

Meeting Material



June 29, 2015

Newborn SEGA Group

<Common philosophy>

- CREATION IS OUR LIFE

→ Creation is not products or services themselves but is experiencing excitement offered through them

<Backdrop of video-making>

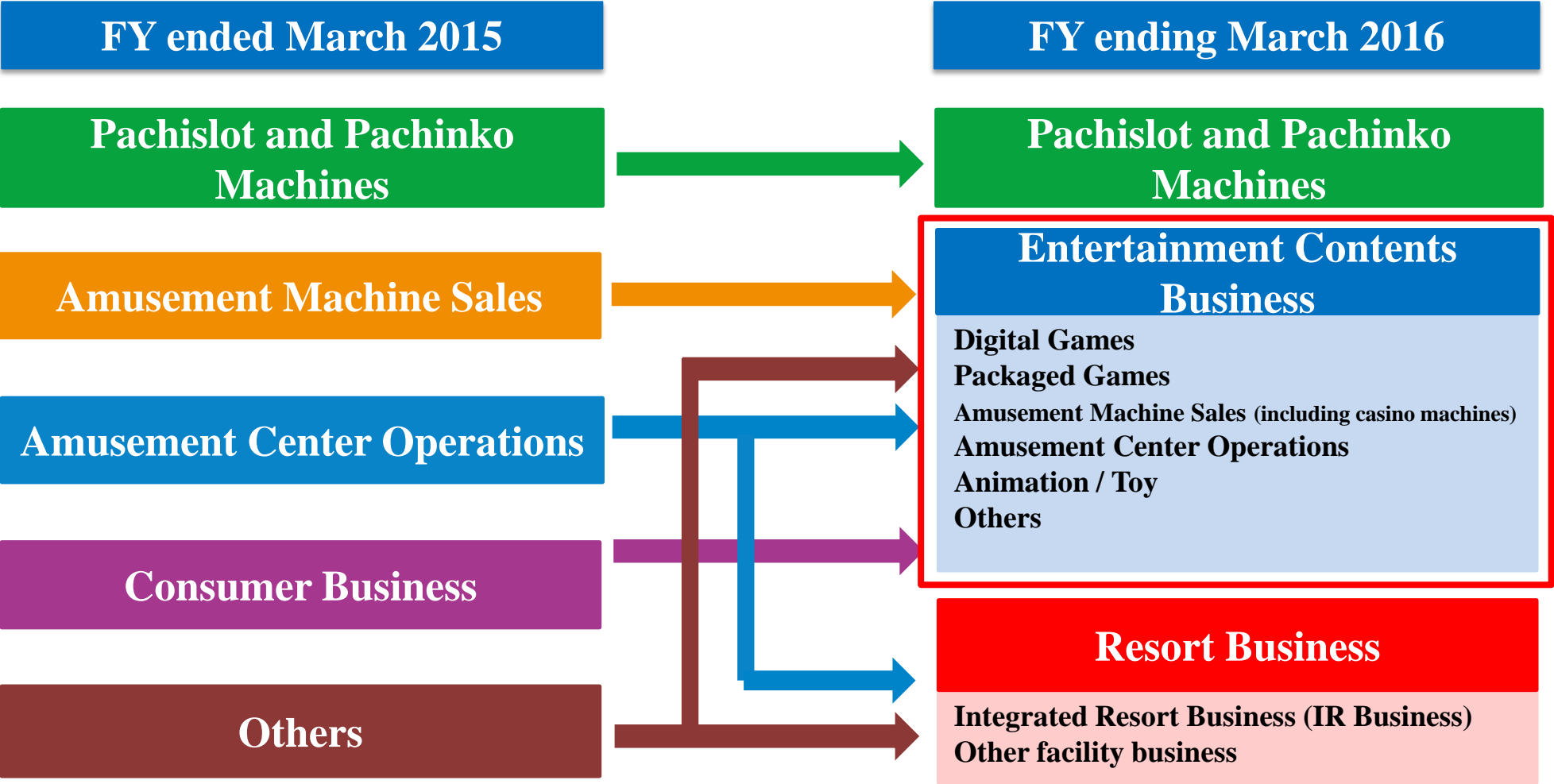
- The video was made as a message to employees upon opening a new page of history going forward with pride in history SEGA has built over the years.

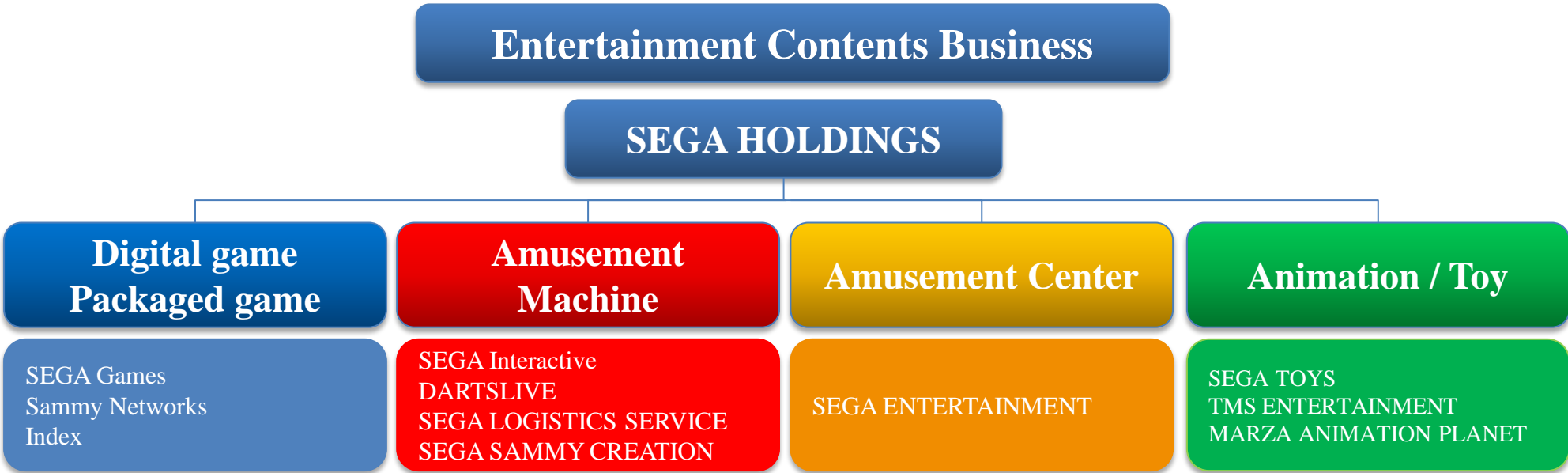
Image video of SEGA Group





Please see URL: <https://www.youtube.com/watch?v=jdzyULyIdq8>

Changes to Business Segment of SEGA SAMMY HOLDINGS

Changes to Business Segment





| Main Company of Digital Game Area | | Main products, service |
|-----------------------------------|---|--|
| Consumer Online |  | Development and Operation of PC game ⇒“PHANTASY STAR ONLINE 2”, “SEGA Network Mar-jang MJ” |
| SEGA Networks |  | Development and Operation of game for smart device ⇒”Puyopuyo!! Quest”, “Hortensia SAGA” etc |
| Sammy Networks |  | Development and Operation of pachinko, pachislot game ⇒”777TOWN”, ”Moba 7” etc |
| Index |  | Development, Distribution and Operation of digital contents ⇒”ACTIVITY JAPAN” etc |

Major Index for Digital Titles (Entire Digital Business)

| | | FY Ended March 2015 | | | |
|--|--|---------------------|------------|------------|------------|
| | | 1Q Results | 2Q Results | 3Q Results | 4Q Results |
| Domestic | Average MAU (Thousands, 3 months average) *1 | 6,690 | 5,750 | 5,510 | 5,430 |
| | ARPM AU (JPY) *2 | 1,225 | 1,928 | 1,757 | 1,761 |
| | Share of sales for top 3 titles *3 | 47.6% | 52.8% | 47.6% | 45.4% |
| Accumulated Downloads (Thousands) | Domestic *4 | 48,560 | 55,430 | 61,740 | 68,020 |
| | Overseas *4 | 81,980 | 118,890 | 138,010 | 160,000 |
| | Total | 130,540 | 174,320 | 199,740 | 228,020 |
| Ratio of advertising expense to net sales *5 | | 12.6% | 8.8% | 7.1% | 8.8% |
| Noah Pass KPI (Sega Networks) | Total number of users (Thousands) *6 | 51,930 | 58,960 | 82,600 | 94,730 |
| | Average MAU (Thousands, 3 months average) | 4,810 | 7,300 | 9,180 | 10,540 |
| (Composition ratio of overseas sales) | | 9.4% | 8.0% | 6.3% | 10.4% |

Outlook for this fiscal year

- Significant increase in MAU on the 1 million scale with release of “MONSTER GEAR” and “Hortensia SAGA.”
→ Further increase is expected going forward
- Share of sales to be on a declining trend due to increased number of hit titles

- Over 3 million DL have already been added due to releasing of “MONSTER GEAR” and “Hortensia SAGA”
→ Continuous increase due to further rushing out of titles
- Sonic Dash to surpass 100 million DL

- Please refer to the separate section

Only free to play titles are covered for the calculation of average MAU, ARP MAU, Number of downloads. (Pay-to play models are not included.)

*1 Average of MAU within each quarter

*2 Calculated from dividing quarter digital sales (gross basis) by average MAU

*3 Sales percentage for top 3 titles against total digital sales (gross basis) of each quarter

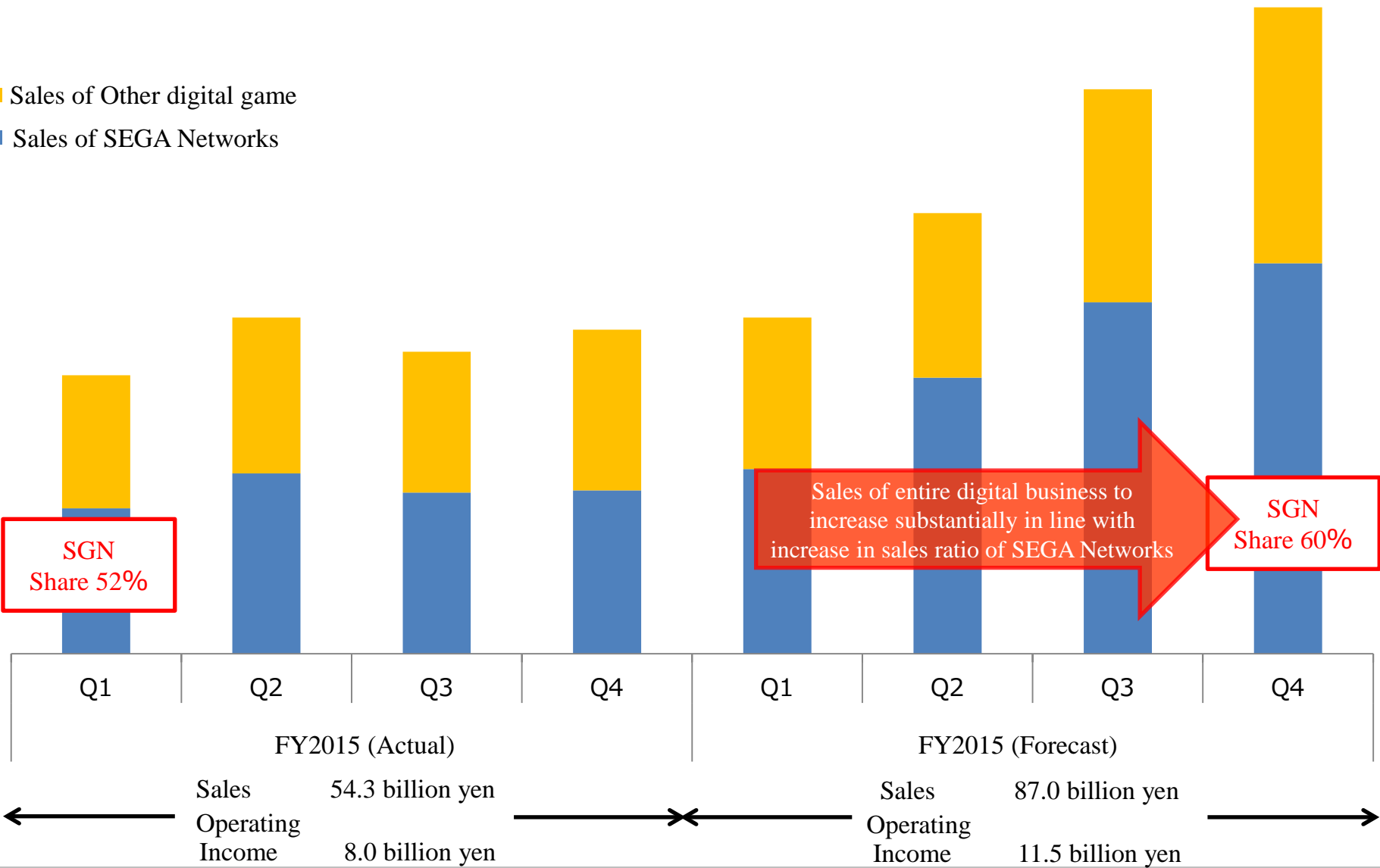
*4 As of the last day of each quarter

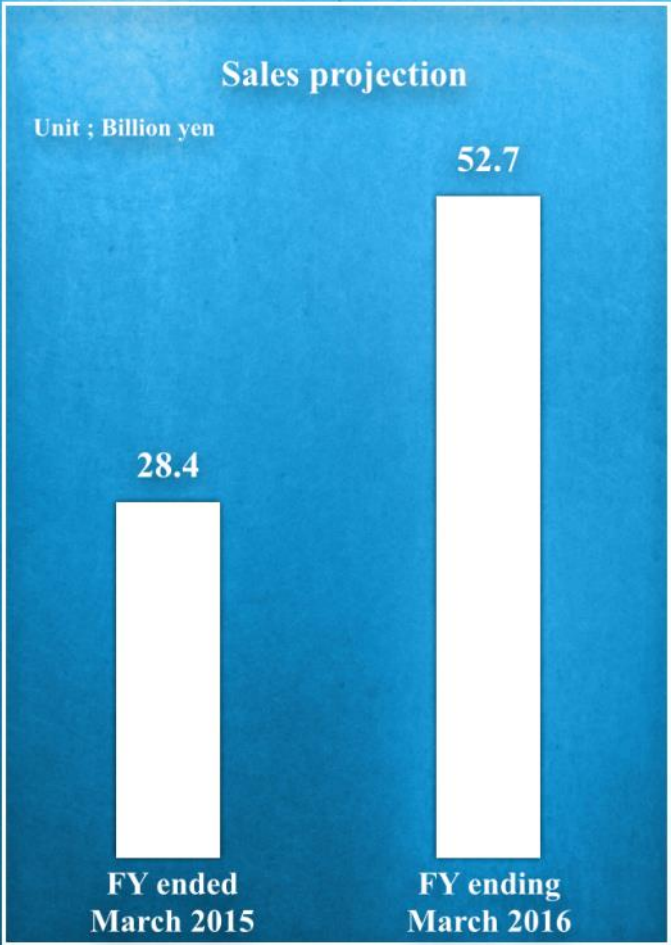
*5 Advertising expense percentage for total digital sales of each quarter

*6 As of the last day of each quarter

SEGA SAMMY HOLDINGS : Digital game Q-Q Gross Sales

■ Sales of Other digital game
■ Sales of SEGA Networks





Domestic market

16 existing titles



20 new titles



Noah Pass



Overseas market

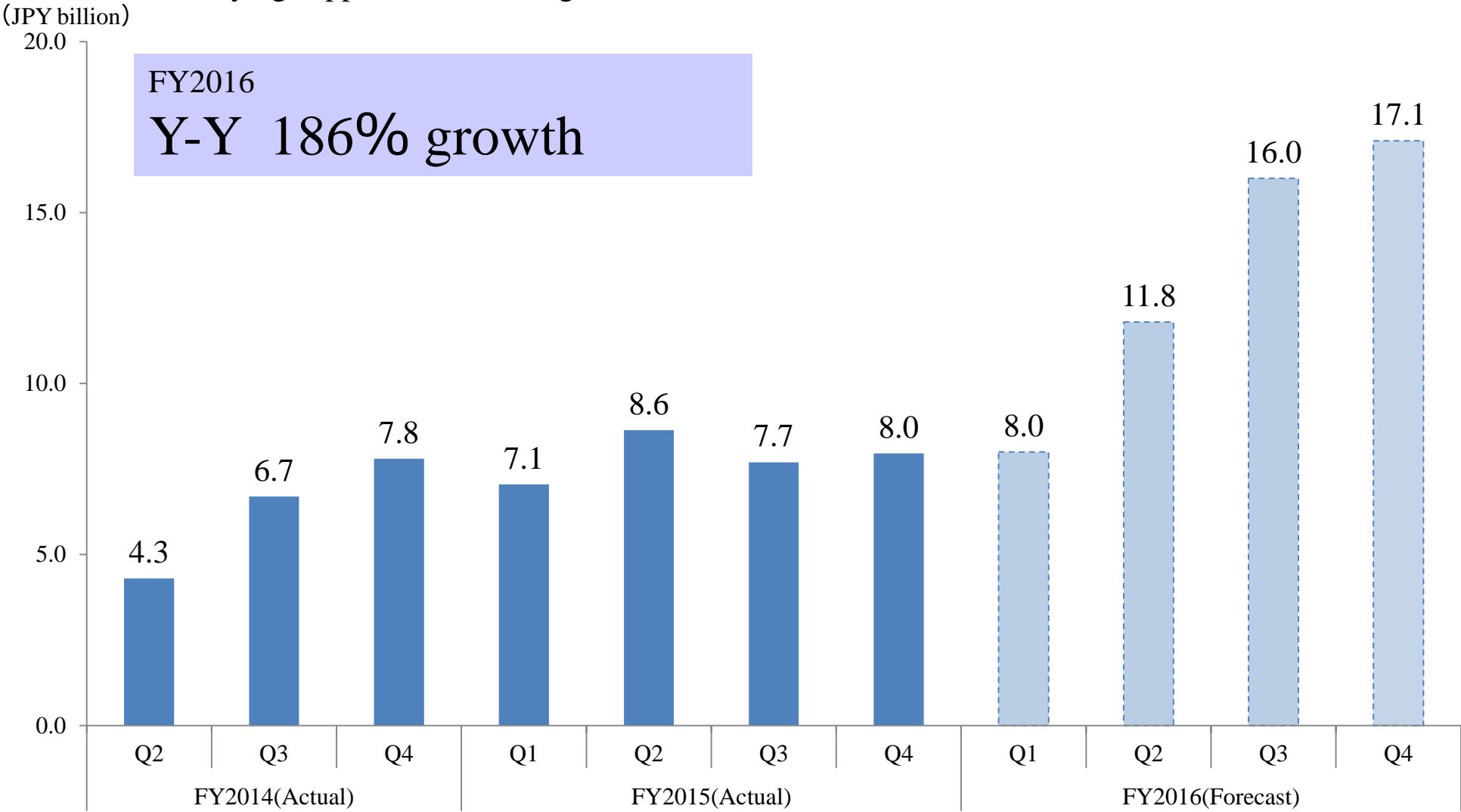


Source: SEGA Networks Company Media Conference 2015 Summer

Forecast of this fiscal year

SEGA Networks : Q-Q Gross Sales

Significant growth is expected for fiscal year ending March 2016 with release of new titles in addition to underlying support from existing titles.



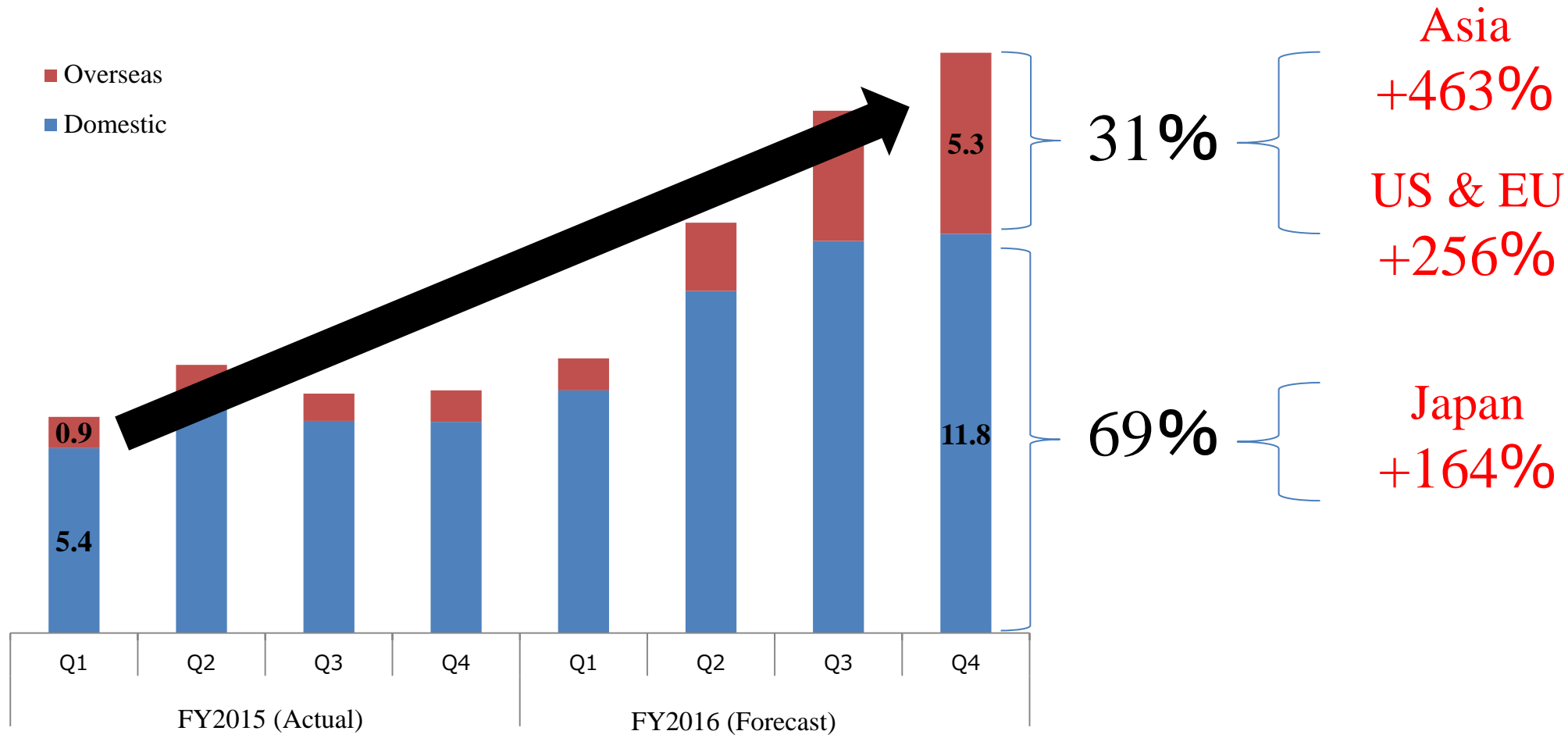
SEGA Networks: Growth in Overseas Sales

Increase in sales is expected for fiscal year ending March 2016 by significantly increasing sales in Asia, Europe and the U.S as well as in Japan over previous fiscal years

(JPY billion)

Composition ratio
of sales

YoY Growth Rate



Domestic Market

Domestic Market Environment (1)

The level of titles in the TOP 50 sales ranking continues to rise along with expansion of the market size.

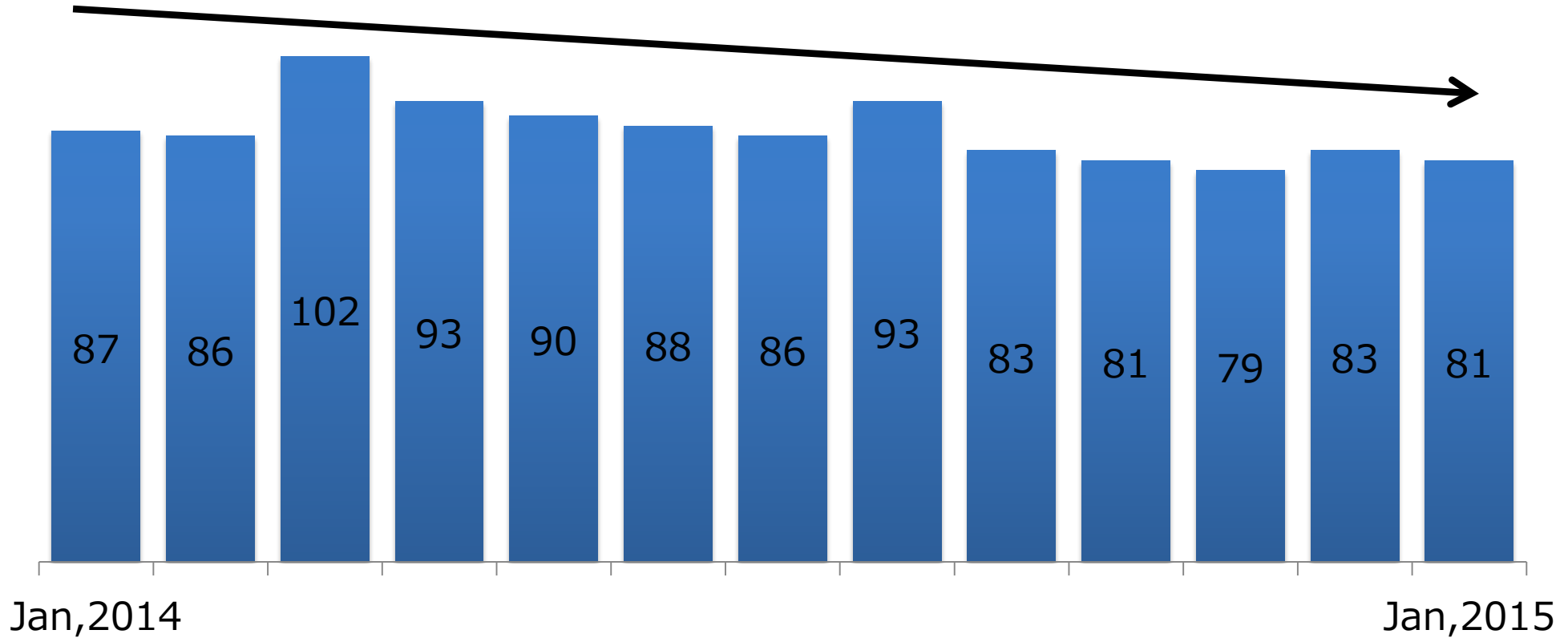
| | 2012 | 2013 | 2014 | 2015 |
|-----------------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Sales Ranking 1st -5th | 50 million ~ 100 million yen | 200 million ~ 1 billion yen | 1 billion yen ~ | 2 billion yen ~ |
| Sales Ranking 6th -10th | 30 million ~ 40 million yen | 100 million ~ 300 million yen | 300 million ~ 500 million yen | 600 million ~ 1 billion yen |
| Sales Ranking 11th -20th | 10 million ~ 20 million yen | 80 million ~ 100 million yen | 100 million ~ 300 million yen | 400 million ~ 600 million yen |
| Sales Ranking 21st -30th | ~10 million yen | 60 million ~ 80 million yen | 80 million ~ 100 million yen | 300 million ~ 400 million yen |

Source data: **metaps®**

Domestic Market Environment (2)

Growth in the number of downloads in the domestic market has been stagnant or on a declining trend for more than a year.

Units: Million of Downloads

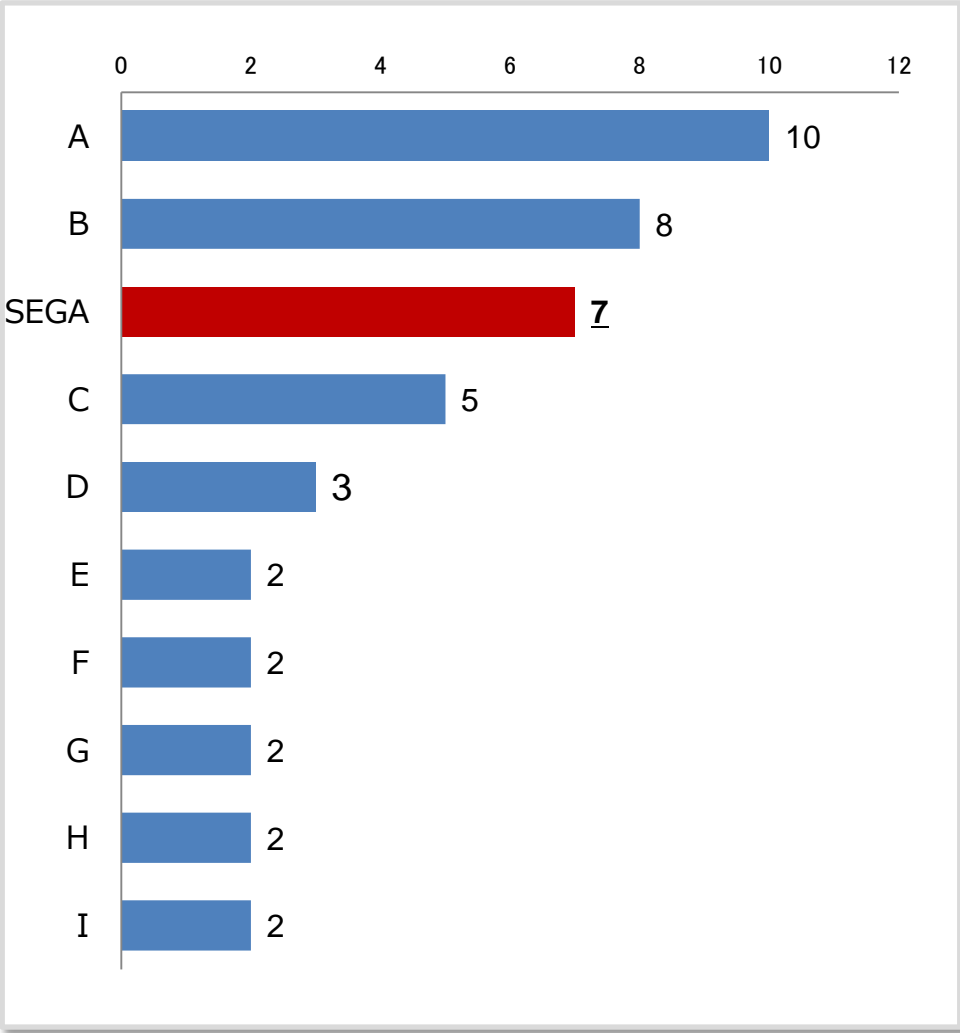


Source data : GameStyle Lab

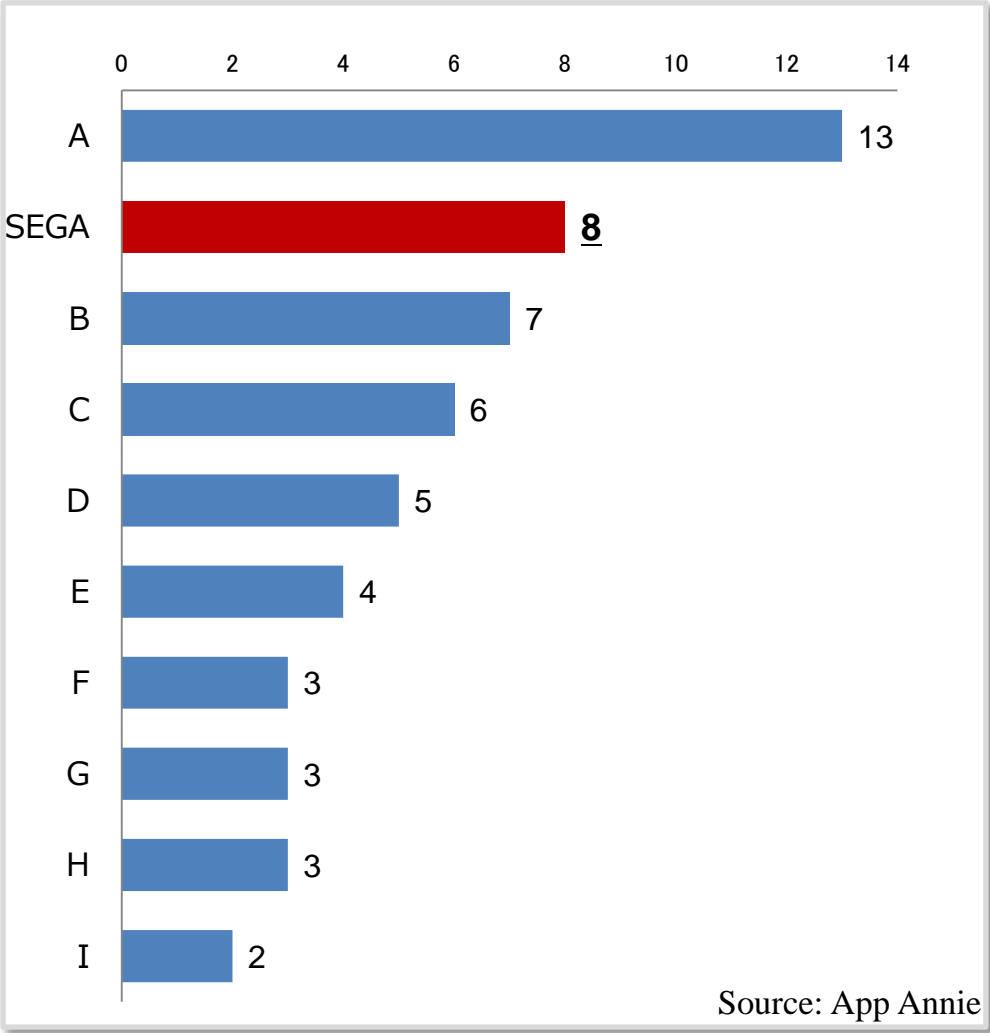
Hit Rate (1) (Number of TOP 50 sales titles: May 2015)

Multiple titles continue to be ranked in top 50 even in the market which has been intensifying.

Google play



App store



Source: App Annie

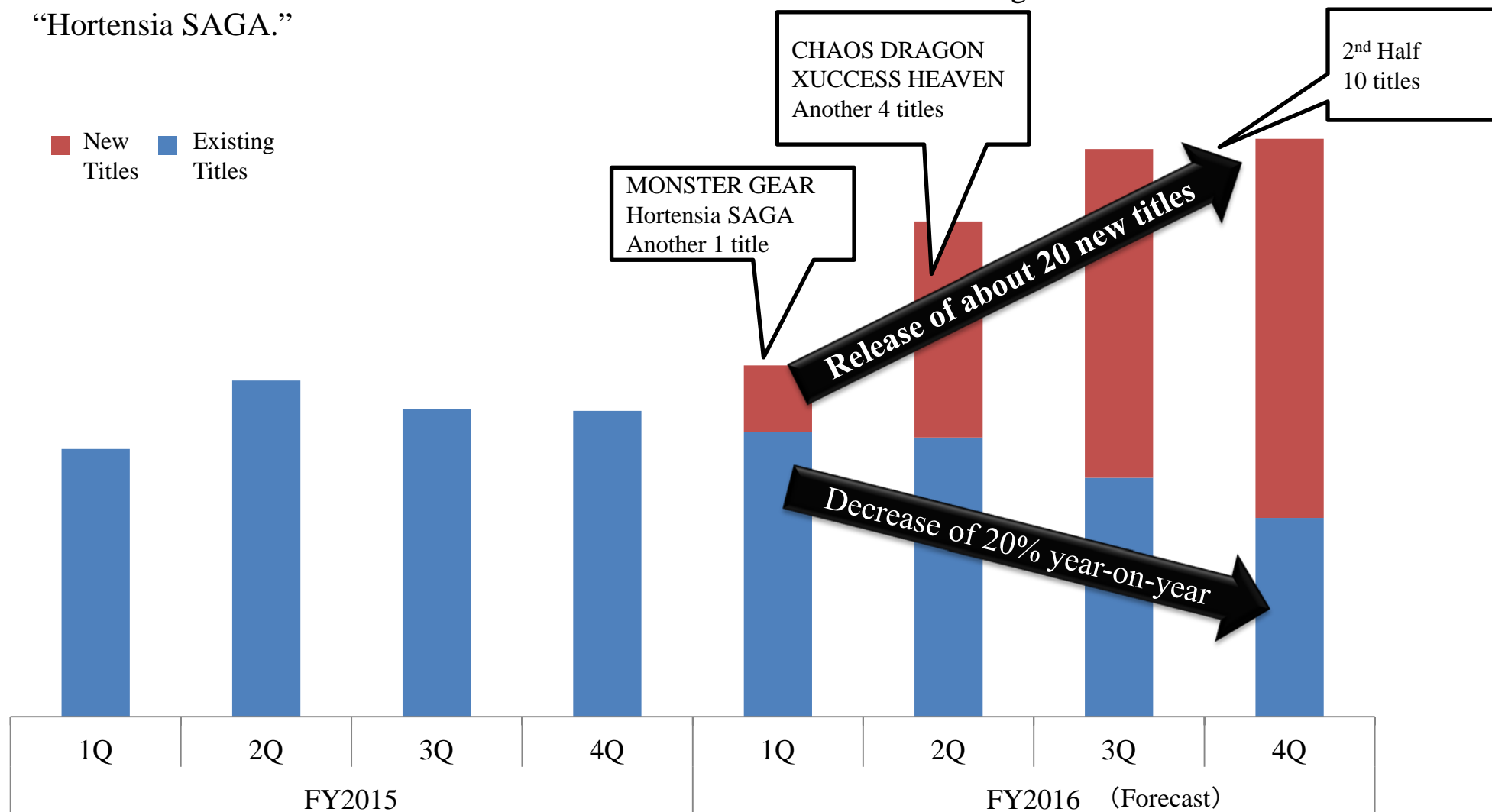
Hit Rate (2) Number of Hit Titles

- On top of already-solidified existing titles, addition of new hit titles has formed one of industry's deepest and most diversified lineup with 9 titles surpassing sales of 100 million yen, out of which 5 have recorded sales of over 500 million yen.
- Release of even more new titles in this fiscal year is expected to further solidify hit titles.

| | | | | | |
|---------|---|--|---|--|--|
| Success | Big hits (Over 500 million yen /month) |  |  |  |  |
| | Hits (Over 100 million yen /month) |  |  |  |  |
| | Likely to be hits (Over 50 million yen /month) |  |  |  |  |
| Failure | Stalling titles (Over 30 million yen /month) |  |  | | |

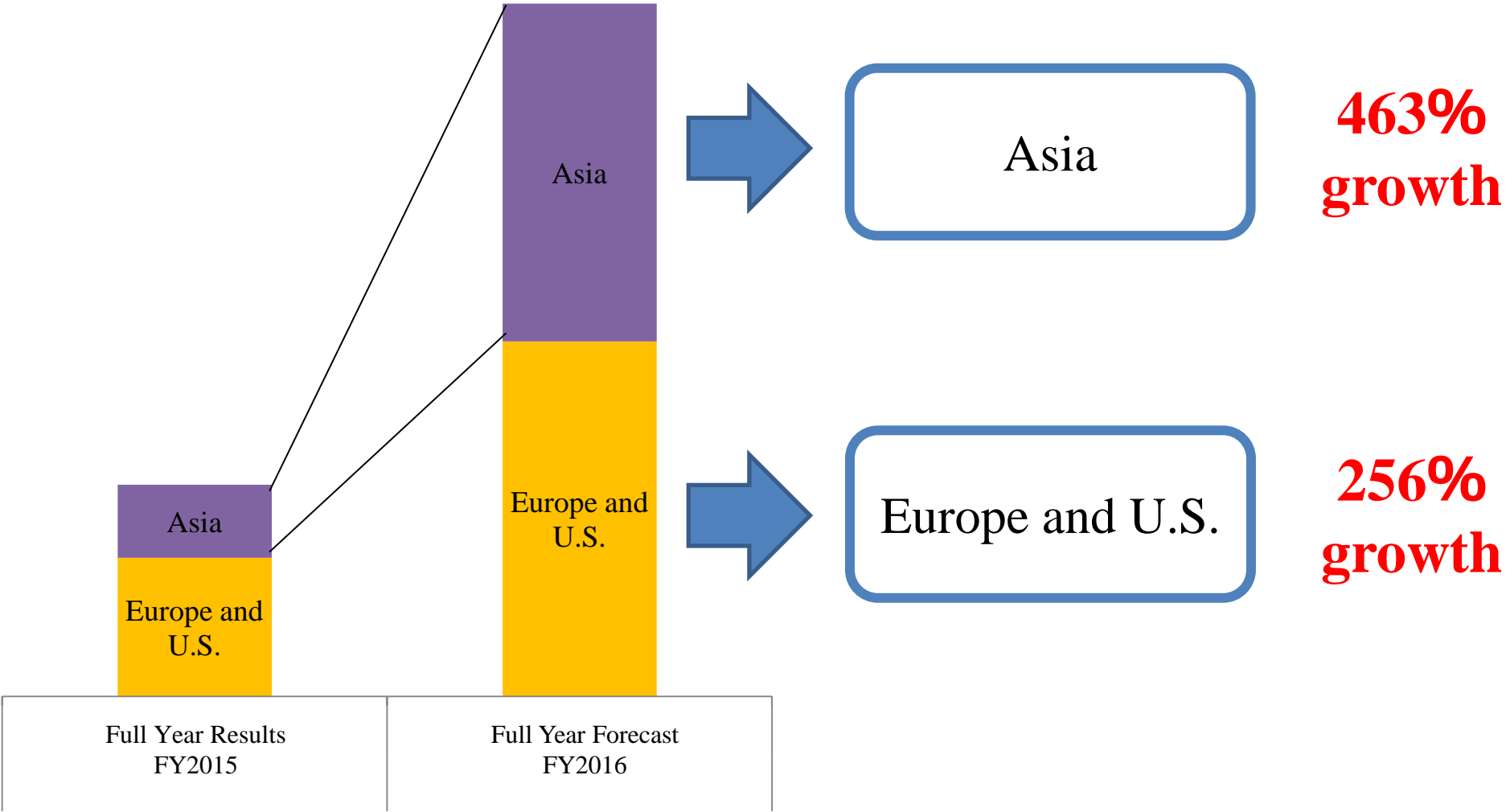
Domestic Business Sales Plan for Current Fiscal Year

- Form a base with lineup of solidified existing titles as did in the previous fiscal year.
(The plan conservatively expects a 20% decrease.)
- Further accumulate sales of the same size with about 20 new titles including “MONSTER GEAR” and “Hortensia SAGA.”



Overseas Market

SEGA Networks: Growth in Overseas Sales



Plans for Current Fiscal Year (1)

Europe and the U.S.

- Focus on development by local development lines
- Implement localization of Japanese titles as needed

Publishing

Development



- New titles: 5
- Existing titles: 7
- Localized titles: Developed as needed

Asia

- Thoroughly localize and proactively provide Japanese titles that have high affinity with Asia
- Also put forth efforts to develop completely new titles for local markets
- Further proactive investment in Asia is planned on top of for Auer Media & Entertainment Corporation, which is the publishing base in regions where traditional Chinese is used.



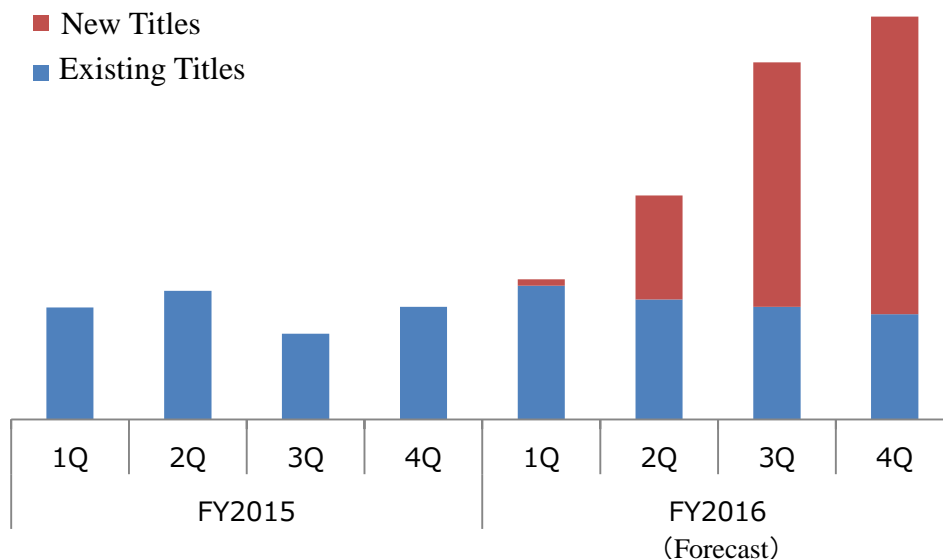
- Localization of Japanese titles
- International joint development of titles exclusively for overseas (Beijing SEGA)
- Original lines of local publishers

- New titles: 1
- Existing titles: 7
- Localized titles: 10

Plans for Current Fiscal Year (2)

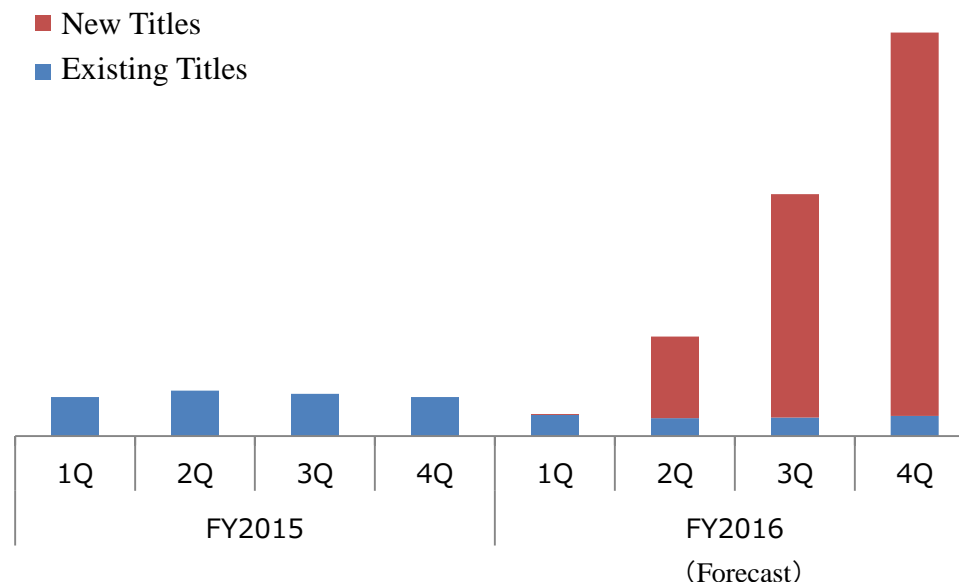
Europe and the U.S.

- New titles are planned to be released sequentially in and after 2Q
- Sales of existing titles to be kept around the same level as the previous fiscal year in line with making Demiurge Studios a wholly-owned subsidiary



Asia

- Localized titles are planned to be released in three Asian regions (regions using traditional Chinese, Hangeul, simplified Chinese) in and after 2Q
- Original titles for local markets are planned to be released in 3Q to further expand sales
- In-house publishing ratio significantly increased from the previous fiscal year in tandem with the investment in Auer Media & Entertainment Corporation, and sales are to increase accordingly



Map of Overseas Bases



NOAH

P A S S

Marketing Support Tool Centering on Mutually Introducing Users among Apps



Free

- Free participation
- Free of charge

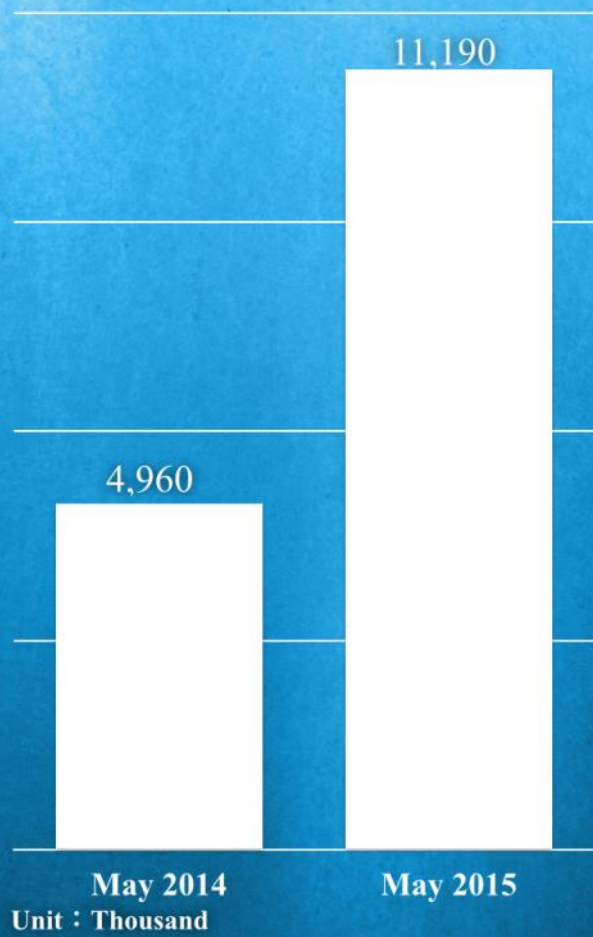
OPEN

- No strategic restrictions
- Participation on a title basis
- Acquisition of company ID and linking with PF are allowed

Effective

- Reduce costs for attracting users
- Improve retention rate/subscription rate
- Use of other services

Source: SEGA Networks Company Media Conference 2015 Summer



Users
100 million YoY 111%

MAU
11.19 million YoY 205%

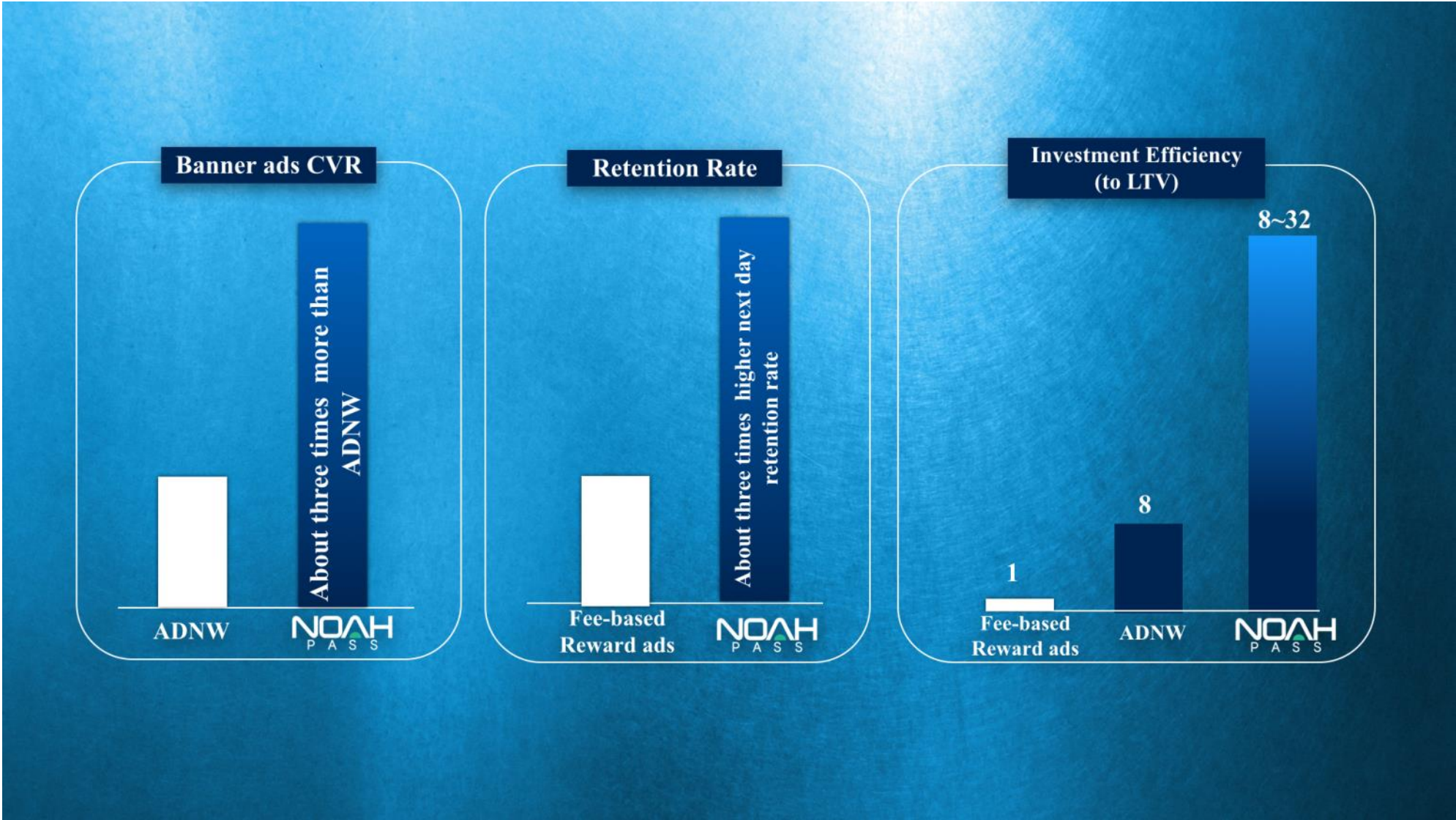
Participating companies
100

Titles
462

*Users : Noah Pass's accumulated active users
*MAU : Monthly Active Users

Source: SEGA Networks Company Media Conference 2015 Summer

Major Index (3)



Source: SEGA Networks Company Media Conference 2015 Summer

Three New Services Launched



DASHBOARD

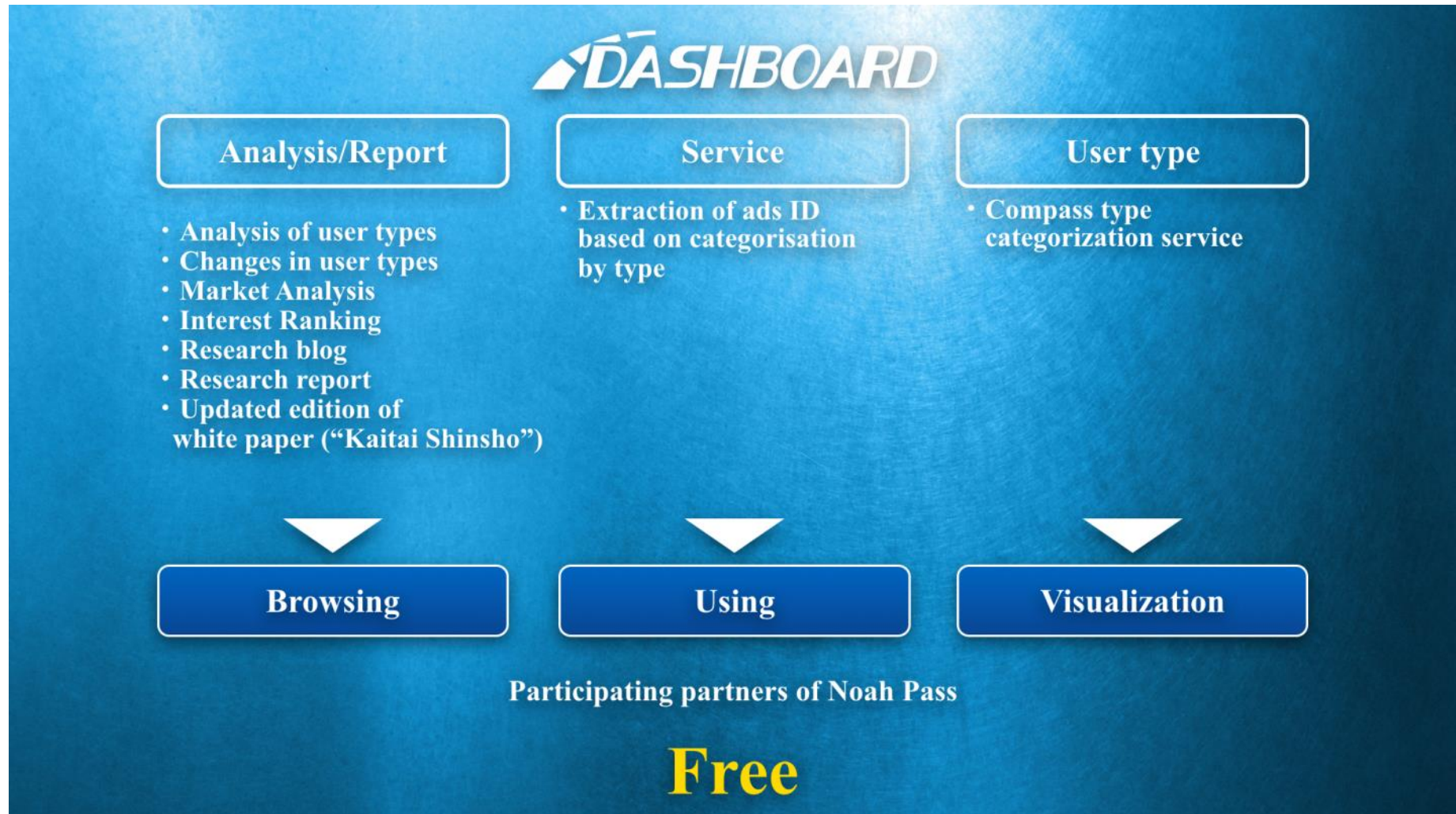


PARTY

Advertising
service
(monetization)

Dashboard

- Initiative to evolve marketing activities of the entire industry into collective intelligence
- Possibility of becoming a BtoB platform that conducts matching with a new service



Source: SEGA Networks Company Media Conference 2015 Summer

- Enable user-initiated event operations
- Further support evolution of UGC, which continuously accelerates/expands



Main functions of PARTY

Easy setting

Friends List

Ranking

Setting incentives in the game

Communication function

*The screen image is an image under development

Source: SEGA Networks Company Media Conference 2015 Summer

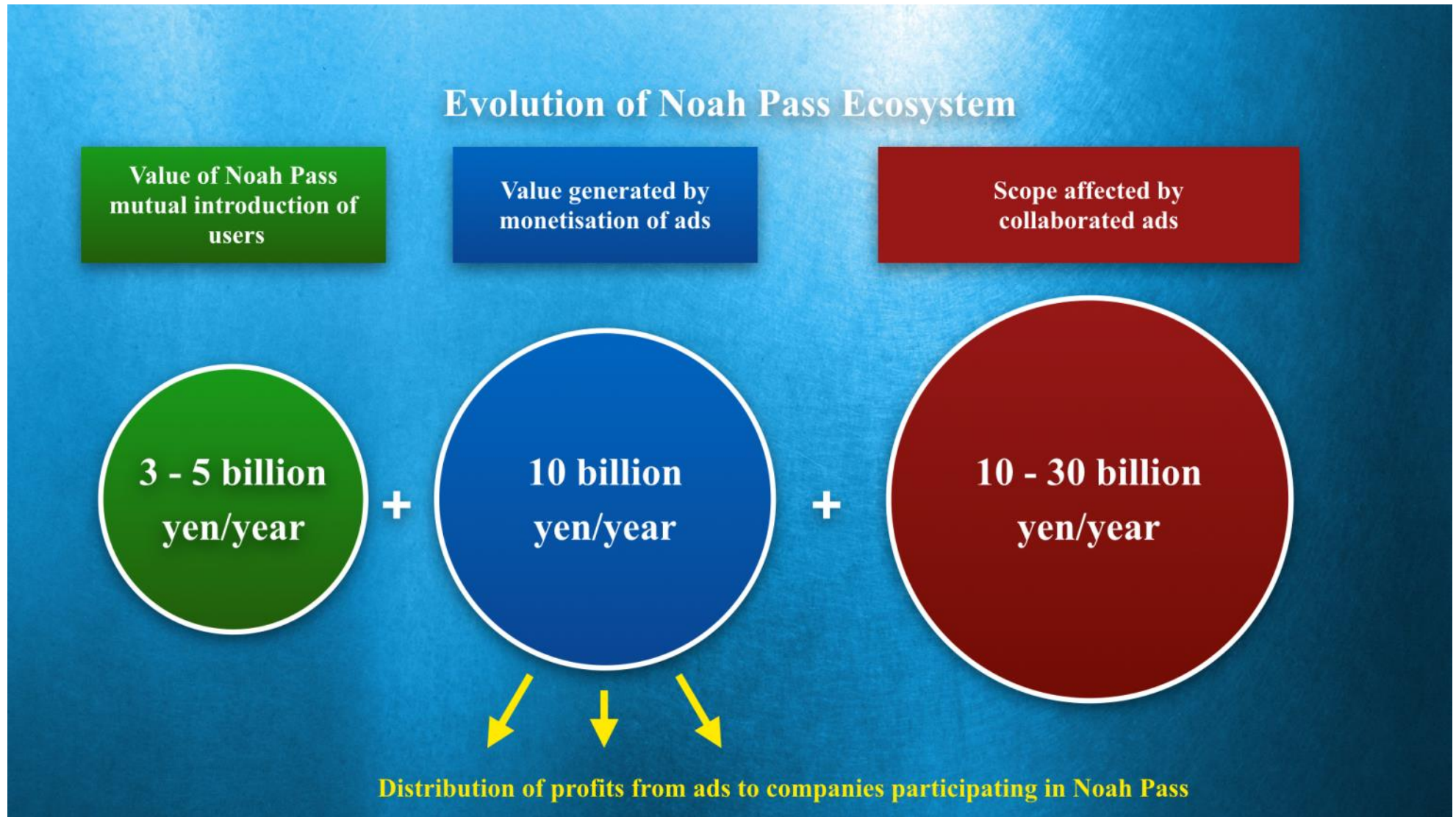


Propose new ways to play by enabling users to organise an event

- Easy Introduction
 - ✓ Implementing format is an SDK format
 - ✓ Even changing designs is possible
- Utilization of traffic
 - ✓ Taking advantage of Noah Pass user pool
 - ✓ Available across apps by logging in with an email address
- Offered free
 - ✓ Free initial cost
 - ✓ Free monthly cost

Source: SEGA Networks Company Media Conference 2015 Summer

Monetization of Noah Pass (1)



Source: SEGA Networks Company Media Conference 2015 Summer

Introduction of partners of Noah Pass

metaps[®]

 DATASECTION

 C4ZE INC.


CyberAgent



 ADWAYS

 MicroAd[®]


COMMUNICATIONS

 UNITED

GMO COMMERCE



CA Reward[®]

Source: SEGA Networks Company Media Conference 2015 Summer