts (SEGA SAMMY Foundation for Culture and Arts)
- Support for addiction and solution of addiction related issues for pachinko and pachislot play (Recovery Support Network)
- Support for various activities including disaster, medical care, and welfare (Japan Red Cross)

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.

3. Consolidated Financial Statements and Notes

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2019 AND 2020

(Unit: Millions of yen)

	Prior year (As of March 31, 2019)	Current year (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	137,425	159,013
Notes and accounts receivable - trade	39,209	40,408
Short-term investment securities	14,500	5,398
Merchandise and finished goods	9,800	8,218
Work in process	25,028	20,235
Raw materials and supplies	15,192	18,554
Income taxes receivable	4,539	4,836
Other	15,026	12,613
Allowance for doubtful accounts	(259)	(302)
Total current assets	260,462	268,976
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	89,166	88,143
Accumulated depreciation	(50,775)	(50,703)
Buildings and structures, net	38,391	37,439
Machinery, equipment and vehicles	12,845	12,530
Accumulated depreciation	(10,384)	(10,739)
Machinery, equipment and vehicles, net	2,460	1,790
Amusement machines and facilities	43,826	46,066
Accumulated depreciation	(32,111)	(32,927)
Amusement machines and facilities, net	11,715	13,139
Land	21,352	21,177
Construction in progress	1,483	1,418
Other	49,641	53,997
Accumulated depreciation	(41,027)	(42,314)
Other, net	8,614	11,683
Total property, plant and equipment	84,017	86,649
Intangible assets		
Goodwill	6,448	5,878
Other	8,848	12,090
Total intangible assets	15,297	17,969
Investments and other assets		
Investment securities	73,478	55,046
Long-term loans receivable	1,014	1,117
Lease and guarantee deposits	13,843	13,888
Net defined benefit assets	2,570	3,076
Deferred tax assets	4,098	1,215
Other	10,308	10,779
Allowance for doubtful accounts	(438)	(450)
Total investments and other assets	104,876	84,673
Total noncurrent assets	204,191	189,292
Total assets	464,654	458,268

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2019 AND 2020

(Unit: Millions of yen)

	Prior year (As of March 31, 2019)	Current year (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,758	17,834
Short - term loans payable	13,352	13,331
Current portion of bonds	12,500	10,000
Income taxes payable	2,631	3,383
Accrued expenses	15,551	15,347
Provision for bonuses	5,537	7,891
Provision for directors' bonuses	476	808
Provision for point card certificates	31	29
Asset retirement obligations	562	101
Other	12,140	17,419
Total current liabilities	87,542	86,147
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long - term loans payable	40,334	42,003
Net defined benefit liability	4,019	4,176
Deferred tax liabilities	2,110	2,165
Asset retirement obligations	4,334	4,847
Provision for dismantling of fixed assets	420	420
Other	10,556	11,649
Total noncurrent liabilities	71,774	75,263
Total liabilities	159,316	161,410
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	117,142	118,564
Retained earnings	201,889	206,334
Treasury stock	(54,168)	(53,555)
Total shareholders' equity	294,816	301,296
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,354	4,470
Deferred gains or losses on hedges	-	(596)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	(4,888)	(8,480)
Remeasurements of defined benefit plans	(524)	(1,478)
Total accumulated other comprehensive income	7,832	(7,193)
Subscription rights to shares	912	813
Non-controlling interests	1,776	1,941
Total net assets	305,337	296,858
Total liabilities and net assets	464,654	458,268

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2019 AND 2020

(Unit: Millions of yen)

	Prior year From April 1, 2018 To March 31, 2019	Current year From April 1, 2019 To March 31, 2020
Net sales	331,648	366,594
Cost of sales	211,199	230,092
Gross profit	120,449	136,502
Selling, general and administrative expenses		
Advertising expenses	15,554	17,003
Sales commission	1,724	2,011
Salaries and allowances	16,087	17,086
Provision for bonuses	2,476	4,188
Provision for directors' bonuses	470	778
Retirement benefit expenses	1,544	1,157
Research and development expenses	23,252	24,721
Provision of allowance for doubtful accounts	35	118
Other	46,224	41,791
Total selling, general and administrative expenses	107,369	108,859
Operating income (loss)	13,079	27,643
Non-operating income		
Interest income	265	247
Dividends income	468	435
Foreign exchange gains	-	329
Gain on investments in partnership	495	616
Gain on valuation of compound financial instruments	15	-
Other	872	1,605
Total non-operating income	2,117	3,234
Non-operating expenses		
Interest expenses	532	475
Equity in losses of affiliates	3,859	2,805
Commission fee	179	137
Loss on investments in partnership	700	421
Foreign exchange losses	2	-
Loss on retirement of noncurrent assets	132	193
Settlement package	631	-
Rent expenses	996	84
Other	667	1,463
Total non-operating expenses	7,702	5,581
Ordinary income (loss)	7,495	25,296

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2019 AND 2020

(Unit: Millions of yen)

	Prior year From April 1, 2018 To March 31, 2019	Current year From April 1, 2019 To March 31, 2020
Extraordinary income		
Gain on sales of noncurrent assets	5,225	2,917
Gain on sales of investment securities	1,701	104
Gain on liquidation of subsidiaries and affiliates	1,220	-
Gain on reversal of restructuring loss	64	30
Other	18	53
Total extraordinary income	8,230	3,106
Extraordinary losses		
Loss on sales of noncurrent assets	47	0
Impairment loss	8,334	371
Loss on valuation of investment securities	-	573
Early extra retirement payments	175	32
Loss on sales of shares of subsidiaries and affiliates	-	172
Other	187	147
Total extraordinary losses	8,744	1,298
Income (loss) before income taxes	6,981	27,104
Income taxes-current	3,599	5,314
Income taxes-deferred	658	7,817
Total income taxes	4,257	13,131
Profit (loss)	2,724	13,972
(Breakdown)		
Profit (loss) attributable to owners of parent	2,642	13,775
Profit (loss) attributable to non-controlling interests	81	197
Other comprehensive income		
Valuation difference on available-for-sale securities	3,816	(9,583)
Deferred gains or losses on hedges	0	6
Foreign currency translation adjustment	(1,052)	(2,427)
Remeasurements of defined benefit plans, net of tax	(46)	(1,018)
Share of other comprehensive income of entities accounted for using equity method	(1,695)	(1,724)
Total other comprehensive income	1,022	(14,747)
Comprehensive income	3,746	(774)
(Breakdown)		
Comprehensive income attributable to owners of parent	3,664	(967)
Comprehensive income attributable to non-controlling interests	81	192

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019 AND 2020

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

(Unit: Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balances as of April 1, 2018	29,953	117,345	207,174	(54,781)	299,691	10,528	17
Changes of items during the period							
Dividends from surplus			(9,377)		(9,377)		
Profit attributable to owners of parent			2,642		2,642		
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						3,826	(17)
Total changes of items during the period	-	(203)	(5,284)	613	(4,874)	3,826	(17)
Balances as of March 31, 2019	29,953	117,142	201,889	(54,168)	294,816	14,354	-

	Accumulated other comprehensive income				Subscription rights to share	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balances as of April 1, 2018	340	(2,147)	(479)	8,259	819	1,685	310,456
Changes of items during the period							
Dividends from surplus							(9,377)
Profit attributable to owners of parent							2,642
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	(1,450)	(2,741)	(45)	(427)	93	90	(244)
Total changes of items during the period	(1,450)	(2,741)	(45)	(427)	93	90	(5,119)
Balances as of March 31, 2019	(1,109)	(4,888)	(524)	7,832	912	1,776	305,337

Current year (From April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges
Balances as of April 1, 2019	29,953	117,142	201,889	(54,168)	294,816	14,354	-
Cumulative effects of changes in accounting policies			135		135	(283)	
Restated balance	29,953	117,142	202,024	(54,168)	294,952	14,071	-
Changes of items during the period							
Dividends from surplus			(9,390)		(9,390)		
Profit attributable to owners of parent			13,775		13,775		
Effect of changes in accounting period of consolidated subsidiaries			10		10		
Purchase of treasury stock				(8)	(8)		
Disposal of treasury stock		(39)		622	582		
Change in scope of consolidation			(85)		(85)		
Purchase of shares of consolidated subsidiaries		(33)			(33)		
Change in ownership interest of parent due to transactions with non-controlling interests		880			880		
Tax effect adjustments relating to changes in past years' equity		614			614		
Net changes of items other than shareholders' equity						(9,600)	(596)
Total changes of items during the period	-	1,421	4,309	613	6,344	(9,600)	(596)
Balances as of March 31, 2020	29,953	118,564	206,334	(53,555)	301,296	4,470	(596)

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balances as of April 1, 2019	(1,109)	(4,888)	(524)	7,832	912	1,776	305,337
Cumulative effects of changes in accounting policies				(283)			(147)
Restated balance	(1,109)	(4,888)	(524)	7,548	912	1,776	305,189
Changes of items during the period							
Dividends from surplus							(9,390)
Profit attributable to owners of parent							13,775
Effect of changes in accounting period of consolidated subsidiaries							10
Purchase of treasury stock							(8)
Disposal of treasury stock							582
Change in scope of consolidation							(85)
Purchase of shares of consolidated subsidiaries							(33)
Change in ownership interest of parent due to transactions with non-controlling interests							880
Tax effect adjustments relating to changes in past years' equity							614
Net changes of items other than shareholders' equity		(3,591)	(954)	(14,742)	(98)	165	(14,676)
Total changes of items during the period	-	(3,591)	(954)	(14,742)	(98)	165	(8,331)
Balances as of March 31, 2020	(1,109)	(8,480)	(1,478)	(7,193)	813	1,941	296,858

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019 AND 2020

(Unit: Millions of yen)

	Prior year From April 1, 2018 To March 31, 2019	Current year From April 1, 2019 To March 31, 2020
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	6,981	27,104
Depreciation and amortization	18,819	17,193
Impairment loss	8,334	371
Amount of transfer of equipment by amusement center operation business	(4,585)	(4,317)
Loss (gain) on sales of noncurrent assets	(5,177)	(2,916)
Loss on retirement of noncurrent assets	132	193
Loss (gain) on liquidation of subsidiaries and affiliates	(1,219)	-
Loss (gain) on sales of investment securities	(1,562)	(2)
Loss (gain) on valuation of investment securities	-	281
Loss (gain) on investments in partnership	204	(195)
Amortization of goodwill	2,064	2,043
Increase (decrease) in allowance for doubtful accounts	(16)	70
Increase (decrease) in provision for directors' bonuses	(130)	339
Increase (decrease) in net defined benefit liability	791	81
Increase (decrease) in provision for bonuses	(352)	2,450
Interest and dividends income	(734)	(682)
Interest expenses	532	475
Foreign exchange losses (gains)	212	69
Equity in (earnings) losses of affiliates	3,859	2,805
Decrease (increase) in notes and accounts receivable - trade	(10,203)	(2,811)
Decrease (increase) in inventories	(10,004)	2,862
Increase (decrease) in notes and accounts payable - trade	3,021	(6,582)
Increase (decrease) in guarantee deposits received	(674)	(770)
Other, net	6,975	4,955
Subtotal	17,268	43,019
Interest and dividends income received	757	728
Interest expenses paid	(544)	(460)
Income taxes paid	(5,250)	(6,955)
Income taxes refund	2,646	2,205
Net cash provided by (used in) operating activities	14,876	38,537

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019 AND 2020

(Unit: Millions of yen)

	Prior year From April 1, 2018 To March 31, 2019	Current year From April 1, 2019 To March 31, 2020
Net cash provided by (used in) investing activities		
Payments into time deposits	(36)	(36)
Proceeds from withdrawal of time deposits	11	-
Purchase of short-term investment securities	(3,000)	(5,000)
Proceeds from redemption of securities	3,000	3,000
Purchase of trust beneficiary right	(2,697)	(1,894)
Proceeds from sales of trust beneficiary right	2,453	2,514
Purchase of property, plant and equipment	(18,235)	(10,036)
Proceeds from sales of property, plant and equipment	10,342	4,315
Purchase of intangible assets	(10,274)	(7,103)
Proceeds from sales of intangible assets	36	-
Purchase of investment securities	(849)	(566)
Proceeds from sales of investment securities	6,017	410
Proceeds from redemption of investment securities	700	821
Payments for investment in partnerships	(2,082)	(1,257)
Proceeds from distribution of investment in partnerships	909	1,279
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(32)	(1,383)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(85)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	640
Purchase of stocks of subsidiaries and affiliates	(5,282)	(157)
Payments of loans receivable	(559)	(2,704)
Collection of loans receivable	409	2,689
Reduction of investments in trusts	400	1,000
Payments for lease deposits	(2,554)	(659)
Collection of lease deposits	3,494	875
Other, net	(4,284)	(2,129)
Net cash provided by (used in) investing activities	(22,113)	(15,464)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	14,971	14,956
Repayment of long-term loans payable	(15,844)	(13,352)
Proceeds from issuance of bonds	-	9,933
Redemption of bonds	(10,000)	(12,500)
Purchase of treasury stock	(11)	(8)
Proceeds from exercise of stock options	512	430
Cash dividends paid	(9,379)	(9,395)
Dividends paid to non-controlling interest	(7)	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(47)
Other, net	(909)	(971)
Net cash provided by (used in) financing activities	(20,668)	(10,956)
Effect of exchange rate change on cash and cash equivalents	(595)	(1,574)
Net increase (decrease) in cash and cash equivalents	(28,501)	10,541
Cash and cash equivalents at beginning of period	176,566	148,064
Increase in cash and cash equivalents from newly consolidated subsidiaries	-	16
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	-	(5)
Cash and cash equivalents at end of period	148,064	158,617

[Notes]

(Assumptions for going concern)

Not applicable.

(Changes in accounting policies)

1. Application of IFRS 16 "Leases"

Subsidiaries applying the International Financial Reporting Standards, shall apply IFRS 16 "Leases" from the current fiscal year. Herewith, lessees, in principle, record all leases as assets and liabilities on the balance sheets. In initially applying the accounting standard, retained earnings have been adjusted for the cumulative effects of the application at the beginning of the fiscal year with the transitional treatment of the standard.

As a result, "Other, net" in noncurrent assets increased by ¥3,569 million, and "Other" in current liabilities and in noncurrent liabilities increased by ¥581 million and ¥2,979 million, respectively, for the end of the fiscal year. Also retained earnings decreased by ¥147 million at the beginning of the fiscal year. The impact of these changes on the profit for the fiscal year under review was immaterial.

2. Application of ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities"

Subsidiaries applying the U.S. Accounting Standards, shall apply the U.S. FASB (Financial Accounting Standards Board) Accounting Standards Update (ASU) No. 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities" (hereinafter, "ASU No. 2016-01") as of the fiscal year under review. As a result, investments in equity securities, with the exception of equity-method investments and consolidated investments, are measured at fair value and their fluctuations recognized in net profit. In initially applying ASU No. 2016-01, retained earnings have been adjusted for the cumulative effects of the application at the beginning of the fiscal year under review with the transitional treatment of the standard.

As a result, retained earnings increased by ¥283 million, and the valuation difference on available-for-sale securities decreased by ¥283 million at the beginning of the fiscal year. The impact of these changes on the profit for the fiscal year under review was immaterial.

(Additional information)

Accounting estimates associated with the spread of COVID-19

Due to the impact from the spread of COVID-19, a state of emergency was declared in Japan on April 7, 2020. As a result, the Group is experiencing delays in parts' procurement, changes to development schedules, and the suspension of operations at various facilities.

For this reason, in light of the Group's assumption that COVID-19 will continue to spread until at least June 2020, accounting estimates are reflected in accounting treatment based on certain assumptions, including those used to determine the recoverability of deferred tax assets and those used to determine impairment losses.

However, there are many uncertainties over the impact from the spread of COVID-19, which could affect the Group's financial position and operating results for the fiscal year ending March 31, 2021.

(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. Method of calculating the amounts of net sales, income or loss, assets and other items by each reporting segment

The accounting methods used for reporting segments are generally the same as those described in “Significant matters forming the basis of preparing the consolidated financial statements” on annual securities reports for the previous fiscal year.

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

Current year (From April 1, 2019 to March 31, 2020)

(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	108,364	247,749	10,478	366,592	1	366,594
(2) Inter-segment sales and transfers	675	1,039	82	1,796	(1,796)	-
Total	109,039	248,788	10,561	368,389	(1,794)	366,594
Segment income (loss)	24,929	14,874	(3,667)	36,135	(8,492)	27,643
Segment assets	79,296	183,112	37,356	299,765	158,503	458,268
Depreciation	4,286	10,670	1,103	16,061	1,132	17,193
Investments in affiliates accounted for by the equity method	493	728	22,130	23,352	803	24,156
Increases in property, plant and equipment and intangible assets	3,495	18,216	265	21,977	919	22,896

- (Notes) 1. Elimination of inter-segment transactions of ¥(7) million and general corporate expenses of ¥(8,485) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(8,492) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.
2. Adjustments for segment assets of ¥158,503 million includes elimination of inter-segment transactions of ¥(15,394) million and general corporate assets of ¥173,897 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.

(Per share information)

Items	Prior year (From April 1, 2018 to March 31, 2019)	Current year (From April 1, 2019 to March 31, 2020)
Net assets per share	¥1,289.32	¥1,251.02
Net income per share	¥11.27	¥58.65
Net income per share (diluted)	¥11.24	¥58.63

(Notes) 1. The calculation basis for net assets per share is as follows.

Items	Prior year (As of March 31, 2019)	Current year (As of March 31, 2020)
Total of net assets in the consolidated balance sheets (Millions of yen)	305,337	296,858
Amounts deducted from net assets in the consolidated balance sheets (Millions of yen)	2,688	2,755
(Subscription rights to shares (Millions of yen))	912	813
(Non-controlling interests (Millions of yen))	1,776	1,941
Net assets available for common stock (Millions of yen)	302,648	294,102
Number of common stock used to calculate net assets per share (Thousands of shares)	234,735	235,091

2. The calculation basis for net income per share and net income per share (diluted) is as follows.

Items	Prior year (As of March 31, 2019)	Current year (As of March 31, 2020)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	2,642	13,775
Amount not attributable to common stockholders (Millions of yen)	-	-
Profit attributable to owners of parent available for common stock (Millions of yen)	2,642	13,775
Average number of shares of common stock during the period (Thousands of shares)	234,541	234,849
Net income per share (diluted)		
Adjustment for profit attributable to owners of parent (Millions of yen)	-	-
Increase in common stock (Thousands of shares)	575	97
(Subscription rights to shares (Thousands of shares))	575	97
Outline of potential shares not included in calculation of net income per share (diluted) because of no dilutive effect	-	-

(Significant subsequent events)

1. Merger between consolidated subsidiaries

The merger between consolidated subsidiaries completed as of April 1, 2020 based on the resolution of the Company's Board of Directors' meeting on December 24, 2019.

(1) Objectives of the merger

The Company expects for the global game market to continue expanding as new game platforms and business models become more widespread with the development of technologies and infrastructures such as 5G and the Cloud. In order to increase the presence of the Group and realize further growth, the Company decided to reorganize the Group because of the necessity of integrating the two major consolidated subsidiaries of the Company, SEGA Games Co., Ltd. and SEGA Interactive Co., Ltd., in order to make reallocation of the domestic R&D resources of the Group more flexibly than ever before, thereby strengthening our competitiveness in global markets.

(2). Overview of the merger

i) Legal form of business combination

SEGA Interactive Co., Ltd. was disappeared on the effective date through an absorption-type merger with SEGA Games Co., Ltd. as the surviving company.

ii) Overview of the companies involved in the merger (As of March 31, 2020)

Name	SEGA Games Co., Ltd. (The surviving company)	SEGA Interactive Co., Ltd. (The disappearing company)
Details of business	Planning, development, and sales of game-related contents for mobile phones, PCs, smart devices, and home video game consoles	Development and sales of amusement machines
Location	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo	Sumitomo Fudosan Osaki Garden Tower, 1-1-1, Nishi-Shinagawa, Shinagawa-ku, Tokyo
Capital stock	¥100 million	¥100 million

(Note) SEGA Games Co., Ltd. changed the company name to SEGA CORPORATION as of April 1, 2020.

(3) Overview of the accounting treatment adoption

The merger will be treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019), and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

2. Changes to business segments etc.

The business operated by SEGA SAMMY CREATION INC., which has been included in the Entertainment Contents Business, will be changed to the Pachislot and Pachinko Machines Business from the fiscal year ending March 31, 2021 in order to further promote the synergic effects of the Pachislot and Pachinko Machines Business in the development of gaming machines.

In addition, as an evaluation index for the performance-based remuneration component of bonuses paid to the Company's officers, the method of measuring segment income will be changed from "operating income" to "ordinary income" from the fiscal year ending March 31, 2021 from the perspective of a management approach that the company positions "ordinary income", which is the income obtained by the Group on a recurring basis from the overall business, including equity in earnings and losses of affiliates, etc., as an important target figure.