



# FY Ending March 2020 1Q Results Presentation

Jul 30, 2019

**[Disclaimer]**

The contents of this material and comments made during the questions and answers etc. of this briefing session are the judgements and projections of the Company's managements based on currently available information.

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(All contents here are the translation of Japanese materials)

Thank you for taking the time to be at the phone conference concerning our 1Q results for fiscal year ending March 30, 2020.

I am Yoichi Owaki, the Vice President, Senior Executive Officer and Managing Director of Finance & Accounting Division at SEGA SAMMY HOLDINGS INC. Today's presentation will be given by two of us, Makoto Takahashi, Vice President, Senior Executive Officer and Managing Director of Group Executive Office, and myself.

We'll be using the material "FY Ending March 2020 1Q Results Presentation" uploaded to our website for this conference.

Now, please turn to page 3 of the material.

# 1. Fiscal Year ending Mar 2020, 1Q Results / Full Year Forecasts

# Results Highlights

(JPY Billion)

	2019/3		2020/3	
	Results Through 1Q	Full Year Results	Results Through 1Q	Full Year Forecast
Sales	68.8	331.6	72.7	390.0
Operating Income	0.9	13.0	3.4	27.0
Operating Income Margin	1.3%	3.9%	4.7%	6.9%
Non-operating income	0.7	2.1	0.8	1.5
Non-operating expenses	0.9	7.7	1.9	5.5
Ordinary Income	0.6	7.4	2.3	23.0
Extraordinary income	0.0	8.2	0.0	-
Extraordinary losses	0.0	8.7	0.1	-
Income before income taxes	0.7	6.9	2.2	23.0
Profit (loss) attributable to owners of parent	0.3	2.6	1.7	15.0
ROA <sup>※</sup>	-	0.6%	-	-

\* ROA = Profit attributable to owners of parent / Total assets

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## 2020/3 1Q Results

- ◆ Both sales and profits increased QoQ.
  - ✓ Strong performance in Packaged Games and other areas in Entertainment Contents business
  - ✓ Recorded income from alienation of titles in Digital Games area

## 2020/3 Forecast

- ◆ Plan to sell major titles in Pachislot and Pachinko business but need to observe the approval status of prototype testing carefully in Pachislot business
- ◆ Launch new titles in each area in Entertainment Contents business

\*For more details, please see "FY Ending March 2020 Appendix" -3-

In the first quarter, both sales and profits increased compared to the same period in the previous fiscal year.

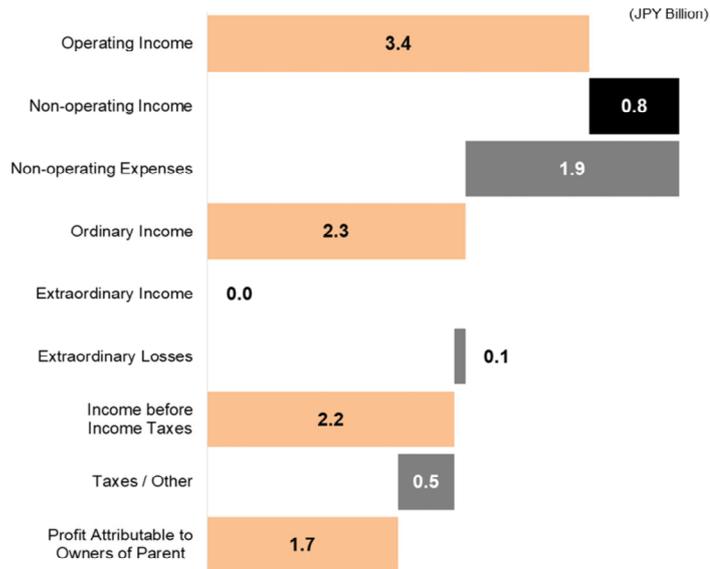
This was mainly due to strong performance in the Packaged Games area in the Entertainment Contents Business and income recorded from alienation of existing titles in the Digital Games area.

As for the forecast for the second quarter and after, although we plan to sell major titles in the Pachislot and Pachinko Machines Business, we need to observe the circumstances carefully as the approval ratio of prototype testing in Pachislot machines business is transitioning at low range.

Other than these, as for the Entertainment Contents Business, new titles are scheduled to be launched in each area.

I will explain the details of results and forecasts per segment later.

## Breakdown of Income (2020/3 1Q Results )



### Break down of non-operating income / losses and extraordinary income / losses

(JPY Billion)

<b>Non-operating income</b>	<b>0.8</b>
Dividends income	0.2
Foreign exchange gains	0.1
<b>Non-operating expenses</b>	<b>1.9</b>
Equity in losses of affiliates	1.2



※1 Income before Income Taxes not including Extraordinary Losses

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Let's move on now to page 4, which cover the breakdown of income.

As for non-operating expenses, it includes the results of Paradise City for January to March. However, the margin of loss increased compared to the same period in the previous fiscal year due to the increase in common fixed expenses for FunCity, the non-gaming area opened in September 2018.

## Consolidated Costs and Expenses

(JPY Billion)

	2019/3		2020/3		2020/3 1Q results / main factors
	Results Through 1Q	Full Year Results	Results Through 1Q	Full Year Forecast	
R&D Expense / Content Production Expense	14.1	66.6	17.1	72.5	Increased in association with the launch of new titles in Packaged Games area
Cap-ex	6.4	34.4	5.1	24.8	Decreased in association with the completion of relocation
Depreciation	3.9	14.5	3.6	13.6	-
Advertising	3.3	16.0	3.6	21.0	-

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Next, page 5 indicates various costs and expenses.

R&D expenses increased in association with the launch of new titles in the Packaged Games area including "Total War: THREE KINGDOMS."

Furthermore, the amortization method applied for content production expenses concerning the Packaged Games area has been changed from this quarter. The change applies for PC titles which main sales is download distribution. Content production expenses for PC titles are amortized in conjunction with the scale of sales for the first three months after the launch, and the remaining amount is amortized using the straight-line method. Roughly speaking, the amortization period for this remaining amount has been changed from 9 months to 21 months. The change is affected by prolonged sales periods in recent years.

Capital expenditure decreased compared to the same period in the previous year when it increased due to the relocation of our headquarters last year.

## Consolidated Balance Sheet Summary

### Consolidated Balance Sheet (JPY Billion)

	As of end of March 2019	As of end of June 2019	Change
Total Current Assets	260.4	239.7	-20.7
Cash and Deposits	137.4	76.8	-60.6
Securities	14.5	54.2	+39.7
Total Noncurrent Assets	204.1	204.7	+0.6
Total liabilities and net assets	464.6	444.5	-20.1
Total Current Liabilities	87.5	83.1	-4.4
Corporate Bonds	12.5	12.5	-
Total Noncurrent Liabilities	71.7	62.8	-8.9
Corporate Bonds	10.0	-	-10.0
Total Liabilities	159.3	146.0	-13.3
Total Net Assets	305.3	298.4	-6.9
Total Liabilities and Net Assets	464.6	444.5	-20.1
	As of end of March 2019	As of end of June 2019	Change
Cash and cash equivalents	148.0	124.5	-23.5
Interest bearing debt	76.1	66.2	-9.9
Net cash	71.8	58.3	-13.5
Equity Ratio	65.1%	66.5%	

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⇒ Find more details in "FY Ending March 2020 1Q Result / Appendix" doc - 6 -

Main factors	Changes
Current Assets	-20.7
Decreased due to redemption of corporate bonds, payment of year-end dividends, etc.	
Non-current Assets	+0.6
Investment securities decreased due to market valuation but tangible fixed assets increased in association with change of accounting regulation in some overseas subsidiaries	
Liabilities	-13.3
Decreased due to redemption of corporate bond	

Now, please look at the consolidated balance sheet on page 6.

Current assets decreased by approximately 20.7 billion yen.

Among current assets, cash and deposits decreased largely. In addition to actual decrease through redemption of corporate bonds, payment of year-end dividends, etc., such is due to the impact from conversion of some cash into securities as a result of managing certificates of deposit, jointly managed money trusts, etc.

Next is non-current assets. Some overseas subsidiaries such as Sega Europe Ltd adopted International Financial Reporting Standards (IFRS) 16, "Leases" from this first quarter.

As a result of applying this accounting standard, tangible fixed assets increased by approximately 3.3 billion yen, leading to an increase in non-current assets of 0.6 billion yen.

In addition, liabilities decreased by 13.3 billion yen mainly due to redemption of corporate bonds.

As a result of the above, the equity ratio as of the end of the first quarter increased by approximately 1.4 percentage points from the end of the previous fiscal year to 66.5%.

Please see "FY Ending March 2020 1Q Results / Appendix" or "Consolidated Financial Statements" for additional details.

Our cash flows are currently under auditing, but we currently forecast;

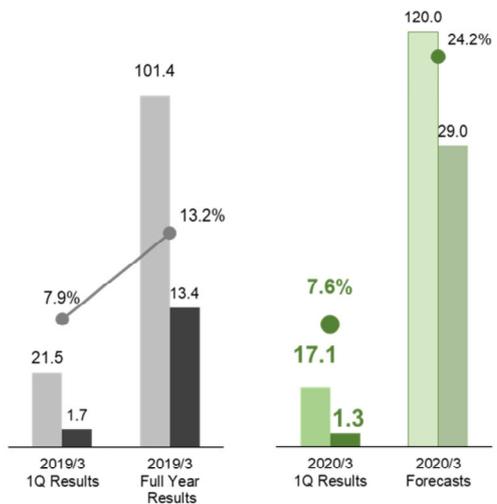
cash flow from operating activities of 1.5 billion yen, cash flow from investing activities of minus 9.3 billion yen, and cash flow from financing activities of minus 14.8 billion yen.

The official figures will be disclosed in our quarterly report scheduled to be published on August 9, 2019.

## 2. 1Q Results / Full Year Forecast per Segments

# Pachislot and Pachinko Machines Business

■ Sales  
■ Operating Income  
● Operating Income margin



## 2020/3 1Q Results

- ◆ Pachislot and Pachinko Machines business as a whole made steady start due to continued sales of Pachislot title released in last fiscal year.
  - ✓ Pachislot: Sales of title released last fiscal year remained steady.
  - ✓ Pachinko: Sold centered on machines with a high jackpot continuous rate but sales unit decreased QoQ.

## 2020/3 Forecast

- ◆ Plan to sell major titles in stages
  - ✓ Pachislot: Demand for replacement expected to increase as major previous regulation machines are removed in 3Q but need to observe approval status of prototype testing carefully as approval ratio is transitioning low.
  - ✓ Pachinko: Launch major title, "P Hokuto No Ken 8 Haou".

(Sales units transition)

	2019/3 1 Q Results	2019/3 Full Year Results	2020/3 1 Q Results	2020/3 Full Year Forecasts
Pachislot	9,073	67,140	17,930	120,000
Pachinko	40,997	159,848	16,212	164,000
Board+ Frame	13,908	91,858	8,020	78,600
Board	27,089	67,990	8,192	85,400

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Next, please turn to page 8 for details per segment.

First of all, as for the Pachislot and Pachinko Machines Business, sales and profits decreased from the same period in previous fiscal year in first quarter, but got off to a steady start when considering the small number of new titles.

Pachislot performed solidly with continued sales of titles released last fiscal year, such as "Pachislot DISC UP" and "Pachislot Beast King Oujya no Houkou."

As for Pachinko, although new titles centered on machines with a high jackpot continuous rate including "P SHOW BY ROCK!!" were sold, sales units decreased compared to the same period in the previous fiscal year when relatively strong titles were sold.

As for the forecast on Pachislot, launch of one title in the second quarter has been determined. In addition, we are preparing to launch the major title in the third quarter when demand for replacement is expected to increase as major previous regulation machines are scheduled to be removed then.

However, as mentioned earlier, the approval status of Pachislot prototype testing is still low, so we need to observe this circumstances carefully.

As for Pachinko, several titles will be launched in the second quarter or after, including a major title "P Hokuto No Ken 8 Haou."

"P Hokuto No Ken 8 Haou" is scheduled to commence operation sequentially from early September.

# Pachislot and Pachinko Machines Business

## Major titles in 1Q



“Pachislot DISC UP”  
5th version: White panels  
©Sammy



“P SHOW BY ROCK!!”  
©2012,2019 SANRIO CO.,LTD. APPROVAL  
NO.S593668 SP# ©Sammy

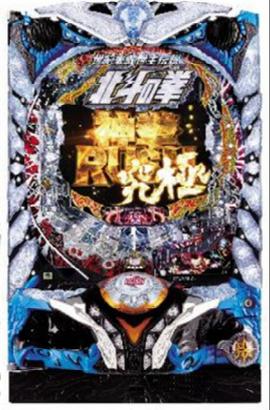
## Titles in and after 2Q



“P AnoHana: The Flower  
We Saw That Day”  
©ANOHANA PROJECT ©Sammy



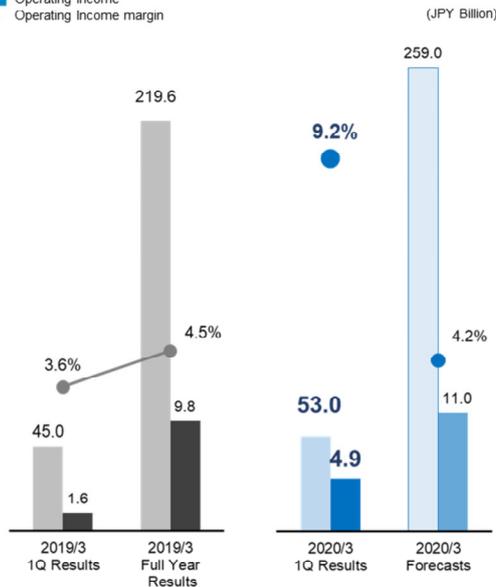
“Pachislot AnoHana:  
The Flower We Saw That Day”  
©ANOHANA PROJECT ©Sammy



“P Hokuto No Ken 8  
Haou”  
©Buronson & Tetsuo Hara/NSP 1983.  
©NSP 2007 Approved No.YSE 020  
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# Entertainment Contents Business

■ Sales  
■ Operating Income  
● Operating Income margin



## 2020/3 1Q Results

- ◆ Strong performance in overall business segment.
  - ✓ New title in Packaged Games area performed strongly.
  - ✓ Some existing titles went well and recorded revenues from alienation of titles, etc. in Digital Games area.

## 2020/3 Forecast

- ◆ Launch new titles in each area.
- ◆ Continue the optimization of scope of mobile title under operation and resource transfer in Digital Games area.

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Next, please turn to page 10. Here is information on the Entertainment Contents Business.

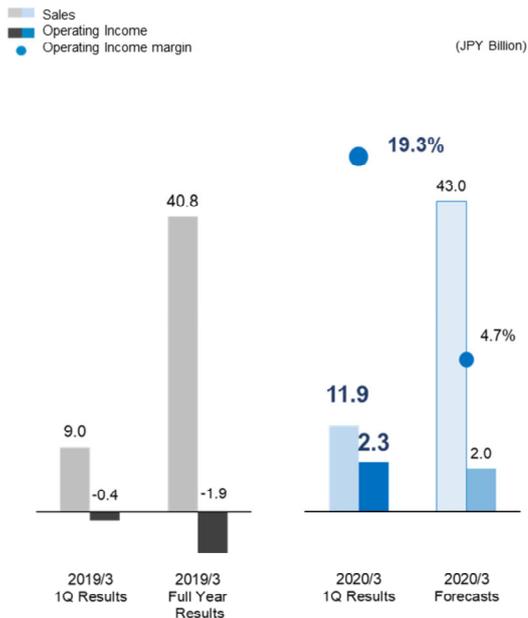
In the first quarter, all areas except the Amusement Machines Sales area performed favorably, resulting in an overall increase in sales and profit from the same period in previous fiscal year.

Such increase was mainly due to strong performance of a new title in the Packaged Games area and recording of revenues from alienation of titles, etc. in the Digital Games area.

Going forward, we will launch several new titles in each area while continuing to optimize the scope of titles under operation and making other efforts centering on the Digital Games area.

Next, I will explain about sub-segments. Please turn to page 11.

## Digital Games



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### 2020/3 1Q Results

- ◆ Major improvement due to solid performance of some existing titles.
  - ✓ Major update of "PHANTASY STAR ONLINE 2" saw good start.
  - ✓ "SEGA Pocket Club Manager" 1-year anniversary event went well.
- ◆ Optimization of the titles under development/management and resource transfer progressed.
  - ✓ Closed the service of 2 titles
  - ✓ Recorded income from alienation of titles, etc.

### 2020/3 Forecast

- ◆ Launch multiple new titles.
  - ✓ "Kemono Friends 3": Service to launch in Sep 24, 2019
  - ✓ "Fist of the North Star LEGENDS ReVIVE": Service to launch in 2019
  - ✓ "LEAGUE OF WONDERLAND": Service to launch in 2019
- ◆ Continuously proceed optimization of titles under development/operation and resource transfer.
  - ✓ Decided to close the service of 1 title

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First, in the Digital Games area, the profit trend showed improvement as the major update for our mainstay title "PHANTASY STAR ONLINE 2" and the 1-year anniversary event for "SEGA Pocket Club Manager" were successful.

In addition, while optimization of titles under development/management and resource transfer progressed, we closed services for 2 unprofitable titles and recorded income from alienation of titles, etc.

Other than that, R&D expenses/content production expenses decreased due to the impact of impairment performed in the previous fiscal year.

As a result of such, profit further improved from the same period in previous fiscal year and profit turnaround was realized.

Going forward, we are planning to launch multiple new titles including "Kemono Friends 3." Furthermore, as we continuously proceed with optimization of titles under development/operation, we are planning to close the service for "WONDER GRAVITY ~ BEST BUDDY: PINO & GRAVITOR~" at the end of August.

Major topics in 1Q

Good start of Episode 6



“PHANTASY STAR ONLINE 2”  
© SEGA

Successful 1-year anniversary event



“SEGA Pocket Club Manager”



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Major topics in and after 2Q

Launch service of multiple titles

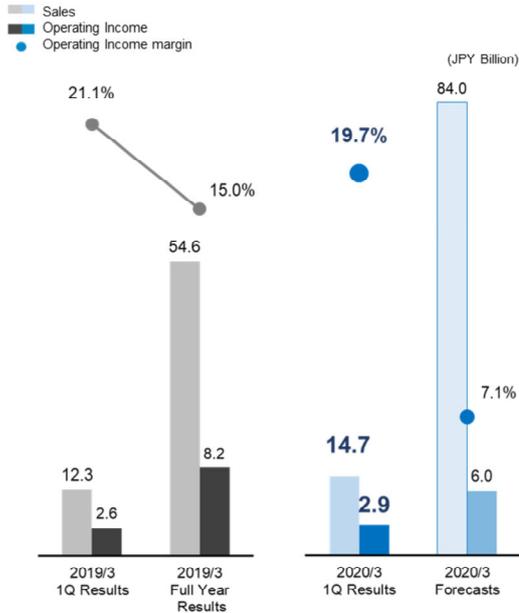


“Kemono Friends 3”  
©Kemono Friends Project2G ©SEGA



“Fist of the North Star LEGENDS ReVIVE”  
©Buronson & Tetsuo Hara/NSP 1983, Approved No. GC-218  
©SEGA

# Packaged Games



## 2020/3 1Q Results

- ◆ New title contributed to strong performance.
  - ✓ Sales of "Total War: THREE KINGDOMS" exceeded expectations.
  - ✓ Fewer new titles last year led to reduced repeat sales QoQ.

## 2020/3 Forecast

- ◆ Launch multiple new titles.
  - ✓ "Mega Drive Mini": To be released on Sep 19, 2019
  - ✓ "Mario & Sonic at the Olympic Games Tokyo 2020™": To be released in Nov 2019
  - ✓ "PERSONA 5 ROYAL": To be released on Oct 31, 2019

## Unit sales of Packaged Games

	2019/3 1 Q Results	2019/3 Full Year Results	2020/3 1 Q Results	2020/3 Full Year Forecasts
New titles	850	4,090	2,300	10,690
Repeat titles	4,850	19,350	3,940	14,500
Total	5,700	23,440	6,240	25,190

(Thousand units)

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Page 13 covers the Packaged Games area.

Packaged Games area performed favorably in the first quarter, with the number of units sold of the new tile "Total War: THREE KINGDOMS" largely exceeding expectations mainly in Asia, surpassing 1 million units sold in the first week of launch, the fastest achievement ever for the series.

Furthermore, repeat sales decreased from the same periods in previous fiscal year as there were fewer new titles in the previous fiscal year, but they continue to perform favorably above our expectation.

Going forward, in addition to "Mega Drive Mini" scheduled to be released in September, the second quarter, multiple new titles including "Mario & Sonic at the Olympic Games Tokyo 2020™," "PERSONA 5 ROYAL," and "New Sakura Wars" will be launched in the third quarter and after.

## Major topics in 1Q

“Total War: THREE KINGDOMS” sold a million copies in under a week



“Total War: THREE KINGDOMS”

© SEGA. Developed by The Creative Assembly Limited.

Acquired all shares of  
Two Point Studios Limited



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## Major topics in and after 2Q

Release multiple titles



“Mega Drive Mini”

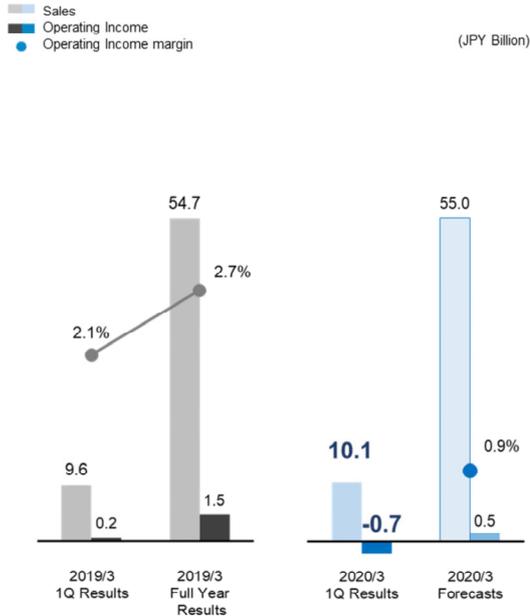
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“Mario & Sonic at the Olympic Games Tokyo 2020™”

TM IOC/TOKYO2020/USOC 36USC220506  
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# Amusement Machine Sales



## 2020/3 1Q Results

- ◆ Recorded losses due to increased common fixed expenses associated with relocation of headquarters.
- ◆ Sales of prize machine remained strong while utilization of video games went below expectation.

## 2020/3 Forecast

- ◆ Launch new series of major title “StarHorse” as well as prize machines.
  - ✓ “StarHorse4”: To be in service in Winter, 2019
  - ✓ “maimai DX”: Service launched in Jul, 2019

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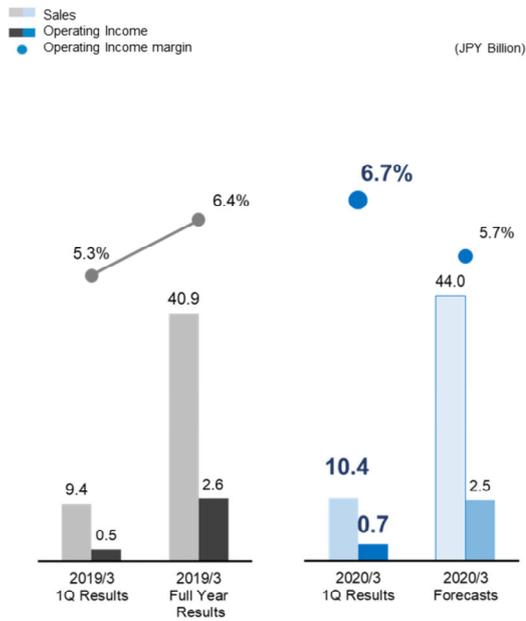
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Next, please turn to page 15, which covers the Amusement Machine Sales area.

In the first quarter, although sales of prize machines such as “UFO CATCHER 9” remained strong, loss was recorded due to utilization of some revenue-sharing titles of video games went below expectation and increase in common fixed expenses associated with the relocation of our headquarters.

Going forward, “StarHorse4,” the latest title of the “StarHorse” series that realized a complete e-medal service for the first time in medal games, is scheduled to be in service in this winter.

# Amusement Center Operations



## 2020/3 1Q Results

- ◆ Solid performance centering on prize machines.
- ◆ Sales at existing stores exceeded 100% YoY for the fifth consecutive fiscal year.
- ◆ Store openings: 1 Closings: 0

## 2020/3 Forecast

- ◆ Open new stores (scheduled to open 9 stores this fiscal year).
- ◆ Estimate the impact of consumption tax hike in October.

Domestic amusement centers: No. of stores / YoY sales ratio comparison

	2019/3 1 Q Results	2019/3 Full Year Results	2020/3 1 Q Results	2020/3 Full Year Forecasts
No. of stores	189	190	191	195
YoY Sales Ratio comparison (%)	104.2	104.0	109.0	104.4

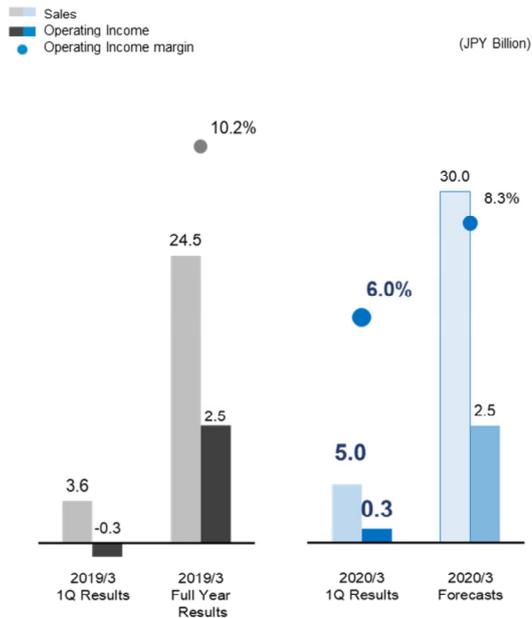
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Page 16 covers the Amusement Center Operations area.

Amusement Center Operations continued to perform solidly in the first quarter centering on prize machines category, and the sales at existing stores was 109.0% year-on-year.

Going forward, 8 new stores are scheduled to be opened in the second quarter or later. In addition, we are estimating the impact of the consumption tax hike, which is scheduled to be implemented in October.



## 2020/3 1Q Results

- ◆ Sales and profits increased QoQ for both animation and toys.
  - ✓ Animation: Recorded the revenue from video distribution and overseas license.
  - ✓ Toys: Mainly sold regular products.

## 2020/3 Forecast

- ◆ Estimate to record allocated revenue from Animation area and to launch new products in Toys area.
  - ✓ Animation: Box office revenue of "Detective Conan The Fist of Blue Sapphire" breaks the record of past series.
  - ✓ Toys: Products won International Tokyo Toy Show 2019 awards will be launched.
    - "YUME-PETS "coming babies" series" (Innovative toy category)

Page 17 shows the Animation/Toys area.

The first quarter resulted in increase in sales and profits.

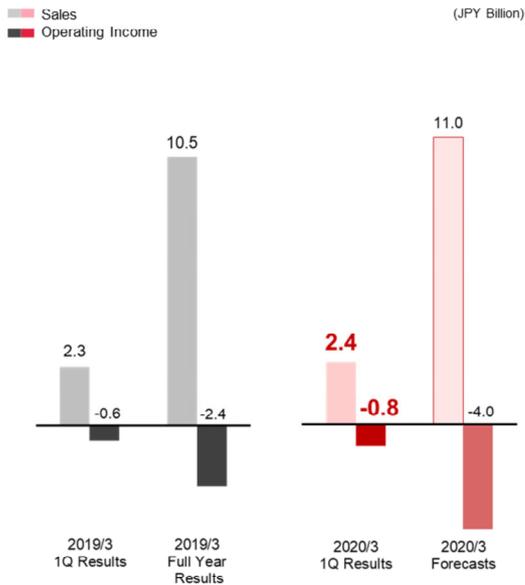
In Animation, we recorded revenue from video distribution centering on the major IPs and overseas.

Moreover, Toys performed solidly by selling regular products centering on the "ANPANMAN" series as well as new products.

As for the forecast, concerning Animation, this fiscal year's "Detective Conan" film was a bigger hit than the last, and the box-office revenue is setting new records for the franchise. Distribution revenue from the film is planned to be recorded in the second quarter.

As for Toys, multiple toys will be launched including new products that won awards at International Tokyo Toy Show, in addition to regular products.

## Resort Business



### 2020/3 1Q Results

- ◆ Profitability of PHOENIX RESORT improved, while expenses for domestic Integrated Resort (IR) increased, resulting in increase of sales and losses.

### 2020/3 Forecast

- ◆ Continue efforts to improve profitability of existing facilities
- ◆ Expect increase of expenses as the actions required for participating domestic IR will be activated.

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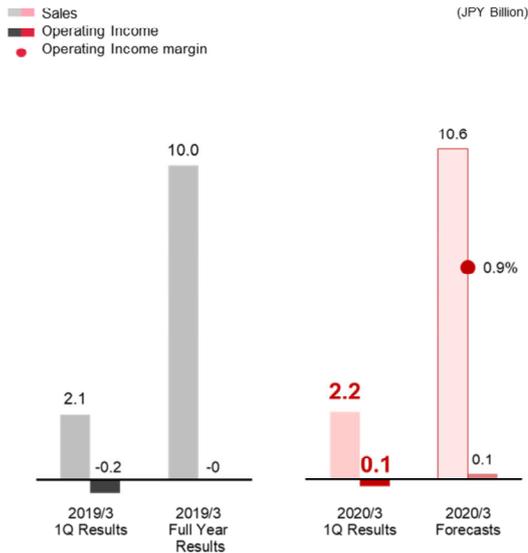
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Next, let me explain about the Resort Business on page 18.

In the Resort Business, although the profitability of PHOENIX RESORT improved, prior investment expenses aimed at participation in domestic Integrated Resort (IR) increased, resulting in an increase in losses.

Going forward, we will strive to improve the profitability of existing facilities. On the other hand, we foresee expenses increasing with expected continued actions toward participation in domestic IR.

# PHOENIX RESORT



## 2020/3 1Q Results

- ◆ Solid performance with increase in users of each facility.
  - ✓ Effect of extended consecutive holiday in May (Golden Week holiday)
  - ✓ Implemented measures targeting surrounding Kyushu area
  - ✓ Increase in MICE users

## 2020/3 Forecast

- ◆ Continuously implement various promotion activities to improve profitability.
  - ✓ Implement promotion under new brand slogans based on the theme of “food × experience”
  - ✓ Measures to improve repeat rate by Seagaia Premium Members’ Club members
- ◆ Implement measures to boost golf and MICE use.

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I will explain about PHOENIX RESORT on page 19.

The first quarter resulted in solid performance as users of each facility increased partly due to an extended consecutive holiday from late April to early May, in addition to the effect of various measures including promotions targeting customers in the surrounding area and an increase in MICE users.

Going forward, we will implement various promotions under the new brand slogan “The DELICIOUS RESORT” based on the theme of “food” and “experience” in an aim to further improve profitability.

New brand slogan

# The DELICIOUS RESORT

PHOENIX RESORT



Food × View  
食 × 眺



Food × Time  
食 × 時



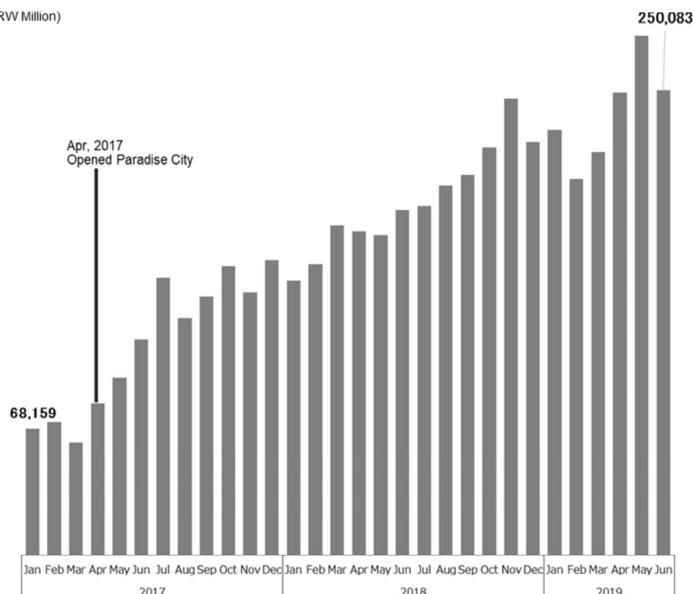
Food × Active  
食 × 動



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## Transition of Drop\* amount at Paradise SegaSammy

( KRW Million)



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\* PARADISE SEGASAMMY Co., Ltd. is an equity method affiliate of SEGA SAMMY HOLDINGS INC.  
\* Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay

## PARADISE SEGASAMMY (Equity method affiliate)

(KRW Billion)

		FY2019 1Q	FY2020 1Q
Sales		65.2	90.6
	Casino	55.6	74.7
	Hotel	9.5	13.2
	Other	-	2.6
Cost of sales		58.2	88.7
	Casino	36.2	44.5
	Hotel	21.9	27.3
	Other	-	16.7
Gross profit		6.9	1.9
SG&A		6.0	9.0
Operating profit		0.8	-7.1
EBITDA		9.6	8.2
Net profit		-4.1	-14.3

Source: Paradise IR

SEGASAMMY		FY2019 1Q	FY2020 1Q
Equity method acquisition amount (Billion yen)		-0.3	-0.8

\*Drop : The amount of cash exchanged for chips by customers at the table

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Page 21 explains the results for PARADISE SEGASAMMY, our equity-method affiliate.

Since the figures for PARADISE SEGASAMMY are recorded with 3 months' delay, the results shown here are the performance for January to March 2019, which shows increase in loss from the same period in previous fiscal year.

This is mainly due to increase in common fixed expenses from the opening of FunCity.

On the other hand, the resort continued to attract many customers and the drop amount in the casino set a new record in May.

As for the impact to our operating results for the first quarter, we recorded approximately 0.8 billion yen of equity in losses of affiliates as non-operating expenses.

That concludes the presentation.

Thank you for your attention.



<https://www.segasammy.co.jp/english/>

**Cautionary Statement for Investors and Shareholders with Respect to Nevada Gaming Statutes and Regulations**

SEGA SAMMY HOLDINGS INC. ("the Company") is registered with the Nevada Commission as a publicly traded corporation and has been found suitable to directly or indirectly own the stock of SEGA SAMMY CREATION INC., and Sega Sammy Creation USA, Inc., both of which are subsidiaries that have been licensed as manufacturers and distributors of gaming devices in Nevada. Pursuant to Nevada law, the Company's shareholders are subject to the rules and regulations of the Nevada Gaming Authorities. A detailed explanation of Nevada gaming statutes and regulations can be found on the Company's corporate website:

<https://www.segasammy.co.jp/english/ir/stock/regulation/>

Please visit below websites for products and service information.

<https://www.segasammy.co.jp/english/pr/corp/group/list.html>  
(SegaSammy Group Website list)

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