

# 2014 summer SEGA SAMMY REPORT



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# Business Report for the fiscal year ended March 31, 2014

From April 1, 2013 to March 31, 2014

Summer  
Edition



Other

3.8%

Net Sales ¥14.5 billion  
(up 8% year on year)

Operating Loss ¥1.2 billion  
(-)

Business Segments of SEGA SAMMY and Composition of Net sales by Business Segment

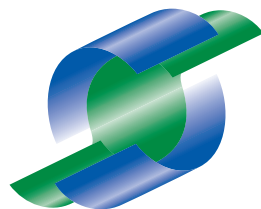
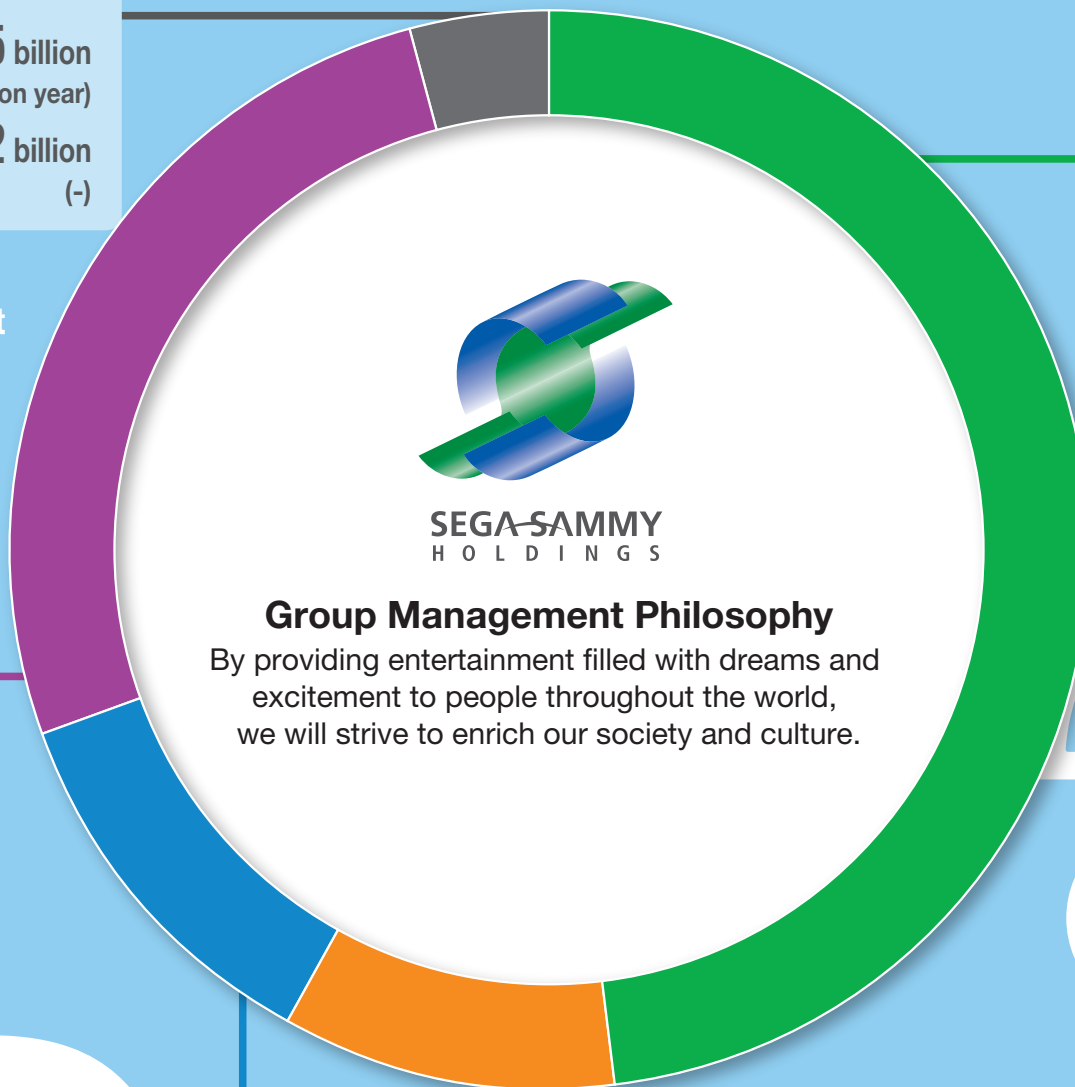


Consumer Business

26.4%

Net Sales ¥99.8 billion  
(up 19% year on year)

Operating Income ¥2.0 billion  
(-)



SEGA-SAMMY  
HOLDINGS

Group Management Philosophy

By providing entertainment filled with dreams and excitement to people throughout the world, we will strive to enrich our society and culture.

Pachislot and Pachinko Machine Business

48.1%

Net Sales ¥181.8 billion  
(up 28% year on year)

Operating Income ¥45.2 billion  
(up 92% year on year)

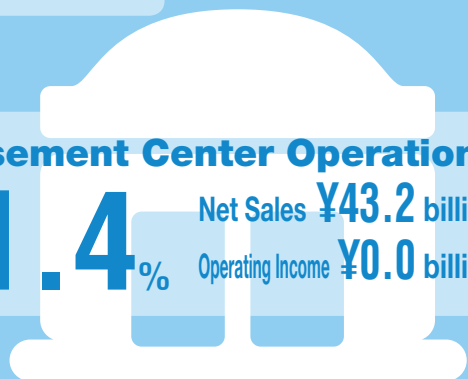


Amusement Center Operations

11.4%

Net Sales ¥43.2 billion (up 1% year on year)

Operating Income ¥0.0 billion (-)



Amusement Machine Sales Business

10.2%

Net Sales ¥38.6 billion (down 1% year on year)

Operating Loss ¥1.2 billion (-)



Please see page 5 for results by segment. ...▶



Chairman of the Board and Chief Executive Officer  
SEGA SAMMY HOLDINGS INC.  
Chairman, Representative Director and CEO of Sammy Corporation  
Chairman, Representative Director and CEO of SEGA CORPORATION

### Hajime Satomi

#### Dear Shareholders,

During the fiscal year ended March 31, 2014, there were growing hopes that the Japanese economy would break out of deflation and experience economic recovery amid the trend toward yen depreciation and rising stock prices backed by the effects of monetary and financial policies. However, uncertainty still prevailed due to factors such as worries over the effect of increase in the consumption tax rate to the economy.

In this climate, the SEGA SAMMY Group has implemented various management measures to create a framework that can deal speedily and flexibly with changes in the business environment, and has also fully committed to building a solid management foundation that can accelerate future growth. The Group will invest in growth, while continuing to pay appropriate dividends to its shareholders, in accordance with its profits.

The Group will continue to offer high-quality entertainment to people of all ages around the world. Thus, the Group aims to “establish a presence in every business field, and becoming one of the world’s foremost global entertainment companies.” We look forward to your continued support in our endeavors.

June 2014



#### Please look back and evaluate the fiscal year ended March 31, 2014.

In the fiscal year ended March 31, 2014, sales and operating income increased significantly over the previous fiscal year, mainly due to factors such as the strong sales of mainstay pachislot titles in the Pachislot and Pachinko Machine Business and the strong performance of the digital field in the Consumer Business. As a result, net sales increased 18% year on year to ¥378.0 billion, operating income increased 103% to ¥38.5 billion, and ordinary income increased 94% to ¥40.5 billion. Meanwhile, net income dropped 8% year on year to ¥30.7 billion as a result of recording extraordinary income of ¥15.7 billion due to factors including a gain on sales of investment securities accompanying the sales of Sanrio Co., Ltd. shares and an extraordinary loss of ¥8.7 billion due to factors including a loss on liquidation of subsidiaries and affiliates from realization of foreign currency translation adjustments resulted from the completion of the liquidation of some of the subsidiaries in the U.S. and Europe. Nonetheless, we fell short of initial forecasts due to a rescheduling of sales of some pachislot machines to the fiscal year ending March 31, 2015 and the weak performance of the Amusement Machine Sales Business.

The main reason for net income of the current fiscal year to fell short of the previous fiscal year is that the Group recorded deferred tax asset related to the tax loss which resulted from the completion of liquidation of some of the subsidiaries in the U.S. for the amount that would be deductible from the future taxable income in the previous fiscal year. Let us explain about the main management measures implemented in the fiscal year ended March 31, 2014. SEGA SAMMY CREATION INC., a manufacturer which develops machines for casinos, was established in June 2013. In addition, we announced the issuance of straight corporate bonds in July.

Furthermore, in November, a business transfer with Index Corporation was conducted, a portion of shares of Sanrio Co., Ltd. were sold, and other measures were conducted.

In the fiscal year ended March 31, 2014, both sales and earnings increased year on year in the Pachislot and Pachinko Machine Business. For pachislot machines, despite significant increase year on year in unit sales for several mainstay titles released that performed strongly, the initial forecast was not achieved due to rescheduling of the sales for multiple titles including mainstay title *Pachislot Souten-No-Ken 2*. For pachinko machines, despite strong sales of the mainstay title *Pachinko CR Hokuto No Ken 5 Hyakuretsu*, titles other than the mainstay titles performed weakly due to the stagnant market environment, and as a result, the number of units sold fell below the unit sales of previous fiscal year and of the initial forecasts.

In the Amusement Machine Sales Business, sales fell year on year and loss was recorded as a result of weak sales due to restraint towards investment in new titles among amusement center operators. In the Amusement Center Operations Business, earnings dropped year on year, due to lackluster performance at existing amusement centers. In the Consumer Business, the segment turned profitable as sales increased as a result of improved profitability in the digital field.

In the packaged software field, despite release of several new titles, performance was weak as a result of the harsh market environment. Furthermore, in the digital field, which the Company positioned as a growth field, performance was strong for titles such as *PHANTASY STAR ONLINE 2*, *Puyopuyo!! Quest*, and *CHAIN CHRONICLE*.

## Q

## What are the targets and issues for the fiscal year ending March 31, 2015?

In the fiscal year ended March 31, 2014, while sales and operating income increased year on year, unfortunately, the results fell far short of the initial forecasts. In terms of the business forecast for the fiscal year ending March 31, 2015, while we expect sales to increase, decrease in earnings are forecasted as a result of factors including a temporary decline in the profitability of the Pachislot and Pachinko Machine Business and a deterioration in the profitability of the Amusement Machine Sales and Amusement Center Operations Businesses. While it is to my deep regret that this kind of business plan has to be announced, currently, the business environment surrounding our existing businesses are changing drastically.

The Company aims to enter the integrated resort, the IR business, in Japan in the future, and this goal remains unchanged. As already announced, the transition to a new management system including the assignment of Naoya Tsurumi on April 1, to the position of Senior Managing Director & Representative Director to supervise the division responsible for the IR business was part of the strategies foreseeing the progress in development of laws concerning the IR business. However, on the other hand, it is true that there are issues that must be urgently addressed in existing businesses.

In the Pachislot and Pachinko Machine Business, as a result of prioritizing product quality and optimal sales timing for the past few years, our brand strength, particularly in pachislot machines, have become overwhelming. However, on the other hand, introduction schedule of titles is becoming unstable, and is a factor causing downward revisions. In addition, while sales volumes are decreasing due to the contraction of the pachinko market, the Company's market share in the pachinko machine business has been stagnant. Furthermore, costs such as development and materials costs are on the rise.

In the Amusement Machine Sales Business, it has become difficult to continually sell large scale machines in the rapidly contracting market, and we have not been able to distribute optimally the management resources within this environment. Furthermore, in a situation where profits of operators are struggling, establishing structures which enable the

Company to generate stable earnings and at the same time reduce the initial investment burden for operators, such as promoting revenue sharing model in addition to sellout business model are necessary. In the Amusement Center Operations Business, because the profitability of existing game arcades is expected to decline as a result of factors including the hike in the consumption tax rate, it is necessary to proceed with the transition to a new form of business and it is also necessary to promptly achieve profitability for the theme park business through the realization of licensing it out.

In the Consumer Business, while growth has continued in the digital field centered around hit titles including PHANTASY STAR ONLINE 2, Puyopuyo!! Quest, and CHAIN CHRONICLE, the monetization of packaged game software field is not moving. In response to these conditions, while the Company has worked to optimize management efficiency for the past few years through steps such as redistributing some management resources to the growth area of the digital field, unfortunately, it is becoming difficult to respond to the rapid changes in the business environment using the methods that have been employed up until now.

On May 9, the Company established the "Group Structure Reform Division" for the purpose of adapting

to the market environment, improving the profitability of existing businesses, and making preparations for the full-fledged IR business in the future.

The "Group Structure Reform Division" will study and implement measures to improve profitability of the whole Group by the end of fiscal year ending March 31, 2015 as a goal. These measures include fundamental reviews for which no areas of issues in existing businesses are off limits, including reviews of business with low profitability and struggling performance, the optimization of the distribution of management resources, reviews of the development structure, and strengthening management of fixed costs. As for initiatives decided on by the "Group Structure Reform Division," we would like to announce such decisions at appropriate timing.

### Results Forecasts

Unit: billions of yen	Year ended March 31, 2014 Results	Year ending March 31, 2015 Forecast	Change (%)
Net sales	378.0	450.0	+ 19
Operating income	38.5	35.0	- 9
Ordinary income	40.5	35.0	- 14
Net income	30.7	21.0	- 32

## Q

## Please give a final word to our shareholders.

Our basic policy is to invest in growth, while paying dividends to shareholders aligned with our level of profits. Our policy is to make effective use of internal reserves to improve our financial standing, strengthen our management foundation, and invest in business growth. For the fiscal year ending March 31, 2015, we plan to pay an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, resulting in a full-year cash dividend of ¥40 per share.

We ask for and appreciate the continued understanding and support of our shareholders in the Company's business activities.

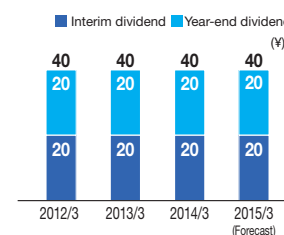
### Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on May 9, 2014, to pay a dividend for the FY2014

#### • Year-end dividend of ¥20 per share

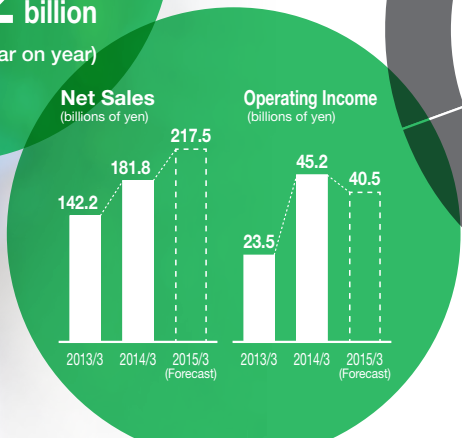
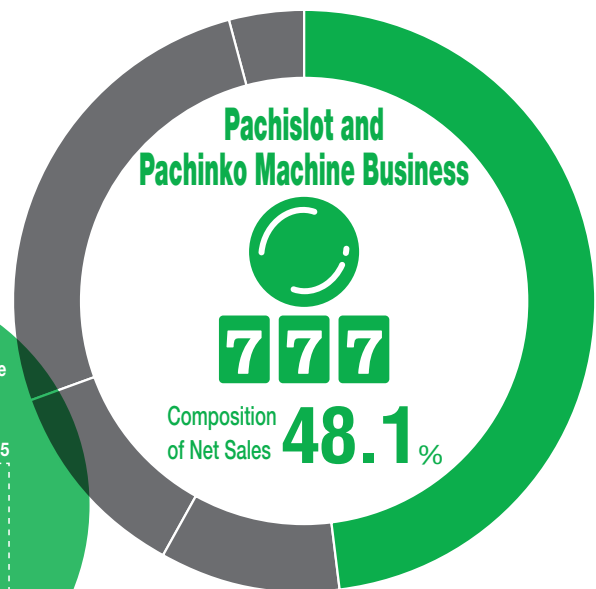
Interim dividend of ¥20 for total full-year cash dividends of ¥40

#### • Effective date (payment start date) May 28, 2014





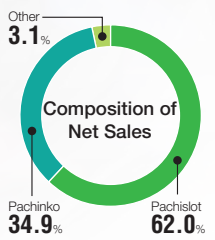
**Net Sales**  
**¥181.8 billion**  
 (up 28% year on year)  
**Operating Income**  
**¥45.2 billion**  
 (up 92% year on year)



**Initiatives and results for the fiscal year ended March 31, 2014**

► In the pachislot machine business, sales of *Pachislot Hokuto No Ken Chapter of Resurrection* and *Pachislot Eureka Seven 2* under the Sammy brand were solid. In spite of the rescheduling of the launch of certain titles, overall sales of the pachislot machines were 301 thousand units and exceeded results for the previous fiscal year.

► In the pachinko machine business, sales of *Pachinko CR Hokuto No Ken 5 Hyakuretsu* and *Pachinko CR Monster Hunter* were solid. Other titles performed weakly due to the stagnant market environment.



**Unit sales of major new titles in the fiscal year ended March 31, 2014**

Company	Title	Units (thousand)
Pachislot	Sammy <i>Pachislot Hokuto No Ken Chapter of Resurrection</i>	114
	Sammy <i>Pachislot Eureka Seven 2</i>	59
	Sammy <i>Pachislot Juoh</i>	43
	Sammy <i>Pachislot Bakemonogatari</i>	31
	GINZA <i>Pachislot Kaiji 3</i>	25
Pachinko	Sammy <i>Pachinko CR Hokuto No Ken 5 Hyakuretsu</i>	69
	Sammy <i>Pachinko CR Monster Hunter</i>	32
	Sammy <i>Pachinko CR SOUTEN-NO-KEN</i>	27
	TAIYO ELEC <i>CR Kayou Suspense Gekijou</i>	18
	Sammy <i>Pachinko CR Rookies</i>	12

**Strengths**

- Robust development system underpins product appeal
- Large share of the pachislot machine market
- Multibrand strategy based on four Group companies
- High production capacity realized through operation of new plant

**Weakness**

- Variability of earnings due to regulatory changes
- Business development restricted to Japan

**Threats**

- Decline in player numbers
- Financial positions of pachinko parlor operators

**Opportunities**

- Expanding shares in pachinko machine market
- Scope for expanding player base by diversifying gameplay

**Highlights of the Pachislot and Pachinko Machine Business**

**Market condition for the fiscal year ended March 31, 2014**

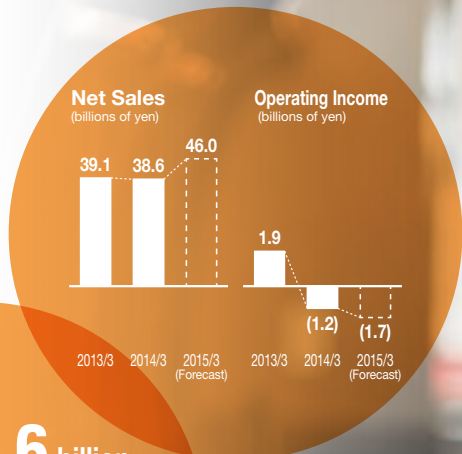
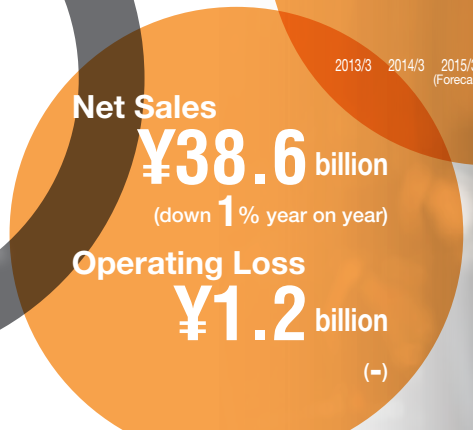
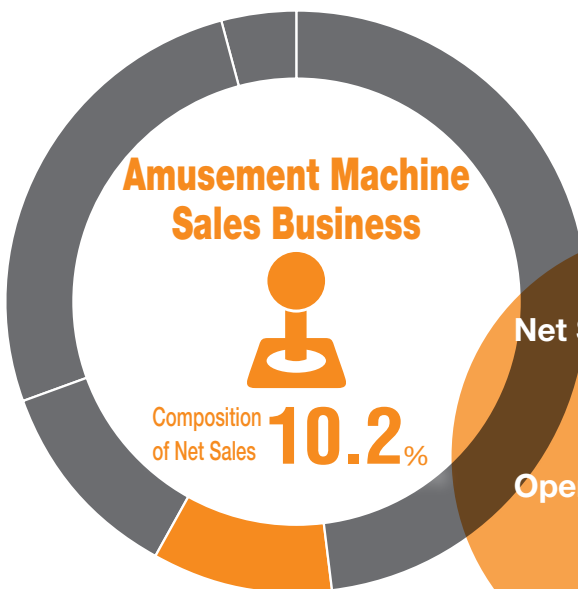
- Orders have tended to concentrate on some mainstay products due to pachinko parlor operators becoming increasingly selective about machines. There has been strong replacement demand for new pachislot machines, while demand for pachinko machines has been weak.

**Outlook for the fiscal year ending March 31, 2015**

- The market is likely to remain solid for the pachislot machine business, while the pachinko machine business is expected to remain weak.
- As for both pachislot and pachinko machines, the Group will endeavor to further increase the quality of each title and will also strengthen the management of development and sales schedules. The Group will work to revitalize the market through the development of machines that will be supported by end users.
- As for sales plans, the Group forecasts sales of 374 thousand pachislot machines, up 73 thousand from the current fiscal year, and 250 thousand pachinko machines, up 49 thousand from the current fiscal year.
- Sales are expected to increase and earnings are expected to decrease due to a temporary decline in profit margin due to products becoming more sophisticated through greater LCD ROM capacity and an increase in moving gadgets.

**Future management policies**

Considering the current harsh market environment in the pachinko machine field, we will focus on the development and sales of mainstay titles while aiming to strengthen the TAIYO ELEC brand through interchanges between developers, the standardizing of materials, joint purchases and others. In the comparatively strong pachislot machines field, as a Company with top shares, we continue to aim to develop and sell multiple mainstay titles that can drive recovery of the market.



**Initiatives and results for the fiscal year ended March 31, 2014**

- ▶ New titles struggled due to stagnant market environment. Sales decreased from the previous fiscal year and a loss was recorded.
- ▶ The Group launched CVT KITS for *WORLD CLUB Champion Football* and reported distribution revenue from revenue sharing titles.
- ▶ As a new business, free-to-play model of the *PuyoPuyo!! Quest Arcade* was introduced.

**Main items sold in the fiscal year ended March 31, 2014**

Title		Sales results
<i>WORLD CLUB Champion Football series</i>	(Trading card game)	¥2.5 billion
<i>CODE OF JOKER</i>	(Video game)	¥2.4 billion
<i>SENGOKU-TAISEN</i>	(Trading card game)	¥2.1 billion
<i>BORDER BREAK series</i>	(Video game)	¥1.5 billion
<i>StarHorse3 series</i>	(Medal game)	¥1.1 billion

**Outlook for the fiscal year ending March 31, 2015**

- ▶ A harsh market environment is expected due to the effects of the increase in the consumption tax rate that will increase restraint on investment among amusement center operators. While earnings are expected to increase, it is expected that a size of loss will be greater year on year.
- ▶ The sales of CVT KITS for multiple titles such as *INITIAL D ARCADE STAGE 8 INFINITY* and *StarHorse3 Season III CHASE THE WIND* will be promoted.
- ▶ Secure consistent earnings by introducing new titles such as *WONDERLAND WARS* and strengthening revenue sharing models.
- ▶ In an aim to acquire a broad range of users, we will prepare a varied lineup including *Hero Bank Arcade*, from high value-added products to family products.
- ▶ Improve profitability through the optimum distribution of management resources to areas such as the field of digital software.

**Future management policies**

In response to the trend of restraint on new investment among amusement center operators, we will increase the composition of net sales of revenue sharing model titles and free-to-play model titles that could achieve both a reduction in the investment burden for amusement center operators and the stabilization of the Group's earnings. In addition, by shifting the segment's management resources to the growth area of the digital fields, we aim to adapt to changes in the industry environment and maximize Group earnings.

**Highlights of the Amusement Machine Sales Business**

**Market condition for the fiscal year ended March 31, 2014**

- To revitalize the struggling market, the continued development and supply of cutting-edge game machines that respond to the diversifying needs of customers is desirable.

**Strengths**

- Very competitive products in the high-end market
- Precise identification of market needs through collaboration with Amusement Center Operations

**Weakness**

- Low profitability of overseas businesses

**Threats**

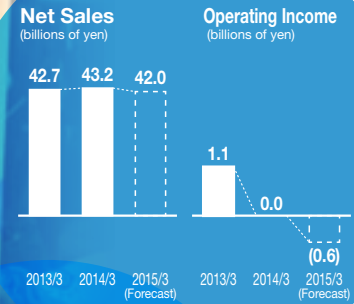
- Financial positions of amusement center operators

**Opportunities**

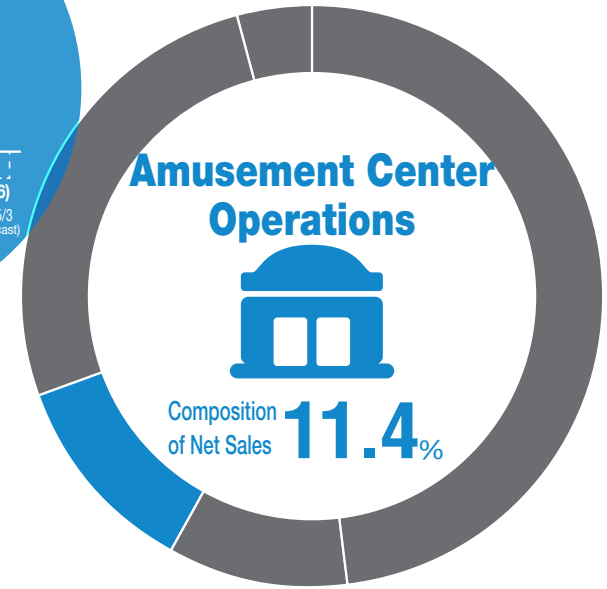
- Growth potential of overseas markets, centered on Asia
- Tie-ins with consumer generated media (CGM)



## Segment Information



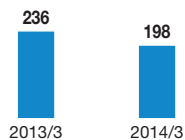
**Net Sales**  
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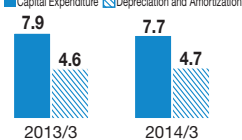
### Initiatives and results for the fiscal year ended March 31, 2014

- ▶ While efforts to reinforce management capabilities of existing amusement centers continued from the previous fiscal year, due to the absence of industry-driving titles, sales at existing amusement centers in Japan was sluggish and registered 96.1% of the level year on year and earnings decreased.
- ▶ As a result of opening 5 amusement centers and closing 9 amusement centers, the Group operated a total of 198 amusement centers in Japan\* at the end of the period.
- ▶ Orbi Yokohama was opened in August 2013.

Trends in the Number of Amusement Centers in Japan (Centers)

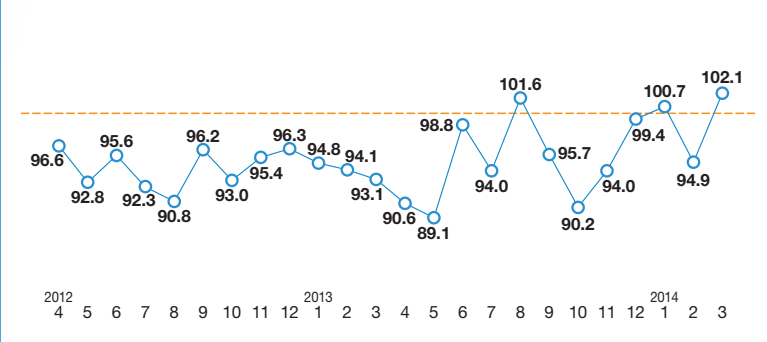


Trends in Capital Expenditure / Depreciation and Amortization (billions of yen)



\* Starting from the fiscal year ended March 31, 2014, only directly managed amusement centers are included in the number of amusement centers in Japan.

Existing Amusement Center Net Sales Trends in Japan (%)



### Highlights of the Amusement Center Operations

#### Strengths

- Right-sized amusement center portfolio
- Product lineup catering to a broad range of player groups

#### Weakness

- Low profit margins and capital turnover ratio

#### Threats

- Market contraction due to a slump in consumer spending
- Decline in player numbers due to an aging society

#### Opportunities

- Potential growth in the overseas market, mainly in Asia
- Formation of seniors market
- Expansion into new facilities such as restaurants and sports facilities

### Market condition for the fiscal year ended March 31, 2014

- The market was sluggish due to the absence of major market-driving titles, along with the diversification of ways to play on smartphones and other devices.

### Outlook for the fiscal year ending March 31, 2015

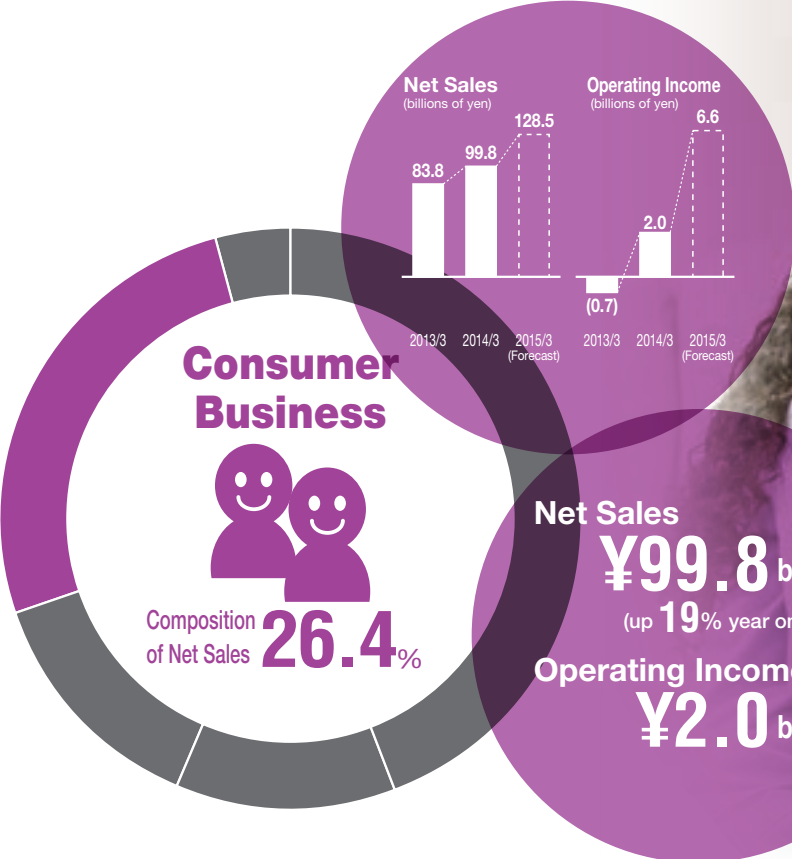
- ▶ As a result of effects of the increase in the consumption tax rate, it is expected that sales will increase year on year and an operating loss will be recorded.
- ▶ Improve profitability by focusing investment target and improving the efficiency of amusement center operations.
- ▶ Review the amusement center portfolio and promote measures to expand into new fields such as developing and opening amusement centers for families and amusement centers attached to restaurants.
- ▶ There are plans to open 3 new amusement centers and close 7 amusement centers, for a total of 194 centers.

### Future management policies

In consideration of factors such as trend of earnings for existing domestic amusement centers, we will review the amusement center portfolio and develop and open amusement centers for families and those attached to restaurants. In addition, we will obtain license income by providing the development and management know-how we have fostered through amusement centers up until now to companies overseas.



## Segment Information



### Strengths

- Brand power in the game content business, accumulation of a powerful range of franchise IPs
- An animation business with some of the best animation assets in Japan

### Weakness

- Lackluster packaged game software sales and decline in earning power

### Threats

- Contraction of packaged game software market
- Continuous high development costs for packaged game software
- Intensification of competition in the SNS and smartphone content market

### Highlights of the Consumer Business

#### Opportunities

- Rapid growth of content market for SNS and smartphones
- Expansion of the online game contents market in Japan and Asia

#### Market condition for the fiscal year ended March 31, 2014

- The demand expanded in the digital games geared toward social networking services (SNS) and smartphones, while the market for packaged games softened.

## Initiatives and results for the fiscal year ended March 31, 2014

▶ In the packaged software field, while performance was strong domestically, sales of new titles were weak overseas, and as a result the number of units sold fell under those of the previous fiscal year.

▶ In the field of digital software, performance remained favorable for the online RPG *PHANTASY STAR ONLINE 2* as well as titles for smartphones, *Puyopuyo!! Quest* and *CHAIN CHRONICLE*. The number of titles distributed domestically as of March 31, 2014 was 141 (including 73 pay-to-play types and 68 free-to-play types).

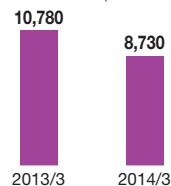
▶ 57 companies participated in Noah Pass and the number of users exceeded 41.6 million.

▶ On the pachinko and pachislot game website, the smartphone version of *777TOWN* for *Android* and *777TOWN* for *iOS* and service for DeNA Co., Ltd.'s *Moba7* were enhanced.

▶ In the toy sales division, the Group implemented the sale of mainstay products such as *Anpanman Series* and *Jewelpod Series*, however division as a whole performed weakly.

▶ In the animated films division, theater film *Lupin the 3rd vs. Detective Conan: THE MOVIE* recorded an audience of over 3 million and was favorable.

### Unit Sales of Home Video Game Software (in thousands)



### Main items sold in the fiscal year ended March 31, 2014

Game Title	(Sales Region)	Platform	Unit Sales
<i>Total War: ROME II</i>	(Europe/US)	PC	1,130 thousands
<i>Football Manager 2014</i>	(Europe/US)	PC	790 thousands
<i>Sonic Lost World</i>	(Japan/Europe/US)	WiiU, 3DS	710 thousands
<i>Company of Heroes 2</i>	(Europe/US)	PC	680 thousands
<i>Ryu ga Gotoku: Ishin!</i>	(Japan)	PS3, PS4	390 thousands

### Digital Game Content

Digital Game Content	Platform
<i>PHANTASY STAR ONLINE 2</i>	PC, PSV
<i>Puyopuyo!! Quest</i>	iOS, Android
<i>CHAIN CHRONICLE</i>	iOS, Android
<i>BORDER BREAK Mobile: Gun Front Hurricane</i>	iOS, Android

## Outlook for the fiscal year ending March 31, 2015

▶ As a result of increased earnings in the digital field, a year-on-year increase in both sales and earnings is planned.

▶ In the digital software field, we will stabilize earnings through cross-platform strategy of leading titles, full-scale deployment of domestic titles to the Asian region, and promoting digitalization of the leading package game franchise IPs to further improve profitability. The Group plans to introduce 43 new titles domestically (including 13 pay-to-play types and 30 free-to-play types) in the digital game software field.

▶ The packaged software field will continue to undergo rationalization, in an effort to establish a structure that can consistently generate profit. We will aim to increase the number of copies sold through both existing franchise IPs and the full-scale introduction of ATLUS brand. We aim to achieve sales of 12,780 thousands per year.

▶ In the toy division, our value chain will be reviewed as part of measures to further enhance profitability. In the animated films business, centering around the production of television programs such as *Yowamushi Pedal* and *Lupin the 3rd*, we will engage in business development including related businesses.

### Future management policies

By shifting management resources in the Amusement Machine and Amusement Center Businesses and the package game field to the digital field that continues to experience high growth, we aim to achieve profit growth through improvements in the earnings mix.



## Looking Back with a “Key Person” Review of Activities



### Launch of pachinko and pachislot game for the big animation hit *Bakemonogatari*

Performance has been strong for *Pachislot Bakemonogatari*, which adopts the motif of the animation *Bakemonogatari*. While about 20,000 units were sold upon initial arrival, sales of over 30,000 units were recorded as a result of an increase in the number of units upon receiving positive market response. It is continuing to enjoy overwhelming support from customers with its “high net increase type, token in-out management type AT, and diversified game elements providing constant expectations,” and based on this support a third panel has been released.

Based on enormous favorable reception of the pachislot, release of *Pachinko CR Bakemonogatari* in June 2014 has been decided. We have implemented an overwhelming number of special effects through pachinko exclusive new footages and lines. We hope you enjoy these special effects which faithfully reproduce the concept of the animation.



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### Making of ATLUS.CO.,LTD which holds several strong franchise IPs into a subsidiary

SEGA CORPORATION made ATLUS.CO.,LTD

its subsidiary by changing the trade name of and through company split of the game for home use business inherited from Index Corporation which has a rich track record for planning and development of contents for mobile phones and also has several strong franchise IPs in development of consumer game software including series such as *Megami Tensei* series, *Persona* series, and *Etrian Odyssey* series under the ATLUS brand.

We expect that through this acquisition, we will not only increase revenues through the utilization of strong franchise IPs in the PC online game business and contents business for smart devices, but also generate synergy effect among each businesses of the Group.



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#### KEY PERSON

- A word from **Kenichi Tokumura**, Executive Officer, Creative Officer, Research and Development Division, Sammy Corporation

In *Pachislot Bakemonogatari*, we have made a challenge in both contents and specs. Firstly, in terms of contents, we had adapted *Bakemonogatari* for our gaming machines, a content that is well loved by young users, including new users. In terms of specs, in addition to a new function that uses token in-out management system, by utilizing special reel fluctuations, we were able to create a product that really takes advantage of the content and bring a new burst of wind into the pachislot industry. We would like to continue to vitalize the entire pachislot industry through creating things while remaining true to spirit of taking on new challenges.



#### KEY PERSON

- A word from **Hiroataka Tanaka**, Executive Officer, Creative Officer, Research and Development Division, Sammy Corporation

In *Pachinko CR Bakemonogatari*, we focused on reproducing the concept of the animation in our pachinko product as faithfully as possible, and how to incorporate the dialogues between characters –the play of dialogues– which is the essential element of the feature of the work in the special effects. We also focused on creating a game flow that maximizes the highly unique story, as well as adopting them to specs that would make it easy for anyone to play. We will continue focusing on fresh contents and play qualities as we push forward to make new types of innovative products.



#### KEY PERSON

- A word from **Yukio Sugino**, Managing Director, SEGA CORPORATION

In November 2013, the ATLUS brand joined the SEGA SAMMY Group. This year will mark the 25th anniversary of the ATLUS brand and during this period, ATLUS has developed strong franchise IPs such as *Shin Megami Tensei*, *Persona*, and *Etrian Odyssey*. We feel that there is a great potential for providing entertainment to more customers in addition to fan base of SEGA. Going forward, we will continue to develop existing franchise IPs while studying the generation of synergies by utilizing the business resources of both companies as we work to deliver new forms of sensation to our customers as fast as possible. We hope for your continual support.

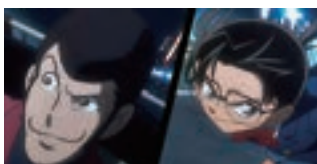




## The dream showdown! *Lupin the 3rd vs. Detective Conan: THE MOVIE* exceeds ¥4.0 billion at the box office.

Unrivaled master thief Lupin the 3rd and brilliant detective Conan Edogawa. *Lupin the 3rd vs. Detective Conan: THE MOVIE*, in which these two major animation heroes burst across the screen, was released in December 2013.

Over the first two days following release, the movie achieved 98% of the box office revenue of *Detective Conan Private Eye in the Distant Sea*, which recorded top box office revenue for the series of ¥3.63 billion, while on the seventh day over 100% of this total was achieved, making it an appropriate good start for the collaboration of big-names. The movie continued to perform well, with the results reflecting the popularity, such as attracting over 3.58 million audiences in total and box office revenue reaching more than ¥4.23 billion, a first time for either the *Lupin the 3rd* or *Detective Conan* series. The sales and rental of Blu-ray and DVDs started from Wednesday, June 4, 2014. You will be able to enjoy the face-off between Lupin and Conan that took place in the theaters at home.



©2013 MONKEY PUNCH Goshō Aoyama / Production Committee of Lupin the 3rd vs. Detective Conan

### KEY PERSON

**A word from Satoshi Kojima,**  
Chief Producer, Creative Department, TMS ENTERTAINMENT, LTD.

*Lupin the 3rd vs. Detective Conan: THE MOVIE*, released in December 2013, attracted over 3.58 million audiences and achieved more than ¥4.23 billion in box office revenue, and was able to mark record-high outstanding results for a movie produced by our company, including the Tokyo Movie Co., Ltd. era.

In March 2014, we were very honored to receive the award of Excellent Animation of the Year in the Japan Academy Prize.

This was all thanks to the Lupin fans, Conan fans, animation fans, and movie fans that enjoyed watching and highly acclaimed our film.

Thank you very much.



## Second time winning in the 16th Nikkei Annual Report Awards

The Annual Report 2013 issued by SEGA SAMMY HOLDINGS received an award from the Award Screening category of the 16th Nikkei Annual Report Awards hosted by Nikkei Inc. The Nikkei Annual Report Awards is a contest that invites institutional investors as judges for evaluating and awarding reports in an aim to promote the further enhancement and spread of annual reports.



Our report was deemed to be effective in its inclusion of suggestions from outside directors regarding management issues; a “Medium-Term Scenario” that simply summarizes the opportunities, risks, and response strategies of each business; interviews with the Presidents of both SEGA CORPORATION and SAMMY CORPORATION; analysis of transition of long-term trends through financial analysis; statements regarding the shareholder value; among others. The report was also recognized as having an outstanding sense of story. The “A to Z” section containing detailed basic information such as interviews of top managements, information on business operations, and information on the business environment surrounding the SEGA SAMMY Group was also highly evaluated, helping us to win this award for the second time.

Going forward, SEGA SAMMY HOLDINGS will continue our efforts to appropriately disclose information that is beneficial to investors.



**The Annual Report is also available online. Please be sure to check them out.**

URL: <http://www.segasammy.co.jp/english/ir/ar2013/index.html>





## We will aim for victory with Kiyoshi Hatsushiba, the new manager!

Former player of Chiba Lotte Marines, Kiyoshi Hatsushiba took the post of new manager of the SEGA SAMMY Baseball Club in December 2013. Under his guidance, we will aim to win the Intercity Baseball Tournament and National Amateur Baseball Championship.



CSR Column, Vol. 6

### Great East Japan Earthquake

### Continuing Volunteer Efforts Changing Its Content Based on the Needs of the Affected Areas for Reconstruction

#### Recovery, reconstruction, and support for independence through entertainment

The SEGA SAMMY Group held supporting event of the “Shichigahama-cho Lifetime Learning Festival” in Miyagi Prefecture (held in March) and “Iitate Village Interaction Meeting” in Fukushima (held in February) by brining games such as “UFO CATCHER,” “darts,” “Smartball,” “kids medal game,” “Kira Deko Seal Art,” and “THE ADVENTURE OF PANDA AND FRIENDS” The employees who participated in these events returned to each of their workplace with the pride as a member of the Group and hope towards a vital future. This year will be the third year (total of 14 times) that we have held events that enable us to



Messages of acknowledgements received at the event.

interact with people in the areas affected by the disaster while providing an opportunity to have a great time through the events. We will continue activities that tie the SEGA SAMMY Group and society by using the power of entertainment in the future.

#### To be a person and a company sought by society —New employee training for 2014—

Continuing on from the previous fiscal year, 109 new employees conducted support activities in Higashi Matsushima this fiscal year. Through debris removal, visits to temporary housing, and the creation of flower beds using the land, we aim to develop aspirations among participants toward helping out people and society, while understanding and respecting diverse values in an aim to achieve growth of human resources capable of acting on an understanding of their own role and social responsibility.



#### A word from participating new employees



**Kaho Koda, SEGA CORPORATION**

I faced the disaster site for the first time through this training. Through facing the sadness I felt at the affected area by talking with people there and removing debris, I felt that we need to create a town where everyone can feel reassured and where it is full of smiles.



**Yuga Mino, Sammy Corporation**

The activities gave me the opportunity to hear directly from people affected by the disaster and feel directly things that is hard to grasp over TVs or through newspapers. I once again realized the importance of not letting memories of the disaster to fade. I would like to continue activities that lead to many smiles as a member of the SEGA SAMMY Group.

#### A word from stakeholders



**Mr. Naoki Iino, Lead Manager and Manager of Management Guidance, Shichigahama-cho Community Center**

Three years have passed since the earthquake. Despite one-thirds of town land being damaged by the tsunami, reconstruction is finally underway for our town. While we received support from many people across Japan immediately following the earthquake, we have received a particularly great deal of support from the SEGA SAMMY Group every year, in making the Shichigahama-cho Lifetime Learning Festival a very exciting event. We sincerely hope that you follow closely as we work towards reconstruction.

# Latest News Update All kinds of new products and titles yet to come!

## The casino machine manufacturer SEGA SAMMY CREATION INC.



### Exhibiting casino machines at the Global Gaming Expo Asia for the first time

SEGA SAMMY CREATION INC. exhibited self-developed gaming machines at the Global Gaming Expo Asia 2014 (G2E Asia), which took place in Macau, China in May 2014.

Many casino operators from across Asia and other countries around the world visited the G2E Asia that was held for a period of three days at Macau's massive casino resort, The Venetian Macao.

Three models were exhibited at G2E Asia, including "SIC BO," in which participants casts the dice and try to guess the totals and the numbers on the dice.

As a casino machine manufacturer, SEGA SAMMY CREATION INC. will combine the technologies and creativity that have been developed in the entertainment field of SEGA SAMMY Group up until now to create a fresh new wind in the global gaming market through unparalleled and overwhelming strength of the products.

#### Overview of SEGA SAMMY CREATION INC.

**Name** SEGA SAMMY CREATION INC.  
**Business** Development, manufacturing, and selling of  
**Description** casino machines/consigned development and offering advice on game machines.  
**Established** June 3, 2013



#### KEY PERSON

A word from **Takahiko Jindo**, Director, SEGA SAMMY CREATION INC.



Since we were established in June 2013 for the purpose of developing gaming machines that will provide even more sensations of fun and excitement to casino fans around the world, our employees have done their utmost based on the "More Fun! More Excitement!" spirit. At G2E Asia, we revealed for the first time, large-scale entertainment machines which aggregated the resources of the SEGA SAMMY Group, and we were able to receive high evaluation from casino operators.

Going forward, we will conduct sales activities aimed at introduction of machines to the Asian casino market and work to establish our presence as a gaming machine manufacturer. Please look forward to the SEGA SAMMY CREATION INC.

## Becoming SEGA CORPORATION's representative franchise IPs for kids

### Launch of cross-media promotion for Hero Bank

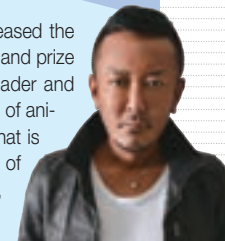
*Hero Bank* for Nintendo 3DS™ was launched on March 20, 2014. A concept based on money as a theme, was born to create a new sense of values in the modern kids market. In order to fully deliver this new sense of values, we will implement a cross-media promotion using the full lineup maximizing the synergies of the SEGA SAMMY Group consisting of arcade games, animation, manga, and toys, and develop *Hero Bank* to become franchise IPs for kids representing SEGA CORPORATION.

#### Implementation of cross-media promotion for Hero Bank



#### KEY PERSON

A word from **Toshihiro Nagoshi**, Director and CCO, SEGA CORPORATION



As a new form of franchise IPs for kids market, the Hero Bank Project simultaneously released the game for home use and the game for commercial use, deployed digital toys, trading cards, and prize products to the toy market. Furthermore, in order to deliver these deployments to a broader and deeper market, a manga series in *CoroCoro Comic* from shogakukan Inc. and broadcasting of animation through TV TOKYO Corporation affiliates are implemented. This is a major project that is being implemented not only by SEGA CORPORATION, but also with the combined strength of the entire SEGA SAMMY Group including SEGA TOYS CO., LTD., TMS ENTERTAINMENT, LTD., and partner companies. We hope for your continued support.



## Group Information

### Overview of Consolidated Balance Sheets (Unit: Amounts less than ¥0.1 billion are rounded down)

#### Factors Affecting Assets

Total assets were ¥542.9 billion, up ¥14.4 billion from the previous fiscal year-end.

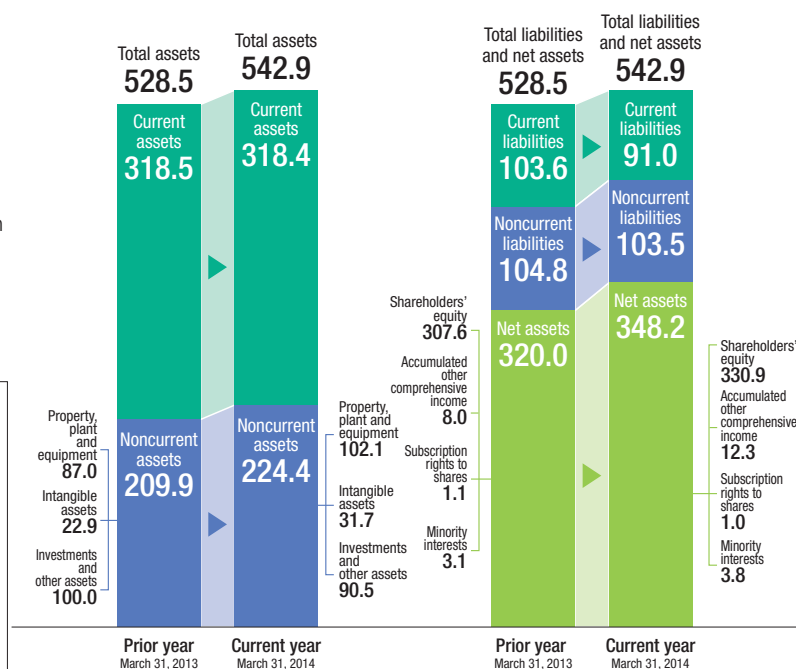
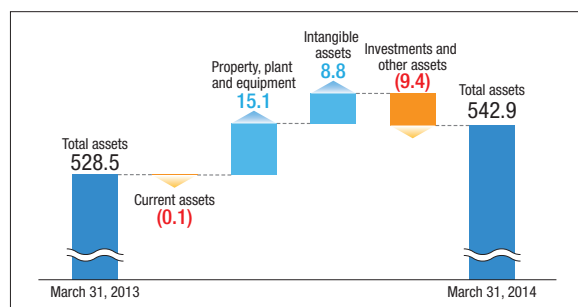
##### Current assets decreased by ¥0.1 billion.

**Factors** ▶ Increase in investment securities, while cash and deposits, and notes and accounts receivable-trade decreased

##### Noncurrent assets increased by ¥14.5 billion.

**Factors** ▶ Increase due to the acquisition of land in Busan Metropolitan City and the recognition of goodwill from business transfer

Current ratio remained at high levels, standing at 349.7%, up 42.3 percentage points from the previous fiscal year-end.



#### Factors Affecting Liabilities and Net Assets

Total liabilities decreased by ¥13.8 billion to ¥194.6 billion from the previous fiscal year-end.

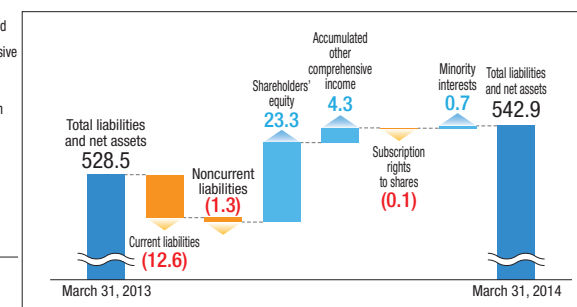
##### Current liabilities decreased by ¥12.6 billion.

**Factors** ▶ Decrease in trade payables

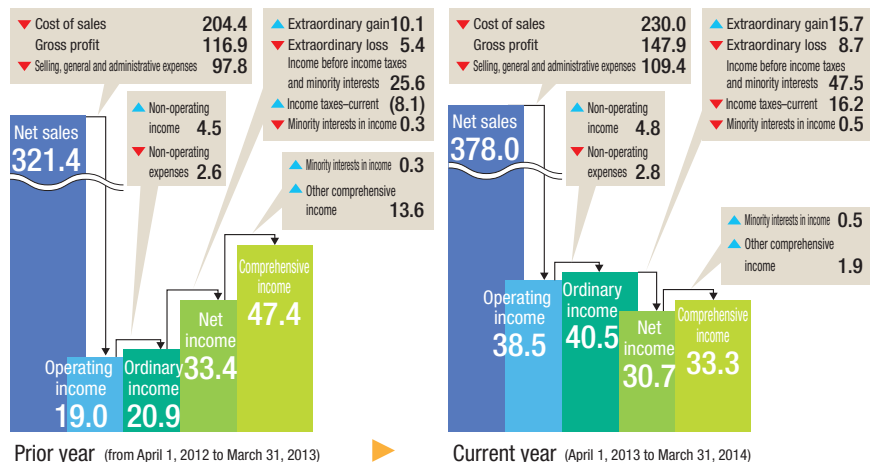
##### Noncurrent liabilities decreased by ¥1.3 billion.

**Factors** ▶ Funds raised by issuing corporate bonds, while long-term loans payable decreased

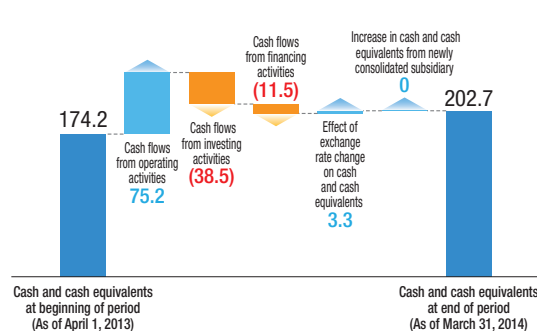
Equity ratio was 63.2%, up 3.5 percentage points from the previous fiscal year-end.



### Overview of Consolidated Statements of Income and Comprehensive Income (Unit: Amounts less than ¥0.1 billion are rounded down)



### Overview of Consolidated Statements of Cash Flows (Unit: Amounts less than ¥0.1 billion are rounded down)



#### Factors Affecting Consolidated Statements of Cash Flows

Balance of cash and cash equivalents increased by ¥28.5 billion from the previous fiscal year-end to ¥202.7 billion.

##### Cash flows from operating activities

Net cash provided by operating activities was ¥75.2 billion. This was mainly attributable to posting of income before income taxes and minority interests of ¥47.5 billion, and depreciation and amortization of ¥19.7 billion and decrease in notes and accounts receivable-trade of ¥16.5 billion.

##### Cash flows from investing activities

Net cash used in investing activities was ¥38.5 billion. This was mainly attributable to outflows of ¥27.1 billion, ¥14.3 billion, ¥7.8 billion and ¥6.8 billion for the acquisition of property, plant and equipment, business transfer, acquisition of stocks of subsidiaries and affiliates, and acquisition of intangible assets respectively, despite proceeds from sale of investment securities of ¥16.1 billion.

##### Cash flows from financing activities

Net cash used in financing activities was ¥11.5 billion. This was mainly attributable to proceeds from issuance of bonds payables of ¥9.9 billion, cash dividends paid (including cash dividends paid to minority shareholders) of ¥9.7 billion and repayment of long-term debt of ¥12.3 billion.

## Consolidated Operating Results and Financial Data

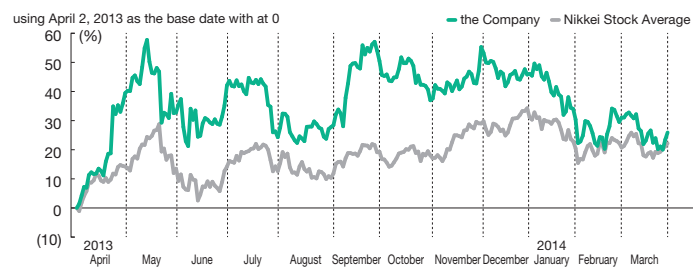
	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ending March 31, 2015 (Forecast)	
<b>Operating results</b> (billions of yen)	Net sales	384.6	396.7	395.5	321.4	378.0	450.0
	Operating income	36.7	68.7	58.3	19.0	38.5	35.0
	Operating income to net sales (%)	9.5	17.3	14.7	5.9	10.2	7.8
	Ordinary income	35.9	68.1	58.1	20.9	40.5	35.0
	Net income	20.2	41.5	21.8	33.4	30.7	21.0
<b>Expenses</b> (billions of yen)	Research and development expenses/Content production expenses *1	41.5	41.1	53.3	45.2	59.2	69.6
	Capital expenditure	16.1	19.6	36.1	32.8	38.1	33.3
	Depreciation and amortization *2	17.1	15.9	16.1	18.1	16.1	18.3
	Advertising expenses *3	20.7	15.1	17.2	13.1	16.0	24.9
<b>Financial Data</b> (billions of yen)	Total assets	423.1	458.6	497.4	528.5	542.9	
	Liabilities	166.3	173.1	201.0	208.4	194.6	
	Net assets	256.7	285.4	296.3	320.0	348.2	
	Equity ratio (%)	55.8	60.0	58.9	59.7	63.2	
<b>Cash Flows</b> (billions of yen)	Cash flows from operating activities	54.9	87.6	38.0	18.6	75.2	
	Cash flows from investing activities	(7.6)	(29.5)	(59.0)	6.3	(38.5)	
	Cash flows from financing activities	(3.4)	(57.1)	0.9	(1.1)	(11.5)	
	Cash and cash equivalents at end of period	167.0	165.9	146.5	174.2	202.7	
<b>Per Share Data</b> (yen)	Net income per share	80.46	163.19	86.73	137.14	126.42	86.21
	Net assets per share	937.80	1,093.23	1,167.59	1,304.44	1,409.27	
	Dividends per share	30	40	40	40	40	40

\*1 From fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses (until fiscal year ended March 31, 2013, amortization cost of digital titles was included in depreciation and amortization).

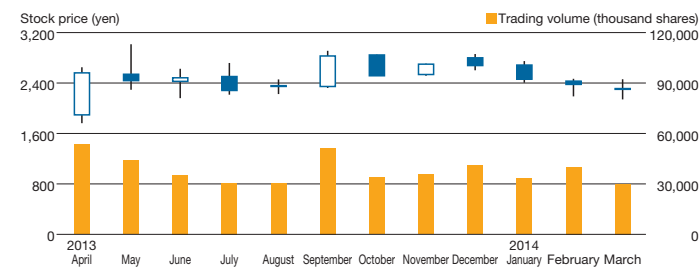
\*2 From fiscal year ended March 31, 2014, amortization cost of digital titles is not included in depreciation and amortization (from fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses/Content production expenses).

\*3 From fiscal year ended March 31, 2014, advertising expenses are included in cost (until fiscal year ended March 31, 2013, only selling, general and administrative expenses were included in cost).

## Performance of the Company's Stock Price



## Changes in the Company's Stock Price and Trading Volume



# INFORMATION

## Company Profile (As of March 31, 2014)

<b>Company Name</b>	SEGA SAMMY HOLDINGS INC.
<b>URL</b>	<a href="http://www.segasammy.co.jp/english/">http://www.segasammy.co.jp/english/</a>
<b>Established</b>	October 1, 2004
<b>Capital</b>	¥29.9 billion
<b>Number of Employees</b>	7,472 (Consolidated)
<b>Directors and Auditors</b>	Hajime Satomi Chairman of the Board and Chief Executive Officer
	Akira Sugano Director
	Haruki Satomi Director
	Naoya Tsurumi Director
	Hisao Oguchi Director and Chief Creative Officer (CCO)
	Shigeru Aoki Director
	Yuji Iwanaga Director
	Takeshi Natsuno Director
	Tomio Kazashi Standing Audit & Supervisory Board Member
	Toshio Hirakawa Audit & Supervisory Board Member
	Hisao Miyazaki Audit & Supervisory Board Member
	Mineo Enomoto Audit & Supervisory Board Member

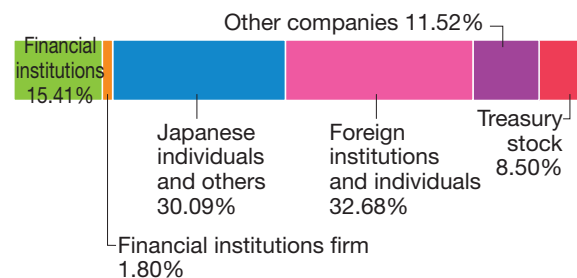
## Information on Outstanding Shares (As of March 31, 2014)

<b>Number of shares authorized for issuance</b>	800,000,000 shares
<b>Total number of shares issued and outstanding</b>	266,229,476 shares
<b>Number of Shareholders</b>	89,771 (Odd-lot shareholders: 66,630)

### Principal Shareholders

Name of Shareholder	Shares Held	Shareholding Ratio (%)
Hajime Satomi	33,619,338	12.62
SEGA SAMMY HOLDINGS INC.	22,627,725	8.49
FSC Co., Ltd.	12,972,840	4.87
HS Company	10,000,000	3.75
Japan Trustee Services Bank, Ltd. (Trustee)	8,687,100	3.26

### Distribution of Shareholders



## Shareholder Memo

<b>Stock Code</b>	6460
<b>Round Unit</b>	100 shares
<b>Fiscal Year</b>	From April 1 to March 31 of the following year
<b>Ordinary General Meeting of Shareholders</b>	June
<b>Date of Record for Dividends</b>	March 31 (September 30 for interim periods, if paid) Advance public notice is given when required for other dividend payments.
<b>Method of Public Notice</b>	Electronic public notices
<b>Notification URL</b>	<a href="http://www.segasammy.co.jp/japanese/etc/notice">http://www.segasammy.co.jp/japanese/etc/notice</a> If electronic notification is not available due to unavoidable circumstances, the Company will post the notice in the "Nihon Keizai Shimbun."
<b>Transfer Agent Administrative Office of Transfer Agent</b>	Mitsubishi UFJ Trust and Banking Corporation Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan Telephone: +81-3-5683-5111
<b>Agencies</b>	Mitsubishi UFJ Trust and Banking Corporation branches in Japan
	The website of Mitsubishi UFJ Trust and Banking Corporation, the Company's transfer agent, provides information on share registration, purchase or additional purchase of shares in fractional lots and other stock-related procedures. If you use the storage transfer system for share certificates, etc., please contact the securities company that handles the transactions. (Mitsubishi UFJ Trust and Banking Corporation website) <a href="http://www.tr.mufg.jp/daikou/">http://www.tr.mufg.jp/daikou/</a>

### Editor's Note

The Company intends to conduct various activities to facilitate a better understanding of the Company by its shareholders and investors. The next Business Report will be released in the winter of 2014.  
We will continue to enhance the contents of our report based on your opinions expressed through the questionnaire.

### 2014 IR Calendar

Schedule of activities for shareholders and investors

- June ● Ordinary General Meeting of Shareholders/Release of the Business Report for the fiscal year ended March 31, 2014
- August ● Announcement of results for the three months ending June 30, 2014
- November ● Announcement of results for the six months ending September 30, 2014
- December ● Release of the Business Report for the six months ending September 30, 2014



Please contact the inquiry desk regarding any questions in relation to stock information, Group information or other matters.

### SEGA SAMMY HOLDINGS INC. IR Information Center

Phone: +81-3-6215-9839

Hours of operation: Weekdays 9:00 - 18:00

Please be aware that the IR Information Center is closed on Saturdays, Sundays, national holidays and company holidays.



## SEGA SAMMY HOLDINGS INC.

Shiodome Sumitomo Building 21F, 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo 105-0021

### CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and its SEGA SAMMY Group Companies ("the Group"), including SEGA CORPORATION and Sammy Corporation, are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management. The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not assume that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation. Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.