FY Ending March 2019
3rd Quarter Results Presentation

February 6, 2019

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1. **With regard to adjusted full year consolidated operating results forecast publicized on Feb 5**

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With regard to adjusted consolidated operating results forecast ①

Adjusted Full Year Operating Results Forecast:
Segments Break Down

(JPY Billion)	2018/3 Full Year Results	2019/3 Full Year Forecast (announced on May 11)	2019/3 Revised Full Year Forecasts (announced on Feb 5)	Increase / Decrease
Sales	**323.6**	**390.0**	**337.0**	**-53.0**
Pachislot and Pachinko Machines	105.6	122.0	102.0	-20.0
Entertainment Contents	208.0	258.0	224.5	-33.5
Resort	9.9	10.0	10.5	0.5
Operating Income	**17.7**	**21.0**	**13.0**	**-8.0**
Pachislot and Pachinko Machines	11.9	18.5	14.0	-4.5
Entertainment Contents	14.8	13.5	9.7	-3.8
Resort	-2.5	-3.0	-2.8	0.2
Other / Elimination	-6.5	-8.0	-7.9	0.1
Operating Income Margin	5.5%	5.4%	3.9%	-1.5pt
Non-operating income	3.2	1.5	2.0	0.5
Non-operating expenses	6.4	6.5	7.5	1.0
Ordinary Income	**14.5**	**16.0**	**7.5**	**-8.5**
Extraordinary income	0.9	1.0	1.8	0.8
Extraordinary losses	3.1	-	6.8	6.8
Income before income taxes	**12.4**	**17.0**	**2.5**	**-14.5**
Profit (loss) attributable to owners of parent	**8.9**	**12.0**	**-1.5**	**-13.5**

Adjusted the operating results forecast for FY ending March 2019 mainly due to the performance of Pachislot and Pachinko machine business and Entertainment Contents business.

Record impairment loss of approx. ¥6.1billion for the part of fixed assets in Digital Games area owned by SEGA Games Co., Ltd. as extraordinary losses.

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With regard to adjusted consolidated operating results forecast ②

Pachislot and Pachinko Machines Business

(JPY Billion)	2019/3 Through 3Q	2019/3 Full Year Forecast (announced on May 11)	2019/3 Revised Full Year Forecasts (announced on Feb 5)
Sales	**76.1**	**122.0**	**102.0**
Pachislot	11.0	39.1	26.3
Pachinko	52.3	71.2	59.3
Other / Elimination	12.8	11.7	16.4
Operating Income	**9.6**	**18.5**	**14.0**
Operating Income Margin	12.6%	15.2%	13.7%
Pachislot			
Number of Titles	**3 titles**	**9 titles**	**6 titles**
Unit Sales (units)	**31,534**	**103,000**	**71,000**
Pachinko			
Number of Titles	**5 titles**	**9 titles**	**7 titles**
Unit Sales (units)	**136,670**	**201,000**	**158,000**
Board + Frame	87,468	94,500	93,000
Board	49,202	106,500	65,000

Main factors

- ◆ Acquisition status of approval in prototype testing has been lower than expected
- ◆ The number of machine unit sales are expected to decrease from the initial plan

Future Initiatives

- ◆ Promote the effort to bring about a full-fledged supply of titles conforming to new regulations and voluntary regulation
- ◆ Continue the effort for cost improvement

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With regard to adjusted consolidated operating results forecast ③

Entertainment Contents Business

(JPY Billion)	Through 3Q	2019/3 Full Year Forecast (announced on May 11)	2019/3 Revised Full Year Forecasts (announced on Feb 5)
Sales	**166.2**	**258.0**	**224.5**
Digital Games	29.4	70.0	44.5
Packaged Games	43.7	62.0	56.5
Amusement Machine Sales	40.9	58.0	54.0
Amusement Center Operations	30.7	39.0	41.3
Animation / Toy	18.3	26.0	24.3
Other / Elimination	3.2	3.0	3.9
Operating Income	**10.6**	**13.5**	**9.7**
Digital Games	-2.7	9.0	-0.2
Packaged Games	8.1	7.0	7.0
Amusement Machine Sales	3.0	0.0	0.7
Amusement Center Operations	2.2	2.0	3.0
Animation / Toy	2.1	2.0	2.2
Other / Elimination	-2.1	-6.5	-3.0
Operating Income Margin	6.4%	5.2%	4.3%

Main factors

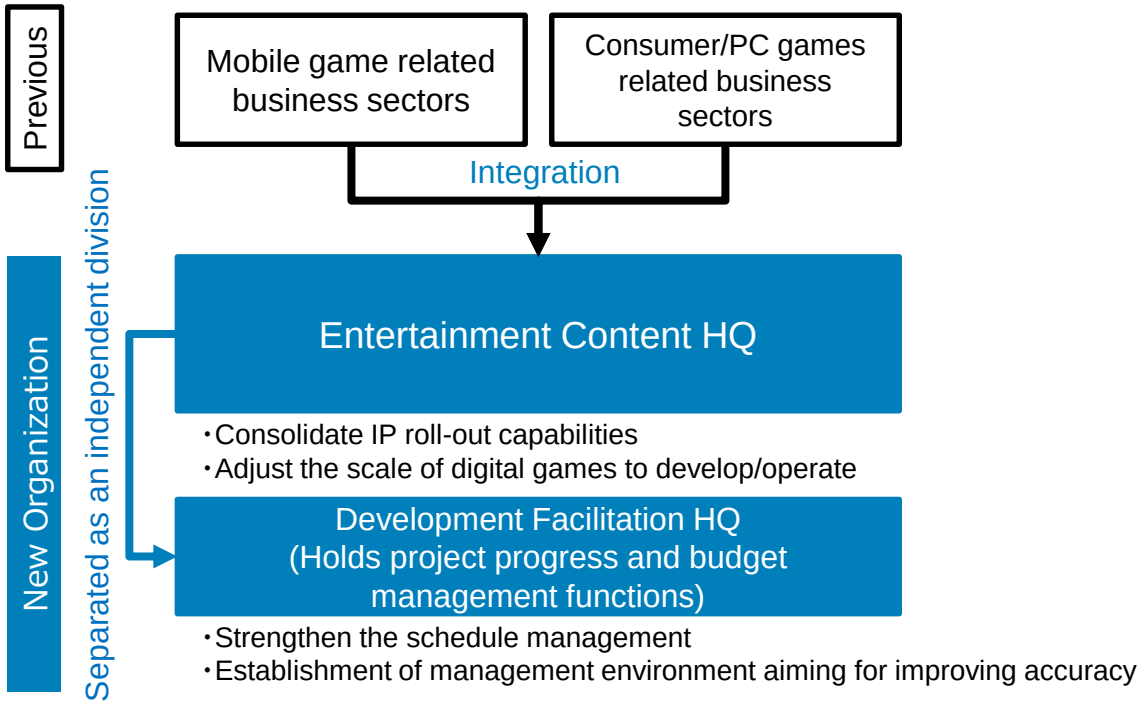
◆ Performance of new titles has been below expectation and is not able to compensate for slowdown of existing mainstay titles in Digital Games area.

◆ Recorded losses in relation to the termination of operating title.(Digital Games)

With regard to adjusted consolidated operating results forecast ④

Entertainment Contents Business

Outline of reorganization of Digital Games / Packaged Games



Future Initiatives

- ◆ Accelerate and promote IP oriented business roll-out.
- ◆ Promote the effective use of resources and improve accuracy of development management through execution of reorganization in Digital Games area.
- ◆ Adjust the scale of digital games to develop/operate.

2. FY Ending March 2019 3rd Quarter Results / Full Year Forecasts

Results Highlights

(JPY Billion)

	2018/3		2019/3		
	Results Through 3Q	Full Year Results	Results Through 3Q	Full Year Forecast (announced on May 11)	Revised Full Year Forecasts (announced on Feb 5)
Sales	260.8	**323.6**	**250.3**	**390.0**	**337.0**
Operating Income	25.6	**17.7**	**11.9**	**21.0**	**13.0**
Operating Income Margin	9.8%	**5.5%**	**4.8%**	**5.4%**	**3.9%**
Non-operating income	3.1	**3.2**	**1.5**	**1.5**	**2.0**
Non-operating expenses	4.4	**6.4**	**4.4**	**6.5**	**7.5**
Ordinary Income	24.3	**14.5**	**9.0**	**16.0**	**7.5**
Extraordinary income	0.8	**0.9**	**1.7**	**1.0**	**1.8**
Extraordinary losses	0.7	**3.1**	**6.7**	**-**	**6.8**
Income before income taxes	24.4	**12.4**	**4.0**	**17.0**	**2.5**
Profit (loss) attributable to owners of parent	13.7	**8.9**	**0.6**	**12.0**	**-1.5**
ROA※	-	**1.8%**	**-**	**-**	**-**

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

3Q Results

- Sales and profits decreased from the same period in last fiscal year.
- Performance of both Pachislot and Pachinko Machines Business and Entertainment Contents Business (mainly Digital games area) went below expectation.

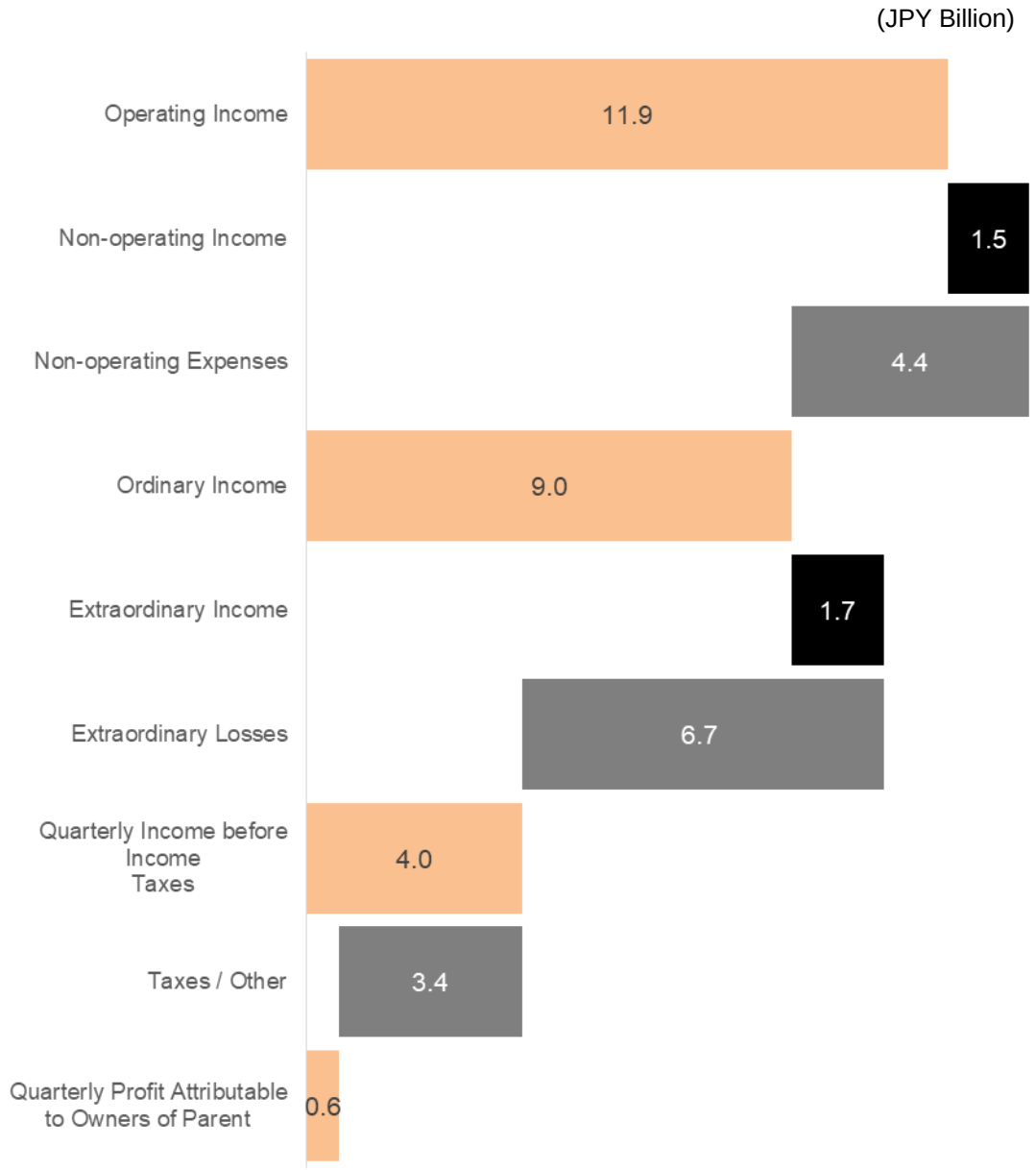
Full Year Forecast

- Adjust the full year operating results forecast

*For more details, please see “ FY Ending March 2019 3rd Quarter Appendix”

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Breakdown of Income (2019/3 3Q results)



Non-operating income / losses and extraordinary income / losses (JPY Billion)

Non-operating income	
Dividends income	0.4
Gain on investments in partnership	0.3
Non-operating expenses	
Equity in loss of affiliates	1.6
Rent expenses	0.9
Extraordinary income	
Gain on liquidation of subsidiaries and affiliates	1.2
Extraordinary losses	
Impairment loss	6.6

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Consolidated Costs and Expenses

(JPY Billion)

	2018/3		2019/3		
	Results Through 3Q	Full Year Results	Results Through 3Q	Full Year Forecast (announced on May 11)	Revised Full Year Forecasts (announced on Feb 5)
R&D Expense / Content Production Expense	45.5	62.0	48.3	73.3	65.8
Cap-ex	16.2	24.1	24.3	32.1	32.0
Depreciation	12.2	16.2	10.8	14.8	14.3
Advertising	11.7	15.4	12.2	22.1	16.4

(Main factors)

19/3 3Q Results
Increased in association with the launch of new titles in Digital Games area
Increased in association with the relocation of headquarters
Accelerated depreciation decreased in relation to the execution of relocation.
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Consolidated Balance Sheet Summary

Consolidated Balance Sheet

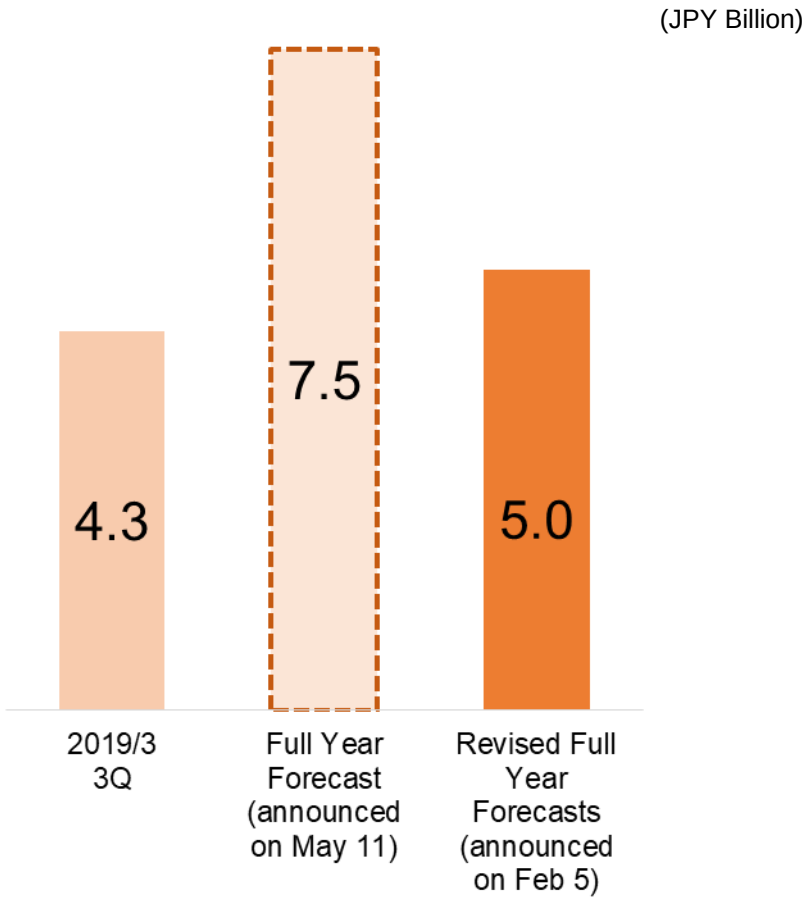
(JPY Billion)

	As of end of 2018/3	As of end of 3Q, 2019/3	Change
Current Assets	272.3	246.7	-25.6
Cash and Deposits	157.8	84.4	-73.4
Securities	24.6	45.5	+20.9
Non-Current Assets	201.1	208.7	+7.6
Current Liabilities	84.4	93.2	+8.8
Short-term loans payable	15.8	15.3	-0.5
Corporate Bonds	10.0	15.0	+5.0
Non-Current Liabilities	78.5	60.3	-18.2
Long-term loans payable	38.6	29.5	-9.1
Corporate Bonds	22.5	10.0	-12.5
Total Liabilities	163.0	153.6	-9.4
Total Net Assets	310.4	301.8	-8.6
Total Assets	473.4	455.5	-17.9
Equity Ratio	65.0%	65.7%	+0.7pt

Main factors	Changes
Current Assets	
Cash and deposits decreased with payment of interest-bearing debt and purchase of securities for short term investment.	-25.6
Non-current Assets	
Tangible fixed assets increased in association with relocation of headquarter and investment securities increased.	+7.6
Liabilities	
Interest-bearing debt decreased with redemption of corporate bonds, payment of loans payable and etc.	-9.4

Relocation Expenses
(2019/3 3Q, 2019/3 full year)

Incurrence of expenses for relocation of headquarter
- One-off relocation expenses (Reference)



⇒No incurrence of one-off relocation expenses expected for FY ending March 2020

One-off expenses for relocation

(JPY Billion)

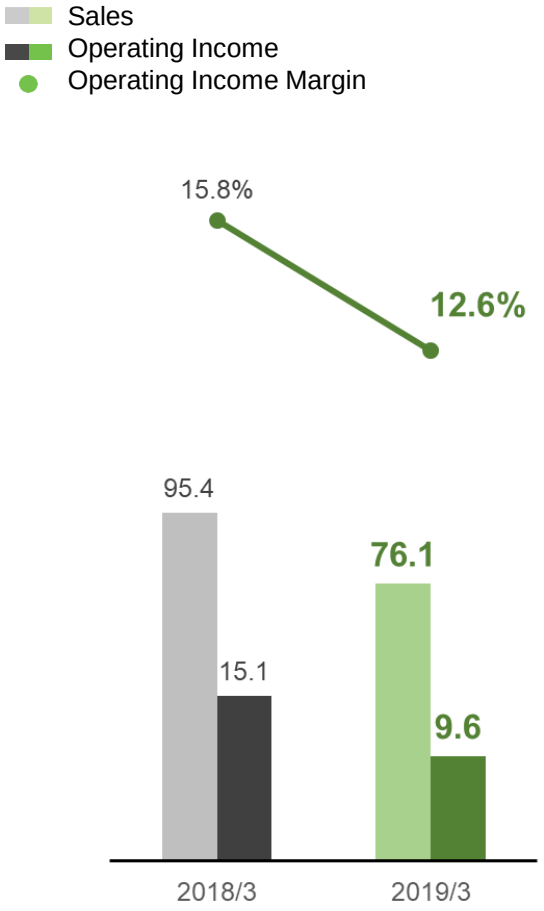
	2019/3 3Q	2019/3 Full Year (2/5 Revision)
Consolidated	**-4.3**	**-5.0**
Pachislotand Pachinko Machines	-1.1	-1.1
Entertainment Contents	-2.4	-3.1
Resort	-	-
Other / Elimination	-0.8	-0.8

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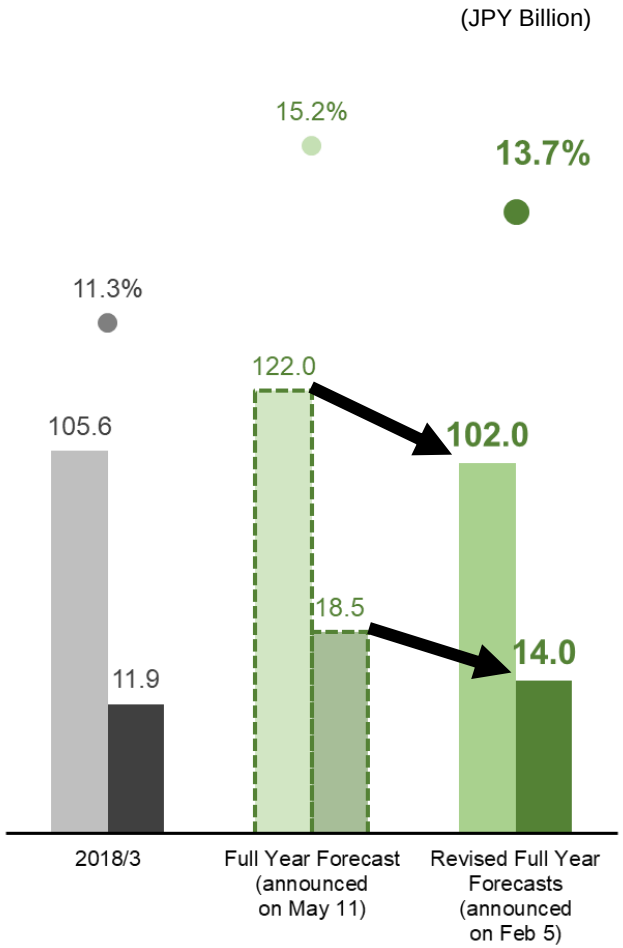
3. 3rd Quarter Results / Full Year Forecast per Segments

Pachislot and Pachinko Machines Business

3Q Results



Full Year



3Q Results

- Pachislot: Commenced the sales of No. 6-type machine.
- Pachinko: Sold machines centering on those conforming to previous regulation.

Full Year Forecast

- Adjust the full year operating results forecast.
- Review the number of titles and sales units.
- Pachislot: Proceed the sales of No. 6-type machines and launch ZEEG machine
- Pachinko: Continue the sales centered on machines conforming to previous regulation.

Unit sales (Thousands)

	2018/3 3Q	2019/3 3Q	2018/3 Full Year	2019/3 Full Year (Initial Forecast)	2019/3 Full Year (2/5 Revision)
Pachislot	75	31	85	103	71
Pachinko	129	136	140	201	158
Board+ Frame	95	87	97	94	93
Board	33	49	42	106	65

Pachislot and Pachinko Machines Business

Major titles in 3Q



“Pachislot CHAIN CHRONICLE ”

©SEGA ©SEGA/CHAIN CHRONICLE FILM PARTNERS
©Sammy



“Pachinko CR BLACK LAGOON 3“

©2006, 2010 REI HIROE・SHOGAKUKAN / BLACK LAGOON PROJECT
©Sammy

Major titles in and after 4Q



“Pachislot SOUTEN-NO-KEN PONYOU”

©Tetsuo Hara & Buronson/NSP 2001, Approved No.YRB-320
©Sammy



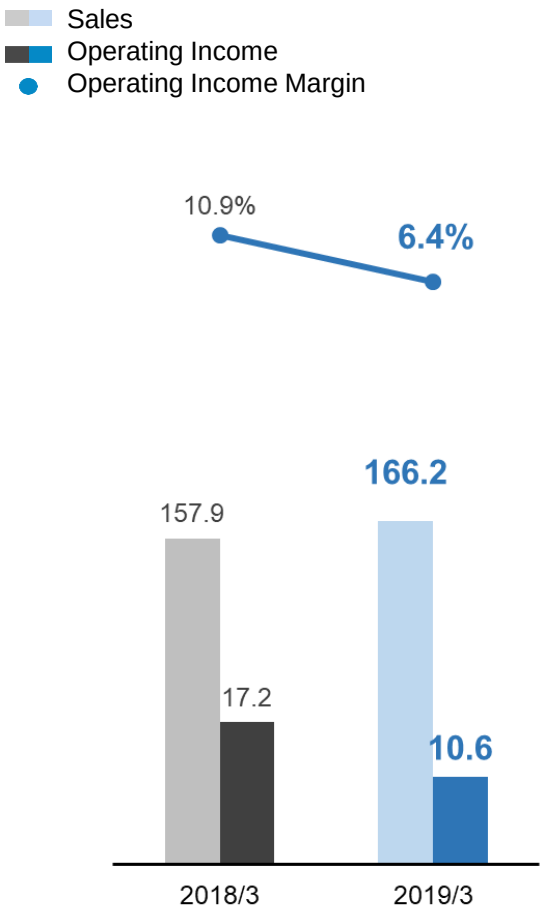
“Pachislot Beast King Oujya no Houkou”

©Sammy

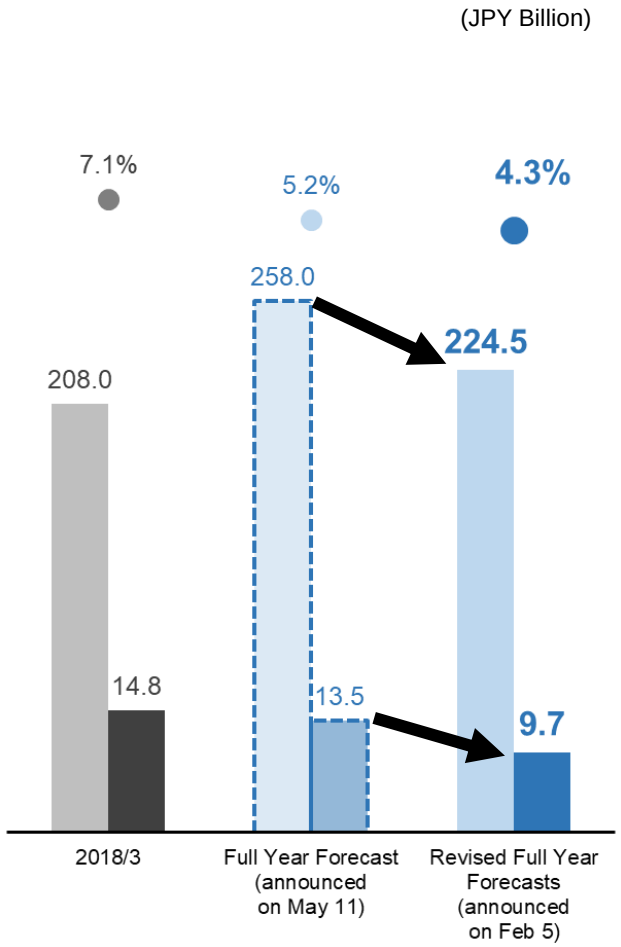
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Entertainment Contents Business

3Q Results



Full Year



3Q Results

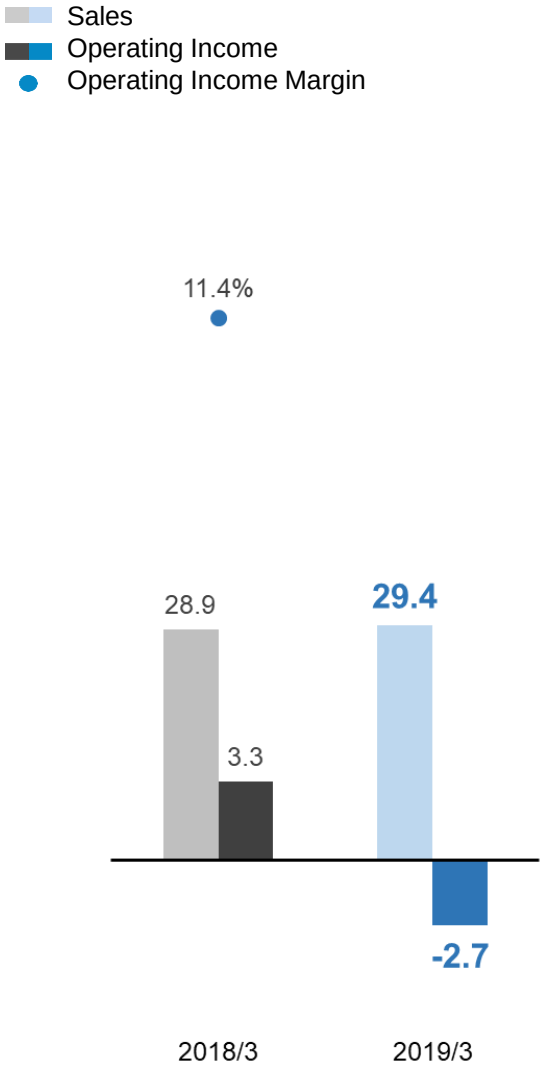
- Recorded losses in Digital Games area.
- Performance of the areas other than Digital Games remained at equivalent level with the same period in last fiscal year.

Full Year Forecast

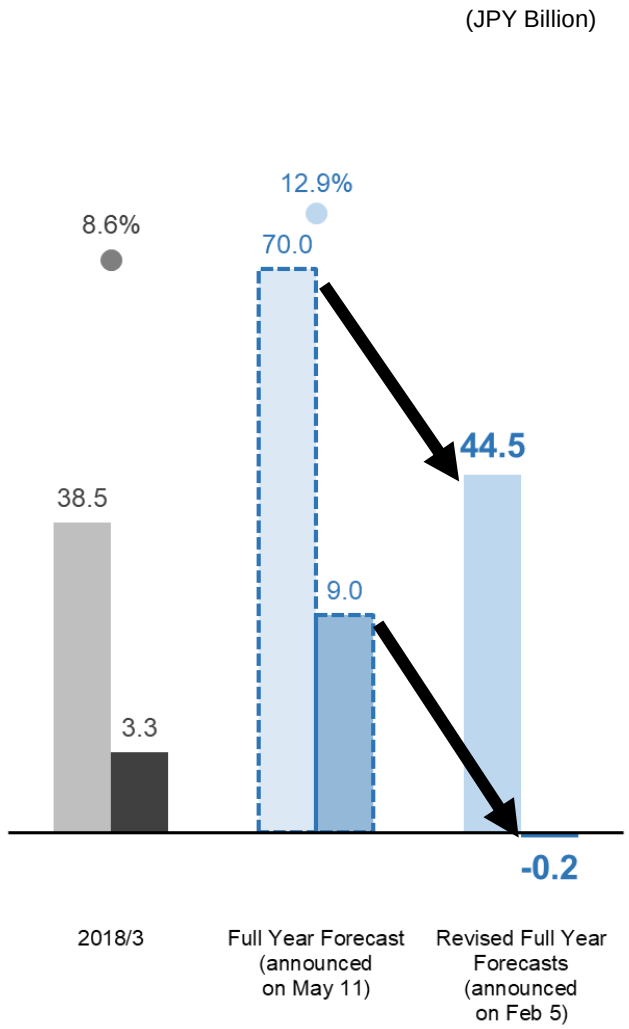
- Adjust the full year operating results forecast
- Planning to launch several new titles in each business area.

Digital Games

3Q Results



Full Year



3Q Results

- Sales decreased from 2Q this fiscal year due to the slow down of existing titles although new titles were launched.
- Recorded loss in relation to the termination of operating title.

Full Year Forecast

- Revise the number of new titles in this fiscal year from 12 to 9 titles.
- Expecting to recover operating losses in Q4 with the introduction of new titles while incorporating the decline in existing titles.
  - ✓ Revolve8
  - ✓ Readyyy!
  - ✓ WONDER GRAVITY ～BEST BUDDY: PINO & GRAVITOR～

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Digital Games

Major titles in 3Q



“Ryu ga Gotoku ONLINE” ©SEGA



“IDOLA PHANTASY STAR SAGA” ©SEGA

Major titles in and after 4Q



“Revolve8” ©SEGA

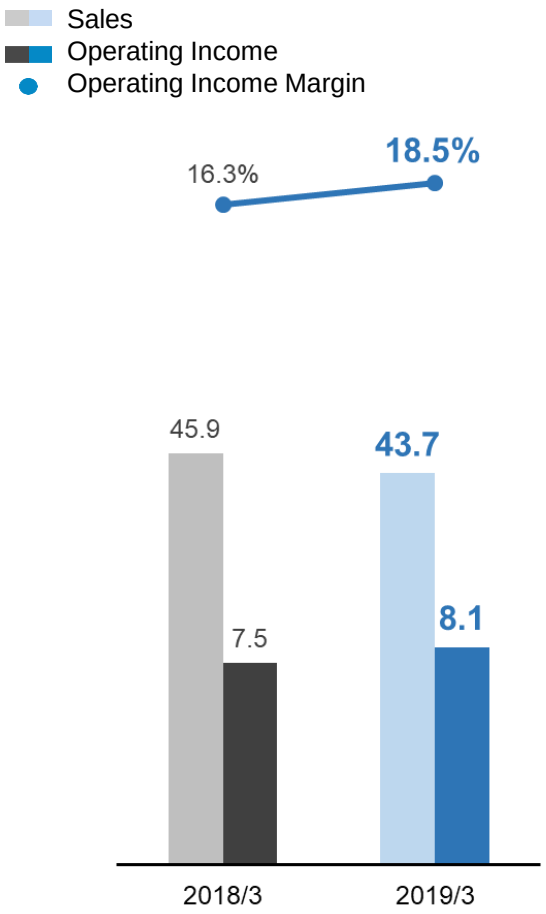


“WONDER GRAVITY ～BEST BUDDY: PINO & GRAVITOR～” ©SEGA･f4samurai

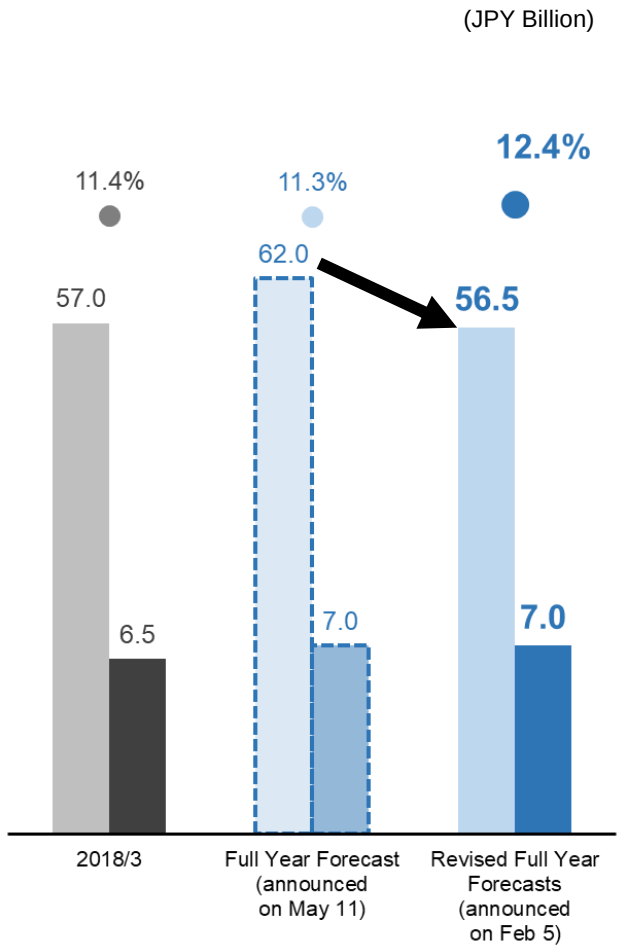
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Packaged Games

3Q Results



Full Year



3Q Results

- ◆ Launched new titles and the repeat sales remains steady.
  - ✓ Football Manager 2019
  - ✓ Judgment

Full Year Forecast

- ◆ Expecting the sales from new titles and repeat sales but the R&D expenses from new titles will incur
- ◆ Launch new titles
  - ✓ Total War: THREE KINGDOMS
  - ✓ Catherine:Full Body

Unit sales of Packaged Games (Thousands unit)

	2018/3 3Q	2019/3 3Q	2018/3 Full Year	2019/3 Full Year (Initial Forecast)	2019/3 Full Year (2/5 Revision)
New titles	6,580	3,420	8,130	7,000	4,830
Repeat titles	7,700	15,090	9,200	13,000	17,940
Total	14,280	18,510	17,330	20,000	22,770

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Packaged Games

Major titles in 3Q



“Football Manager 2019”

© Sports Interactive Limited 2019.
Published by SEGA Publishing Europe Limited.



“Judgment”

©SEGA

Major titles in and after 4Q



“Total War: THREE KINGDOMS”

© SEGA. Developed by The Creative Assembly Limited.



“Catherine:Full Body“

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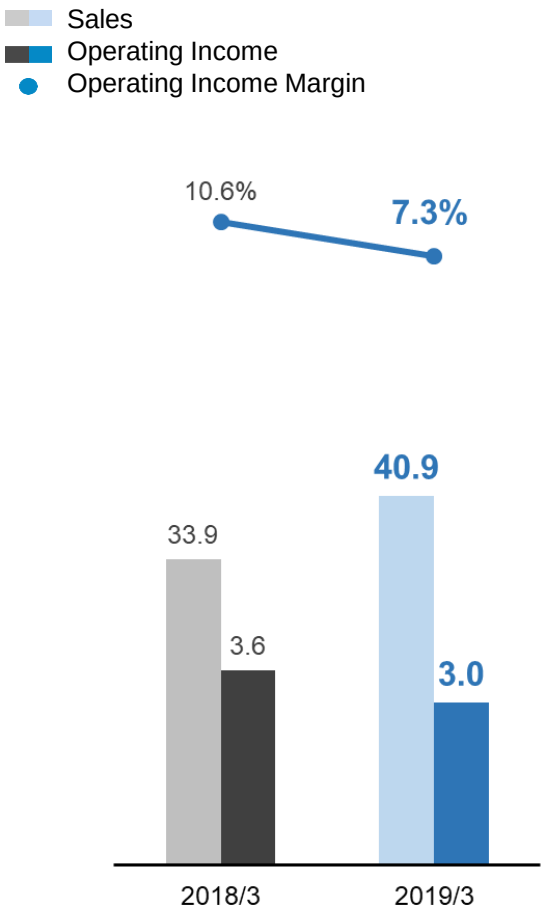
“Ryu ga Gotoku 4 (PS4)”

©SEGA

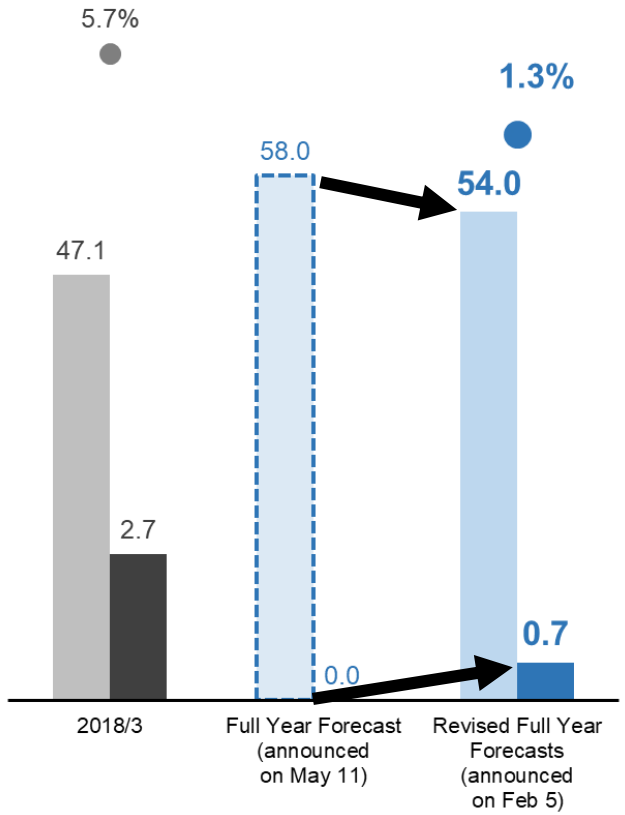
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Amusement Machine Sales

3Q Results



Full Year



3Q Results

- The sales of prize machines mainly contributed to the result.

Full Year Forecast

- Record the losses from titles of which operation was suspended and relocation expenses.
- Expecting the revenues from new titles and additional prize machines.
  - ✓ WCCF FOOTISTA 2019

Amusement Machine Sales

Major titles in and after 4Q



WCCF FOOTISTA 2019

“WCCF FOOTISTA 2019”

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PANINI
The game is made by Sega in association with association with Panini.

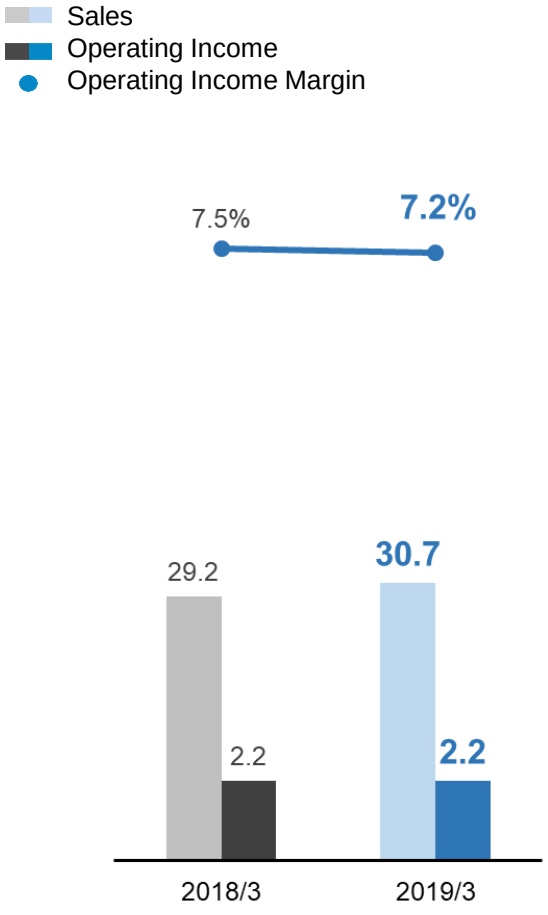


“chronoregalia”

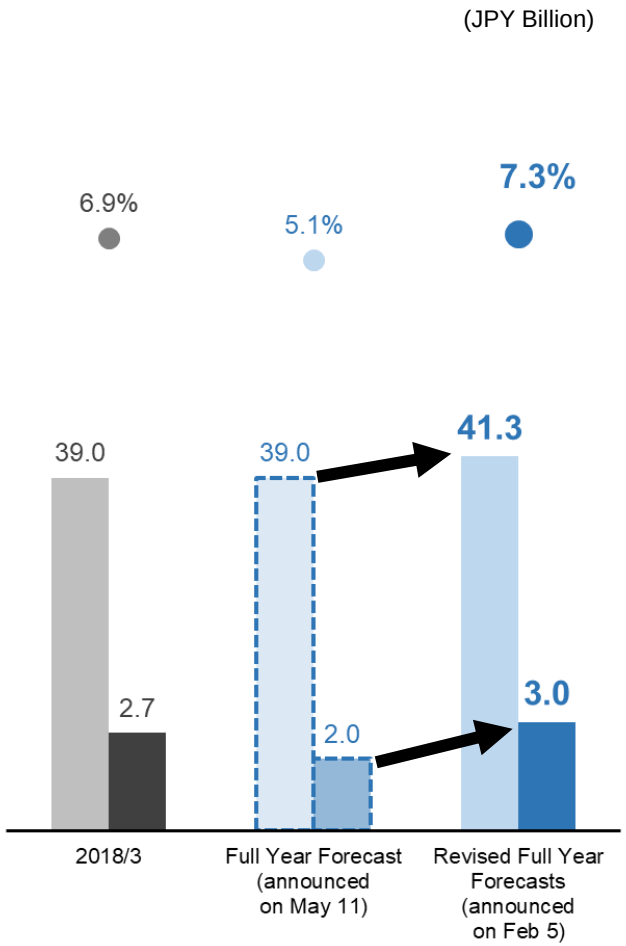
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Amusement Center Operations

3Q Results



Full Year



3Q Results

- Recorded solid performance centered on prize area.

Full Year Forecast

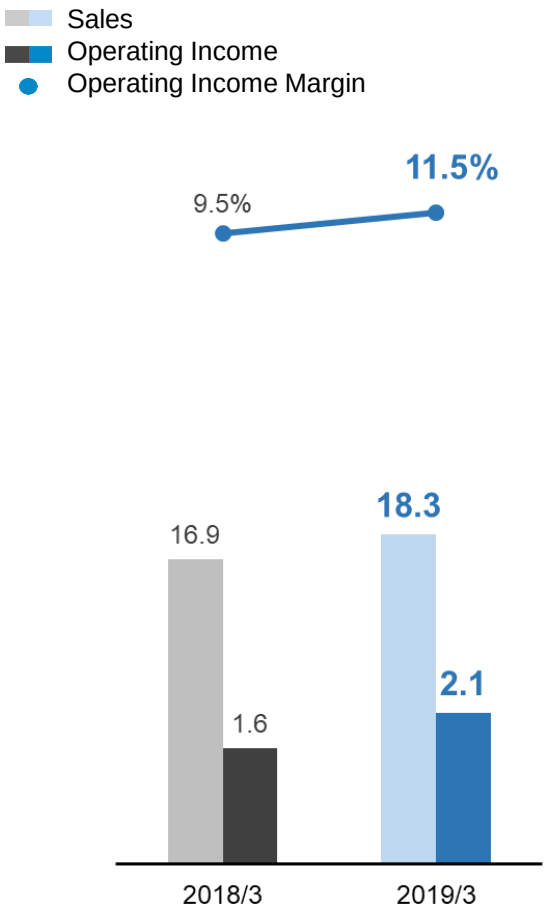
- Expecting the expansion of income with continuing efforts in expanding the prize areas and strengthening operation.

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

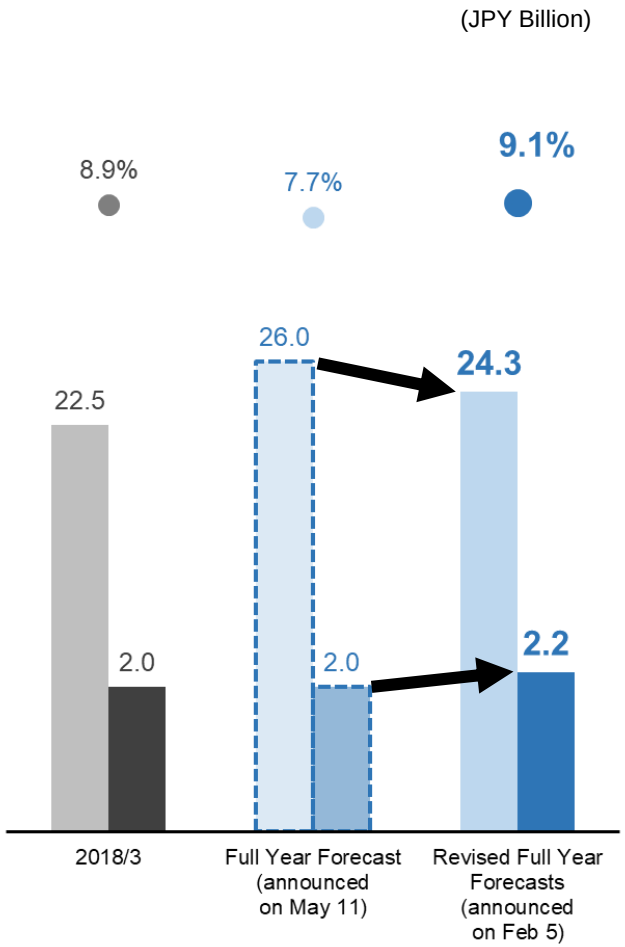
	2018/3 3Q	2019/3 3Q	2018/3 Full Year	2019/3 Full Year (Initial Forecast)	2019/3 Full Year (2/5 Revision)
No. of stores	191	191	189	189	190
YoY Sales Ratio comparison (%)	102.1	104.2	101.9	100.5	105.0

Animation / Toys

3Q Results



Full Year



3Q Results

- Animation: Recorded the earnings from video distribution and etc.
  - ✓ Movie version of ”Detective Conan” series
- Toys: Sold new product and regular products.
  - ✓ WHOareYOU?

Full Year Forecast

- Animation: Expecting the continuous earnings from video distribution and etc.
- Toys: Sell the products centered on regular products.

Animation / Toys

Animation

Major titles in 3Q



“BAKI”
©K.I(AS)/BFP



“BETWEEN THE SKY AND SEA”
© ForwardWorks Corporation/Between the Sky and Sea Production Committee. All Rights Reserved.

Major titles in and after 4Q



“MEIJI TOKYO RENKA”
© LOVE&ART/MEIKOI project



“LUPIN THE 3rd Goodbye Partner”
Original comic books created by Monkey Punch ©Monkey Punch All rights reserved ©TMS All rights reserved.

Toys



“WHOareYOU?”



“WHOareYOU? Pastel”

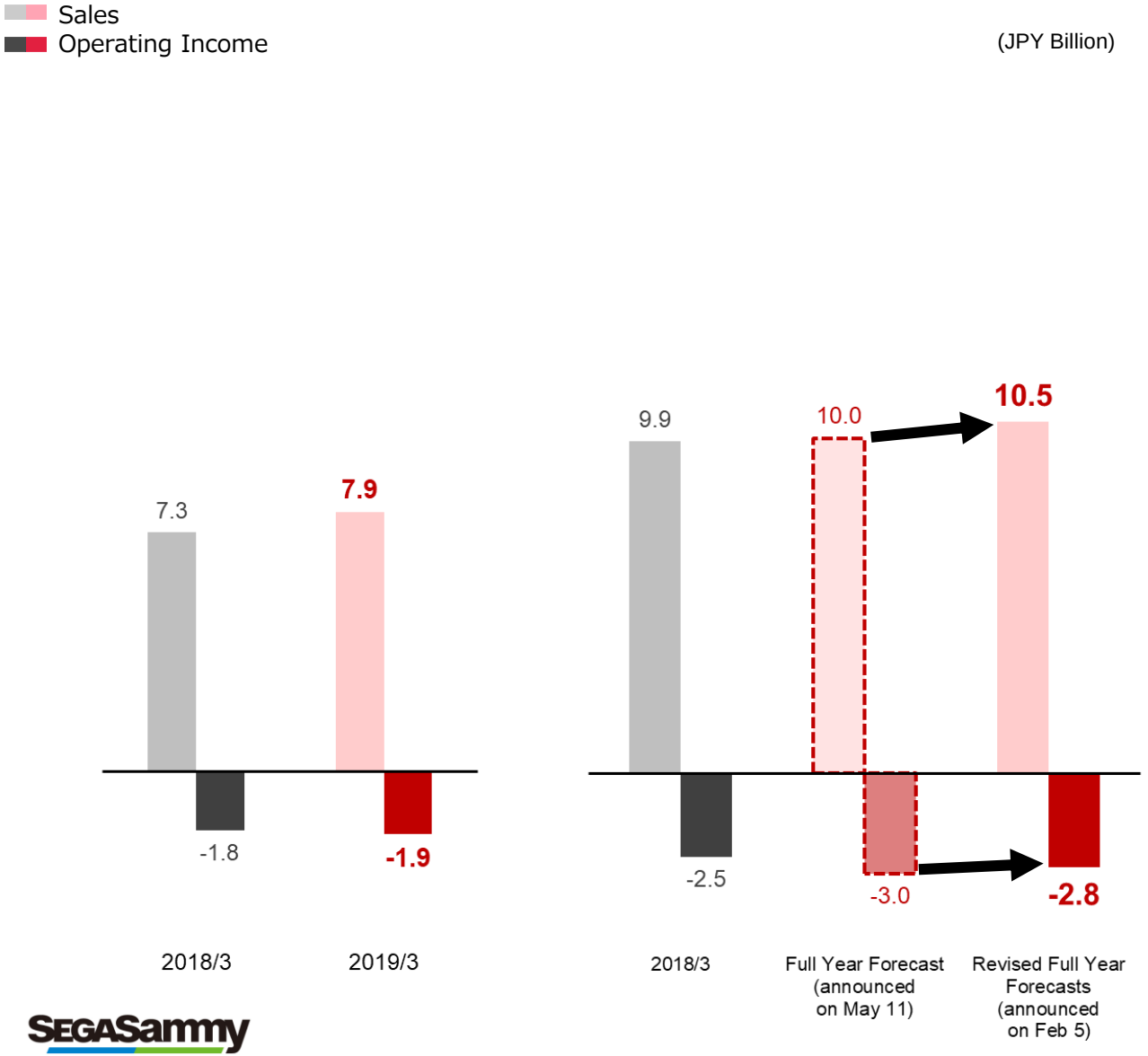
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Resort Business

3Q Results

Full Year



3Q Results

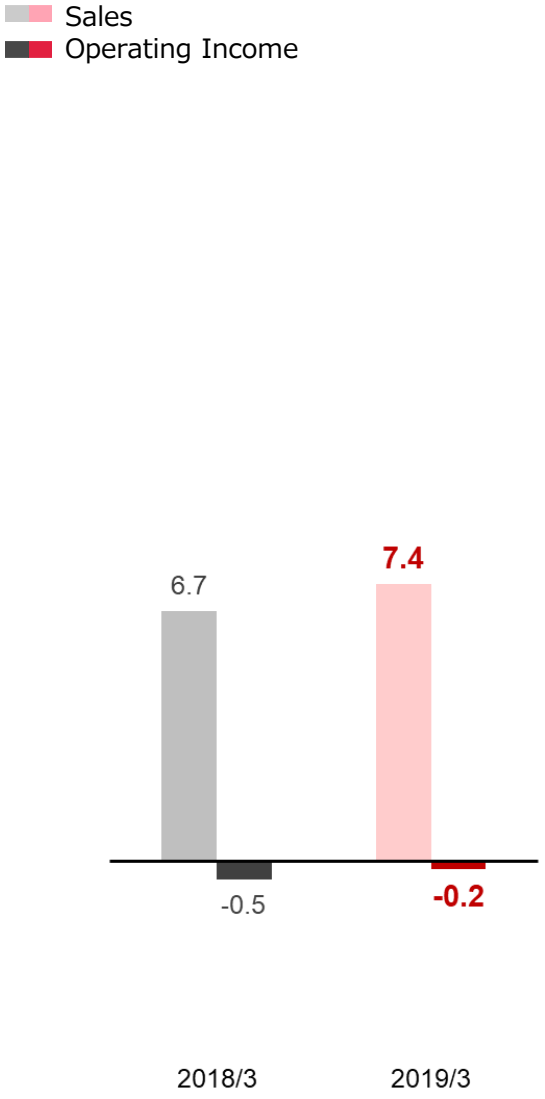
- Sales increased from the same period in last fiscal year while losses also increased.

Full Year Forecast

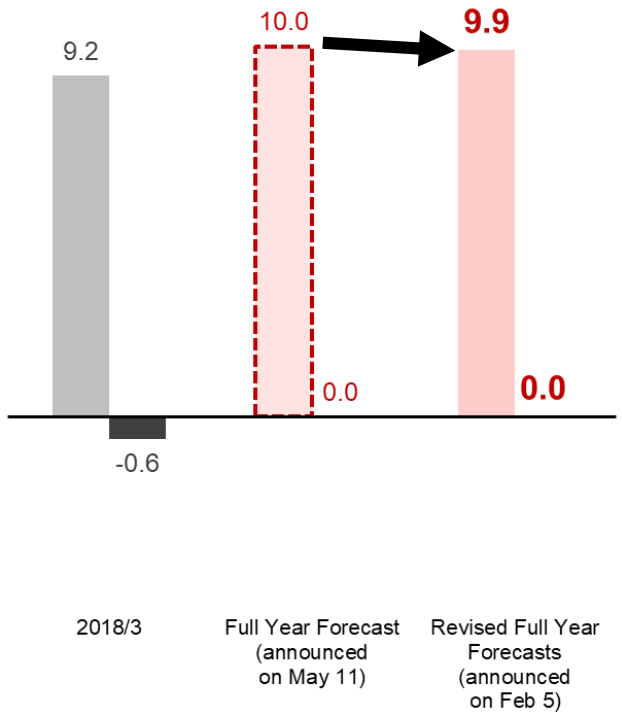
- Prior investment continuingly incurs for the preparation to participate domestic Integrated Resort.
- Continue efforts to improve profitability of existing facilities.

PHOENIX RESORT

3Q Results



Full Year



3Q Results

- Sales and number of facility users increased as a result of measures such as renovation of facilities, 25th anniversary campaign and other various promotion.
- Implemented various measures for 45th cerebration of DUNLOP PHOENIX TOURNAMENT to attract visitors.

Full Year Forecast

- Implement various promotion activities continuously to improve the profitability.

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Major activities in 3Q



“DUNLOP PHOENIX TOURNAMENT 2018”



“Starlight Winter”

Major activities in 4Q



©SoftBank HAWKS

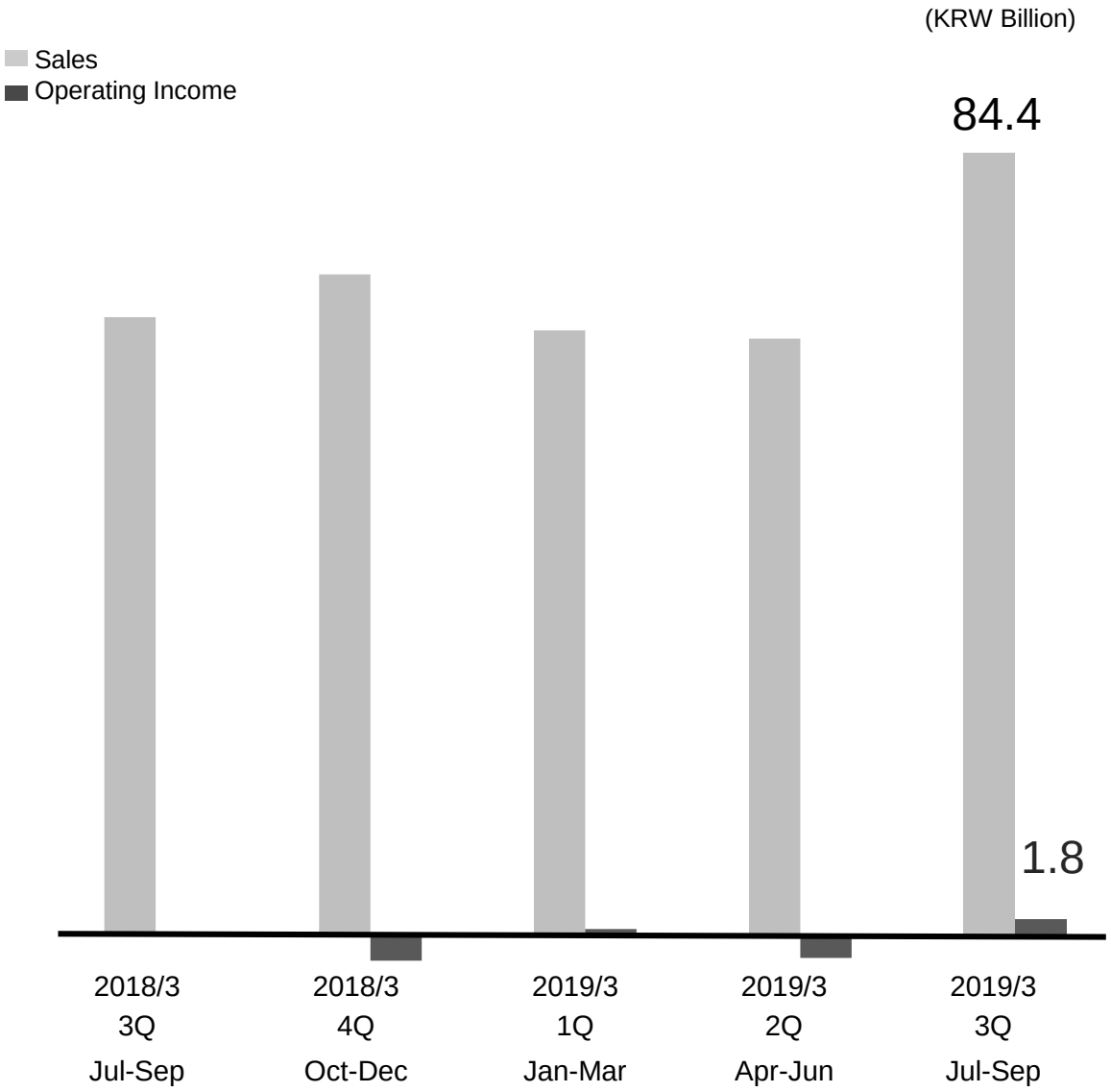
“Miyazaki Spring Sports Camp”



“FLOWER LIVING”

©Phoenix Resort

PARADISE SEGASAMMY
(Equity method affiliate)



3Q Results

- Sales and profits increased from the same period in last fiscal year.
- Continuously attracted a large number of Japanese visitors.
- Commenced the depreciation of “FUNCITY” (1-2 phase facilities opened on Sep, 2018).

Full Year Forecast

- Planning to open “Wonder Box” in the first half of 2019.

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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)



“CHROMA Halloween”



“New Year count down event”



“Wonder Box (image)”

SEGASammy

https://www.segasammy.co.jp/

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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