

SEGA SAMMY REPORT 2015 WINTER

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Business Report for the six months ended September 30, 2015

Winter Edition

From April 1, 2015 to September 30, 2015

SEGA SAMMY in 2015 Interim

Net sales

First half

¥154.3 billion
(down 2% year on year)

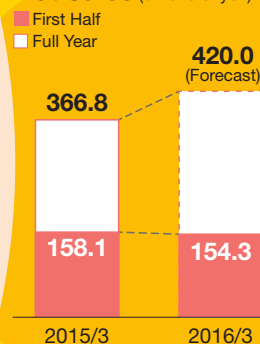
Operating income

First half

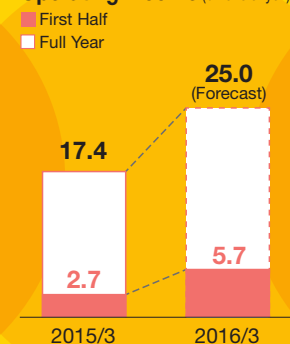
¥5.7 billion
(up 111% year on year)

In the Pachislot and Pachinko Machines Business, although we launched mainstay titles such as *Pachislot Hokuto No Ken Tomo* and *Pachinko CR Shin-Juoh 2*, sales decreased due to a year-on-year decrease in unit sold. On the other hand, earnings increased due to sales of profitable mainstay titles in the Pachislot and Pachinko Machines Business, effects of cost reduction in the Entertainment Contents Business and reduced R&D costs by no such mainstay titles as released in the same period of FY 2015 in the packaged game area and the amusement machine sales area. Also, we recorded an extraordinary loss of ¥2.3 billion including early extra retirement payments accompanying structural reforms in TAIYO ELEC Co., Ltd, a group subsidiary. However, as personnel expenses will decrease and efficiency of the production system and development system will advance, we expect to reduce fixed costs by approximately ¥2.0 billion per year from the next fiscal year onwards.

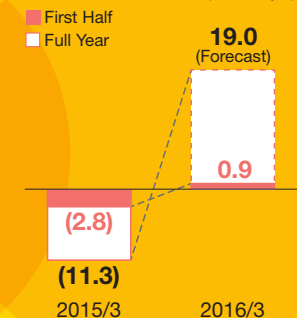
Net Sales (billions of yen)



Operating Income (billions of yen)



Profit Attributable to Owners of Parent (billions of yen)



- * From the fiscal year ending March 31, 2016, we have changed our accounting standards for net sales from shipment basis to delivery basis.
- * Along with our change in accounting policy, we have reflected the contents of retrospective calculations from the fiscal year ended March 31, 2015.
- * In accordance with the application of the revised "Accounting Standards for Business Combinations," "net income" was renamed to "profit attributable to owners of parent."

Average MAU of the digital game area

Average for the April to June period in 2015

5.49 million users

Average for the July to September period in 2015

7.34 million users

MAU (Monthly Active Users) is utilized as an index that shows the number of users who were active at least once a month, and effectively represents the actual state of use among users. In the first half of the fiscal year ending March 31, 2016, due to an increase in new game titles for smartphones, the three-month average of MAU exceeded 7 million users. Also, cumulative downloads exceeded 280 million, showing that our presence in the market is steadily increasing.

Unit sales of pachislot machines

First half of FY2015

93 thousand units

First half of FY2016

70 thousand units

In the Pachislot and Pachinko Machines Business, unit sales of pachislot machines in the first half of the year decreased year on year as the launch schedule for new titles slid into the second half of the year. Although we are planning sales of several titles including mainstay titles for the third quarter onwards, we need to assess the sales prospects of Pachislot and Pachinko carefully because there is a potential of sluggishness for unit sales of new machines in response to the current market environment.

Please see page 13 for detailed financial information. >>>

Business Segments of SEGA SAMMY

The Group's affiliated companies were restructured into three business groups from April 2015. The Company will enhance management efficiency while promoting faster decision-making, improving efficiency in areas with overlapping functions, creating a structure to enable appropriate investment of management resources and responding to changes in the business environment.

Main pillar of the Group's revenue

Pachislot and Pachinko Machines Business

Net Sales
¥56.6 billion (down 7% year on year)

Operating Income
¥8.5 billion (up 21% year on year)

■ Description of business Pachislot / pachinko



Pachinko CR Hokuto No Ken 6 Ken-ou
 ©Buronson&Tetsuo Hara/NSP1983
 ©NSP2007, Approved No.YDA-108
 ©Sammy



Pachislot Hokuto No Ken Tomo
 ©Buronson&Tetsuo Hara/NSP1983
 ©NSP2007, Approved No.YFC-128
 ©Sammy

Short- to medium-term growth area

Entertainment Contents Business

Net Sales **¥90.2 billion** (-)

Operating Income **¥1.5 billion** (up 150% year on year)

■ Description of business Smartphone games / console games (PS4, Xbox One, Wii U, 3DS, etc.) / amusement center machines / amusement center and darts bar operation/ films and animation / toys / casino machines



CHAIN CHRONICLE - Kizuna no Shintairiku
 ©SEGA



Ryu ga Gotoku 0: Chikai no Basho
 ©SEGA



LUPIN THE 3rd Original comic books created by Monkey Punch
 © Monkey Punch All rights reserved
 © TMS All rights reserved



UFO Catcher 9
 ©SEGA



KidsBee Kohoku-Minamo
 ©SEGA ENTERTAINMENT Co. Ltd.



SPOON PETS
 © SEGA TOYS

Medium- to long-term growth area

Resort Business

Net Sales
¥7.4 billion (up 12% year on year)

Operating Loss
¥1.2 billion (-)

■ Description of business Hotels / golf courses / theme parks / overseas casinos operation



TOKYO JOYPOLIS
 ©SEGA



Conceptual image of PARADISE CITY in Incheon, South Korea when it is complete
 ©WATG

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



A Message from Management



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 Holdings Co., Ltd.

Hajime Satomi

Dear Shareholders,

During the first half of the fiscal year ending March 31, 2016, the gradual recovery of the overall Japanese economy continued despite a lackluster performance in certain respects, as evidenced by such developments as improvement of both corporate earnings and the labor market due to the effects of monetary and fiscal policies. With regard to individual consumption, in general, consumption levels have not fallen owing to steady improvements in both the employment environment and personal incomes. However, attention should be paid to the risk of downward pressure on the Japanese economy, caused by factors such as a downswing in Chinese economy and other overseas economies, and fluctuations in financial and capital markets. Thus, a full recovery of the economy will require more time. 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 all business fields and becoming the No. 1 comprehensive global entertainment companies.” We look forward to your continued support in our endeavors.

December 2015

Q. Please look back and evaluate the first half of the fiscal year ending March 31, 2016.

Looking at the results for the first half of the fiscal year ending March 31, 2016, consolidated net sales decreased 2% year on year to ¥154.3 billion, operating income increased 111% year on year to ¥5.7 billion, ordinary income increased 123% to ¥5.8 billion, and profit attributable to owners of parent was ¥0.9 billion (net loss of ¥2.8 billion in the same period of the previous fiscal year). Sales decreased and earnings increased, primarily because in the Pachislot and Pachinko Machines Business, while unit sales decreased year on year, there were sales of highly profitable mainstay titles, and in the Entertainment Contents Business, effects of fixed

cost reductions were showing, and development costs were reduced as no mainstay title was launched in the packaged game area and amusement machine sales area. Note that while extraordinary loss of ¥2.3 billion was recorded at TAIYO ELEC Co., Ltd., a Group subsidiary, including early extra retirement payments associated with the implementation of structural reform, a reduction of fixed costs of approximately ¥2.0 billion per year is expected starting from the next fiscal year onwards, as a result of reduction in personnel costs and improved efficiency in the production system and development system.

Q. Please tell us about the outlook for the fiscal year ending March 31, 2016.

Regarding the Pachislot and Pachinko Machines Business, in the pachislot market, operation of titles that conformed to standards prior to the changes in operation methods of model testing implemented by the Security Communication Association in the previous year continue to perform favorably. Replacement demand for pachislot machines is therefore projected to be generally sluggish, and as a result, market conditions are expected to be severe in the short term. Furthermore, with regard to pachinko machines, while it must be said that factors leading to an unstable market environment still lingers, the SEGA SAMMY Group will put all its effort into sales of titles in the second half and link this to results in the next fiscal year and beyond.

With regard to the new regulatory trend, we believe that it is a strategy to moderate the gambling element of both pachinko and pachislot, and expand the scope of the user base. On the other hand, the

market environment is expected to become severe in the short term from fall away of core users and restrained purchase of new machines by parlors. However, we believe that if we make full use of the SEGA SAMMY Group's diverse and extensive IP product line and industry-leading development capabilities, there is ample possibility to revitalize the industry once more by attracting end users even in the new regulatory environment. We will continue working towards our aims of securing an overwhelmingly large share in the next-generation pachislot market, and capturing the top share in the pachinko market.

In the digital game area of the Entertainment Contents Business, although the market continues on an expansion trend, the competitive environment in Japan is intensifying. Therefore, the product quality level demanded by users is rising, and the development period tends to be even longer than in the past.

The SEGA SAMMY Group has some titles whose

launch schedule has been delayed from the initial plan too, and some titles that have not been as well-received as initially expected. Furthermore, apart from digital games, the launch of mainstay titles are behind schedule in the packaged game area and the amusement machine sales area as well, and we are therefore moving ahead with preparations for accelerated launch of titles in order to mitigate this impact.

Going forward, we believe that we need to implement and assess the effects of initiatives to further strengthen earnings, through measures such as further enhancing the product line in the digital game area, holding various events for existing titles and

carrying out major updates aimed at improving the game element.

Results Forecasts

Unit: billions of yen	Year ended March 31, 2015 Results	Year ending March 31, 2016 Forecast (announced on May 11, 2015)	Change (%)
Net sales	366.8	420.0	+15
Operating income	17.4	25.0	+44
Ordinary income	16.8	25.0	+49
Profit attributable to owners of parent	(11.3)	19.0	—

Q. Please tell us about the future efforts of the structure reform.

The structure reform we implemented up to last year had been focused on reform of the cost structure, mainly reduction of fixed costs, but in the next step, we intend to carry out reforms on the Group's business structure.

As for its first step, we have decided to turn around the business structure in the Pachislot and Pachinko Machines Business by proceeding with integration of various functions that had been dispersed throughout the business.

Primarily, we will radically change the development

and production mechanisms by concentrating our development and production systems at Sammy Corporation, the core company. In this way, we aim to increase profitability while raising the standard for selection of titles for development and unit sales per title.

Furthermore, taking the current initiatives in the Pachislot and Pachinko Machines Business as a precedent, we will move forward with turnaround of the business structure across all Group companies in the future. We will look not just at the short-term profitability, but also comprehensively gauge the

market environment, position, and future growth potential of each Group company, and ascertain what kind of mission each Group company can fulfill within the SEGA SAMMY Group. In this environment, our challenge going forward will be to proceed with creation of a full-fledged plan for structural reform, while moving ahead with classification of these businesses into "growth businesses," "businesses to maintain as earnings supporters," and "reduction/exit businesses."

Q. Please give a final word to our shareholders.

Our basic policy is to work on improving profitability and 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 busi-

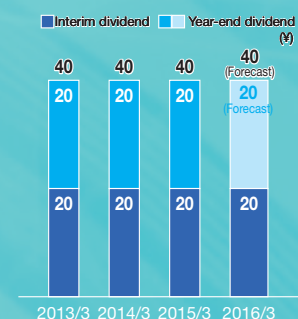
ness growth. For the fiscal year ending March 31, 2016, we plan to pay an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, resulting in a full-year cash dividend of ¥40 per share.

We ask for the continued support of our shareholders in the Company.

Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on November 2, 2015, to pay an interim dividend for FY2016.

- **Interim dividend of ¥20 per share**
Year-end dividend of ¥20 (forecasted) for total full-year cash dividends of ¥40 (forecasted).
- **Effective date (payment start date)**
December 1, 2015



Pachislot and Pachinko Machines Business



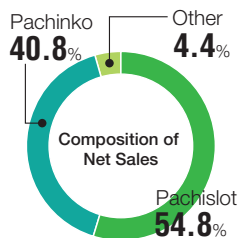
Net Sales
¥56.6 billion
 (down 7% year on year)

Operating Income
¥8.5 billion
 (up 21% year on year)

Initiatives and results for the first half of the fiscal year ending March 31, 2016

Market Condition

Pachinko parlor operators have taken a cautious stance towards replacement of pachislot machines with new machines that correspond to the change in the operation methods of model testing by the Security Communication Association, which conducts model testing of pachinko and pachislot machines, and purchasing by parlors has tended to concentrate on titles with successful track records. Thus, replacement demand for new pachislot machines was relatively weak. Replacement demand for pachinko machines remained strong, centering on major titles. However, in order to revitalize the market going ahead, it is essential to develop and supply machines that are compliant with various voluntary regulations and capable of appealing to a wide range of end users.



Results

Although unit sales of both pachislot and pachinko machines decreased year on year, sales of highly profitable mainstay titles contributed to performance, and operating income increased by 21% year on year.

Primary Topics

- Pachislot unit sales totaled 70 thousand, a decline compared to 93 thousand units in the same period in the previous year, in spite of releasing titles such as *Pachislot Hokuto No Ken Tomo*, the latest title in the *Hokuto No Ken* series, which itself produced the greatest hit model in history and *Pachislot BAYONETTA*.
- For pachinko machines, we released titles such as *Pachinko CR Shin-Juoh 2*, the latest title in our original IP, the *Juoh* series, as well as *Pachinko CR TOMORROW'S JOE*, and although pachinko machines recorded sales of 79 thousand units, unit sales declined compared to 82 thousand units in the same period in the previous year.

Key Points for the Full Year Forecast **Net Sales ¥167.0 billion** **Operating Income ¥23.0 billion**

- While multiple titles are planned to be launched, including mainstay titles, sales of new machines are expected to remain weak in the short term.
- In addition to the major title *Pachislot Onimusha3 Jikuu Tenshou*, multiple titles are planned for release.
- Multiple titles such as *Pachinko CR Hokuto No Ken 6 Tenshou Hyakuretsu* and *Pachinko CR HARLOCK:SPACE PIRATE* are planned for release.

Resort Business



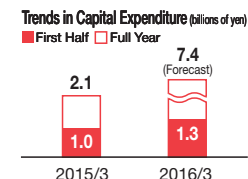
Net Sales
¥7.4 billion
 (up 12% year on year)

Operating Loss
¥1.2 billion
 (—)

Initiatives and results for the first half of the fiscal year ending March 31, 2016

Market Condition

Thanks to the increase in the number of foreign visitors spurred by the weak yen, an upward trend in hotel occupancy rates is still evident and net sales of amusement parks and theme parks continue to exceed the previous year's levels.



Results

We have continued upfront investment aimed at entry into the integrated resort area. Performance of TOKYO JOYPOLIS was strong, with a year-on-year increase in both the number of visitors and spending per customer, and performance of Phoenix Seagaia Resort was also strong due in part to long-term use as the training camp location of the Japanese national rugby team. As a result, sales increased and losses were reduced year on year.

Primary Topics

- We carried out various initiatives, such as a collaboration with the popular comic book series *ATTACK ON TITAN*, at the indoor theme park TOKYO JOYPOLIS.
- At the nature simulation museum *Orbi Yokohama*, we implemented the new program *ROXY'S ISLAND ADVENTURE* and summer vacation events.
- Sheraton Grande Ocean Resort*, the core facility of the *Phoenix Seagaia Resort*, has been designated a "Sheraton Grand" hotel. The title is awarded to exceptional hotels selected from among *Sheraton* hotels worldwide. We conducted summer vacation events and promotional activities targeted at the silver week.
- In July 2015, we opened *QINGDAO JOYPOLIS* in Qingdao, China.

Key Points for the Full Year Forecast **Net Sales ¥18.0 billion** **Operating Loss ¥3.5 billion**

Although an increase in sales is expected, we project the operating loss to increase as we are in the phase of advancing upfront investment aimed at realizing the integrated resort business.

- At the *Phoenix Seagaia Resort*, we held the 2015 *Dunlop Phoenix Tournament* and implemented various other promotional activities.
- We enhanced our contents at TOKYO JOYPOLIS, such as by collaborating with the *Tokyo Ghoul* series.
- At *Orbi Yokohama*, we held Halloween events and winter vacation aurora-viewing events, as well as developing "Kids' Birthday Party" events.
- We made progress in the construction of *PARADISE CITY*, our integrated resort in South Korea that is planned for an opening in the first half of 2017.

Entertainment
Contents BusinessSENGOKU-TAISEN
©SEGARyu ga Gotoku 0: Chikai no Basho
©SEGALUPIN THE 3rd
Original comic books created by Monkey Punch
© Monkey Punch All rights reserved
© TMS All rights reserved

CHAIN CHRONICLE – Kizuna no Shintairiku ©SEGA



Net Sales
¥90.2 billion

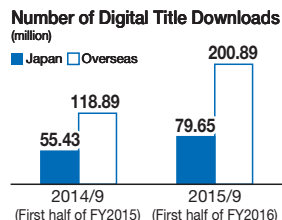
Operating Income
¥1.5 billion
(up 150% year on year)

(-)

Initiatives and results for the first half of the fiscal year ending March 31, 2016

Market Condition

- ▶ The smart device digital gaming market will continue to grow moderately, but on the other hand, competition will also intensify. Since higher quality contents are in demand, the development period is tending to grow longer than ever before.
- ▶ While the tough market environment for packaged games continues, there is growing expectation of growth in the domestic market with the spread of new generation hardware.
- ▶ As the trend towards contraction of the amusement centers and machines market continues, initiatives towards expanding our user base are required.



Primary Topics

- ▶ In the digital game area, existing titles such as *PHANTASY STAR ONLINE 2*, which was released more than 3 years ago, as well as the titles for smart devices *CHAIN CHRONICLE – Kizuna no Shintairiku* and *Puyopuyo!! Quest* showed steady growth.
- ▶ Several new titles got off to a good start, including *Hortensia SAGA*, *MONSTER GEAR*, and *Sen-no-kaizoku*, and the number of titles in our product line is steadily expanding.
- ▶ In addition to a strategic revision of our title launch period in order to respond to intensifying competition in the market, the performance of *Football Manager Online* in South Korea and some mobile titles fell below expectations. As a result, performance in the digital game area fell short of initial plans.
- ▶ Although the packaged game area fell short year on year with 3.28 million units sold due to sales centering on repeat titles, repeat sales were stronger than the planned figures primarily overseas for titles launched in previous years or earlier.
- ▶ Amusement machines recorded increased earnings from strong sales of the CVT kit for *StarHorse3 Season III CHASE THE WIND* and the new music game *CHUNITHM*.
- ▶ Regarding amusement centers, sales at existing amusement centers in Japan were strong at 102.2% year on year, with increases in both sales and earnings. This was due to operation reinforcement efforts, such as the giving out of prizes, at existing amusement centers.
- ▶ In the animation and toy area, the animation business recorded distribution income from *Detective Conan: Sunflowers of Inferno*, as well as license and merchandise income from the television series *Yowamushi Pedal*. The toy business mainly carried out sales of classic products.

Results

- **Earnings increased as the amusement center operations area showed strong performance, effects of fixed cost reductions were showing, and development costs were reduced as no mainstay title was launched in the packaged game area and amusement machine sales area.**

Key Points for the Full Year

Forecast Net Sales **¥235.0 billion** Operating Income **¥11.5 billion**

- **While a variety of events and updates were conducted in the digital game area, recording of operating expenses that were not incurred in the first half of the year is expected in the packaged game area and amusement machine sales area.**
- ▶ In the digital game area, we are further strengthening our product line with the offering of new titles such as *YUMEIRO CAST* and *The World End Eclipse*.
- ▶ As we implement measures such as holding various events related to existing titles and major updates with the aim of improving the game element, we will assess our future operational status.
- ▶ In the packaged game area, while we plan to launch new titles including major titles such as *Football Manager 2016* and *Ryu ga Gotoku KIWAMI*, we will revise the launch period of some mainstay titles.
- ▶ In amusement machines, we will launch new products for a broad user base and market, including *Nailpuri*.
- ▶ We expect increased sales year on year at amusement centers through improved efficiency of existing store operations. On the other hand, we will also invest in the development of new store formats.
- ▶ In the animation and toy area, we will continue developing the business by centering on services regarding our regular and mainstay products.

SEGA® Start of the New SEGA Group

In accordance with the Group structure reform, the new SEGA Group was launched in April 2015. Through Continuing to Create Moving Experiences for our customers and the construction of new business models, the new the the SEGA Group will transform into a “Game Changer” that redefines games, industries, and lifestyles in the world, and realize sustainable growth in the earnings of the Group.

On April 1, 2015, upon the launch of the new SEGA Group, the SEGA Group formulated a Group Value we must cherish, a Mission we must accomplish, and a Vision that the SEGA Group should strive for.

The SEGA Group was once a group that had a significant impact on lifestyles of people around the world. Each and every employee of the SEGA Group shall once again become a Game Changer, or a revolutionary who creates products that would move people’s hearts, and provide all kinds of entertainment.

To mark this occasion, we have presented the resolution of the SEGA Group in a video and published it on our website. Please watch it when you have the chance.



<http://mission-vtr.sega.jp/>

Group Value
Creation is Life

Mission
Continuing to Create Moving Experiences

Vision
Be a Game Changer.

Digital Game Area

Growth expected in our core business, the digital game area!

In the digital game area, we are rapidly heightening our market presence, through the combination of the SEGA Group’s abundant development resources and group of experts on business model construction.

Smartphone Games Area

- CHAIN CHRONICLE – Kizuna no Shintairiku and Puyopuyo!! Quest have entered their third year of service. Going forward, we have planned a series of releases of additional contents.
- New titles including Hortensia SAGA, MONSTER GEAR, and Sen-no-kaizoku were launched and performed well.



Puyopuyo!! Quest
©SEGA



CHAIN CHRONICLE – Kizuna no Shintairiku
©SEGA



MONSTER GEAR
©SEGA



Hortensia SAGA
©SEGA/14samurai



Sen-no-kaizoku
©SEGA

PC Games Area

- With the release of the PlayStation®4 version of online network RPG, PHANTASY STAR ONLINE 2, which is in its third year of operations domestically, and the decision to start offering Reborn: EPISODE 4 in 2016, there continues to be many exciting developments in this area.



PHANTASY STAR ONLINE 2
©SEGA

Overseas Expansion

- The goal of SEGA Networks Company is to enter the “Global Top 3.” Our policy is to raise the ratio of overseas sales in SEGA Networks Company from 10% in the fiscal year ended March 31, 2015 to 50% at an early stage.



Packaged Game Area

In home video games, we have abundant development resources and numerous strong IPs that have become the foundation for building the SEGA brand, including *Sonic*, *Ryu ga Gotoku*, *Hatsune Miku: Project DIVA* series, and *Persona*. We are promoting diversification of earnings opportunities through improving investment efficiency by narrowing down developing titles and converting IP for packaged games to digital games. Recently, we have announced *Ryu ga Gotoku Kiwami*.



Persona5
©ATLUS ©SEGA All rights reserved.



Ryu ga Gotoku Kiwami
©SEGA



Hatsune Miku: Project DIVA X
© SEGA / © Crypton Future Media, INC. www.piaapro.net **piapro**

Amusement Machine Sales Area

The amusement machine sales area, which develops and sells large machines for amusement centers, has a history of over 50 years. It has created many products that were industry-firsts and world-firsts and holds on strongly to the leading position in the industry even today. In summer 2015, operations started for our new music game *CHUNITHM*, which offers a brand new sensation, and the hit children's title *Shin Kouchuujya MUSHIKING*.



Shin Kouchuujya MUSHIKING
©SEGA

New

New

Naipur
©SEGA

UFO Catcher 9
©SEGA

Amusement Center Operations Area

We develop machines and formats supporting a broad user base in cooperation with the amusement machine sales area, and provide entertainment at 198 locations across Japan through the operation of amusement centers. Recently, we have also begun operating the new family-oriented facility KidsBee, targeting three generations of family together.



KidsBee Kohoku-Minamo
©SEGA ENTERTAINMENT Co. Ltd.



SEGA SONIC RAILWAY
©SEGA



SEGA LaLaport FUJIMI
©SEGA ENTERTAINMENT Co. Ltd.

Animation Film and Toy Area

We have built up a unique position, carrying out production of films and animation that make use of our wealth of assets in the business, and producing toys centered on child-oriented toys, as well as educational toys and toys targeted at adults in the toy business. We also produce famous films and animation including *Detective Conan* and *LUPIN THE 3rd*, and handle film production and toy sales of the ever popular children's animation *Anpanman*.



DETECTIVE CONAN: SUNFLOWERS OF INFERNO
©Gosho Aoyama / Detective Conan Committee All Rights Reserved



Jewel Watch
©'08, '15 SANRIO / SEGA TOYS
S-S / TX-JLPC



Anpanman Uncle Jam's Bakery
©Takashi Yanase / Froebel-kan,TMS.NTV



Looking back with a “Key Person” Review of Activities up to the Second Quarter



Tomo, latest title in the Pachislot Hokuto No Ken series, began operations on September 7!

Operations began on September 7, 2015 for *Pachislot Hokuto No Ken Tomo*, the latest title in the *Pachislot Hokuto No Ken* series, which recorded the highest number of unit sales in pachislot history with the launch of its first generation title in 2003. This machine was developed as the culmination of the series with “inheritance of the classic” and “evolution of the classic” as its concepts. In addition to inheriting the most beloved gameplay in pachislot history from the first generation *Pachislot Hokuto No Ken*, and expanding upon the gameplay of the previous title *Pachislot Hokuto No Ken Chapter of Resurrection*, its unique housing livens up the story and offers immersive play, which features Shichisei Lamp that flashes with the stars of the Big Dipper, and the Shichosei Gimmick.



Pachislot Hokuto No Ken Tomo
©Buronson&Tetsuo Hara/NSP1983
©NSP2007, Approved No.YFC-128
©Sammy

KEY PERSON

A word from **Satoshi Sawada**, Chief Producer, Research & Development Division PS Section 2, Sammy Corporation



As both the specifications and system are based on the concept of rebuilding “the classic,” we deliberately chose to use existing videos when creating this machine, brushing them up and incorporating ease of understanding and ease of play. Reel controls revived “Nakaoshi,” which was not available in Resurrection, making Tomo’s slot patterns reminiscent of the first generation game. Players can enjoy not only elements of “the classic,” but also extra chances of winning with the addition of a chance zone that links the normal system and the new housing. We aimed for a “brand new feel” by enhancing the system for continuous battles and adding another layer of fun new elements to the machine. I hope you will enjoy playing *Pachislot Hokuto No Ken Tomo*, which is a fusion of elements of “the classic” and has a “brand new feel.”



This year’s newly released titles start strong! Keep an eye on Hortensia SAGA, MONSTER GEAR and Sen-no-kaizoku!

SEGA Games SEGA Networks Company’s product line is growing ever more plentiful, with a collection of games in genres and worlds that meet the needs of diversifying player base.

Released in April 2015, *Hortensia SAGA* surpassed 3 million downloads in October. This RPG is an epic tale of war, in which players learn about the history woven by myriad knights at the mercy of fates in the war.

MONSTER GEAR (released in May) also surpassed 3 million downloads in August. Anyone can enjoy the authentic hunting action immediately, with the easy controls of this new era hunting action RPG from SEGA.

Sen-no-kaizoku (released in August) already surpassed 2 million downloads in October. Players determine the course of the battle with their strategies and decisions, while enjoying compelling pirate fleet battles.

Please keep an eye open for our upcoming new titles too.



Hortensia SAGA
©SEGA / 14samurai



MONSTER GEAR
©SEGA



Sen-no-kaizoku
©SEGA

KEY PERSON

A word from **Katsutoshi Kioka**, SPV, SEGA Games Co., Ltd., SEGA Networks Company

Three games which entered service this year, *Hortensia SAGA*, *MONSTER GEAR*, and *Sen-no-kaizoku*, all have completely different features, but have fortunately enjoyed the support of many players from the outset. Under our mission, Continuing to Create Moving Experiences, besides heightening the appeal of games already offered, we will also actively develop new games such as these, and strive for the growth of our business. Please look forward to our future releases.





Box Office Revenue of *DETECTIVE CONAN: SUNFLOWERS OF INFERNO* Surpasses ¥4.4 billion!

The 19th installment in the Detective Conan films series, *DETECTIVE CONAN: SUNFLOWERS OF INFERNO* premiered on April 18, brought about 3.5 million viewers to theaters and box office revenue surpassed ¥4.4 billion, setting a new record in box office revenue of the series.

Detective Conan Private Eye in the Distant Sea set a new record with its release in 2013 with final box office revenue of ¥3.6 billion, and *Detective Conan: Dimensional Sniper* released last year exceeded that with ¥4.1 billion. With the new record for this year's film beating even last year's box office revenue, *Detective Conan* has achieved its third all-time high box office revenue in a row, which is an unprecedented case for an animation series, growing into an immensely popular animation series loved by fans all around the world.

Please look forward to the next *Detective Conan* movie, which marks a milestone as the 20th film of the series.



©Gosho Aoyama / Detective Conan Committee
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Sheraton Grande Ocean Resort Has Been Selected for the “Sheraton Grand” Category!

Sheraton Grande Ocean Resort, a resort hotel in Miyazaki operated by *Phoenix Seagaia Resort*, was chosen on August 20, 2015 for the title “Sheraton Grand,” which is given to exceptional hotels among *Sheraton* hotels worldwide that receive the high praise of their guests and local community.

“Sheraton Grand” is one of the new strategies formulated and promoted by Starwood Hotels & Resorts as “Sheraton 2020,” their plan to be a hotel brand travelers can choose in any city around the world. Two hotels have been chosen for this honor in Japan, with ours being one of them.



The *Sheraton Grande Ocean Resort* will continue to offer high quality services, while striving to further improve the experience value so that guests can enjoy its rich natural environment and magnificent location as a resort in Miyazaki.

KEY PERSON

A word from **Keiichi Ishiyama**, Chief Producer of *Detective Conan*, TMS ENTERTAINMENT, LTD.

The *Detective Conan* animation series will celebrate its 20th anniversary in January, 2016. It has maintained unabated popularity for 20 years thanks to the continuous growth of the series, the production team and the production staff through their united effort. Its particularly strong performance in recent years can be attributed not only to the quality of the series, but also to the fact that our efforts in promotional activities, such as collaboration with other industries and enhancing our guest voice actors, have raised awareness of *Conan* to a level higher than ever before. Overseas, *SUNFLOWERS OF INFERNO* premiered in China in October 2015 and garnered attention for its strong performance at the box office. 2016 marks the milestone of the 20th anniversary for both the television animation and the films series. Therefore, we have formulated special initiatives starting from New Year's holidays. Please look forward to it.



Exhibition in the Nikkei IR & Investment Fair A Great Success Once Again!

As in 2015, the Group participated in the Nikkei IR & Investment Fair 2015, an IR event for individual investors held from August 28 to 29, 2015 at Tokyo Big Sight.

A great number of individual investors attended during those two days, and the mini presentations held at our booth were such a success that many had to stand throughout the presentations.

Moving forward, we hope to create more opportunities for direct interaction with individual investors.





Aiming to be the best team in Japan!!

Thank you for your support for the SEGA SAMMY Baseball Club at this year's Intercity Baseball Tournament and National Amateur Baseball Championship. We will give everything that we have got as a team to become the best team in Japan next season! Please continue giving us your support!



The 86th Intercity Baseball Tournament, second qualifying round in Tokyo, 4th play-off



CSR Column, Vol. 9 Continuing our efforts until true reconstruction! SEGA SAMMY Group's Volunteer Efforts for Reconstruction after the Great East Japan Earthquake Disaster

SEGA SAMMY Group has developed a variety of support activities since immediately after the Great East Japan Earthquake struck on March 11, 2011. As the needs of the disaster areas drastically change in each stage, from the emergency stage to the restoration stage, and finally the reconstruction stage, we will work with our employees to continue efforts to “deliver smiles and good spirits” toward true reconstruction.

23rd Supporting Event : Minamisanriku Sports and Health Festival

Since December 2011, we have put the power of entertainment to work, and supported the hosting of events that put smiles on the faces of residents in the disaster area, in towns such as Higashimatsushima, Shichigahama, and Minamisanriku in Miyagi and Iitate in Fukushima. In October 2015, we held our 23rd event in total in the town of Minamisanriku. Voices of joy from each section could be heard echoing across the venue in Minamisanriku, a town that currently does not have any amusement centers, video rental stores, or other leisure facilities. We received many words of thanks from mothers who attended the event, saying “We are truly grateful that you provided us a place where children can play happily” and “For the first time in so very long, our children were filled with glee.”



Families enjoying Smartball



Excitement at playing darts for the first time



THE ADVENTURE OF PANDA AND FRIENDS popular as ever



Tea party in temporary housing at Minamisanriku



Building flowerbeds in the Nobiru district of Higashimatsushima

Employee volunteer activities in Higashimatsushima, Shichigahama, and Minamisanriku

A total of 465 employees have participated in the total of 42 activities since the first activity held in June 2011 to October 2015. In recent years, we have carried out such activities as tea party planning in temporary housing meeting areas, building flowerbeds after soil maintenance, supporting fishery, and beach cleaning in Higashimatsushima, Shichigahama, and Minamisanriku, Miyagi.

A word from participating employees

Koichiro Ito, Legal & Compliance Department, Corporate Division, Sammy Corporation

Participated in the 42nd activity held in October 2015

Although it was only a three-day, two-night communication event, I hope that our efforts provided some emotional support to those affected by the disaster, even if it did not amount to much. Our individual efforts may be small, but the accumulation of these efforts and, above all, the bonds between individual people are most important of all.



Natsu Maruyama, Accounting Division, SEGA SAMMY HOLDINGS INC.

Participated in the 40th activity held in June 2015

I initially wondered what more we could do to help now that four years have passed since the disaster, but I received many thanks from local residents during our activities and was very happy to have participated. Personally, my awareness of disaster readiness had lowered, and I felt the need to recognize the importance of it once again.



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

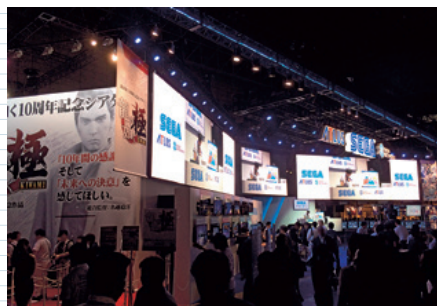
Participating in the TOKYO GAME SHOW 2015

SEGA Games participated in the TOKYO GAME SHOW 2015, one of the world's largest game trade show with many foreign firms also appearing, held from September 17 to 20, 2015.

The SEGA Games booth exhibited a wide variety of titles, such as newest release of SEGA's popular series, as well as new titles from the SEGA Group subsidiary ATLUS and partner game companies, and many visitors enjoyed the exhibit.



The exhibition hall



The SEGA Games booth

New Titles Premiering for Pachislot Machines



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©Sammy

Pachislot Onimusha3 Jikuu Tenshou debuts at parlors on November 16!!

It has been five years since the release of *Pachislot Shin Onimusha*. The excitement of that demon is now back with its legitimate successor!!

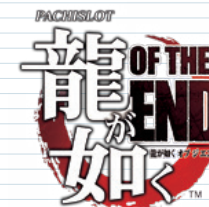
From ART Soken RUSH to AT Jikuu Tenshou... The effects, extras, and battles all have reached the highest level of perfection in the series! Now it appears at last as the long awaited culmination of the *Onimusha* series!

This title is themed on a Warring States survival action game released by CAPCOM CO., LTD. *Pachislot Onimusha3*, the first title in the *Pachislot Onimusha* series, was announced in March 2005 and became a huge hit. This was followed by the release of the A+ ART machine *Pachislot Shin Onimusha* in March 2010, equipped with Soken RUSH, which was well received for its colorful extra effects. In response to this title becoming a hit, *Pachislot Shin Onimusha Sairin* was also announced as an AT machine following the same lines of effects and with changed gameplay.

Enjoy the world of the powered-up *Onimusha*, with newly added extra systems.

From the TAIYO ELEC brand comes the new Pachislot *Ryu ga Gotoku OF THE END!*

Following the same world as SEGA's timeless classic *Ryu ga Gotoku*, the new horror game *Pachislot Ryu ga Gotoku OF THE END* is now coming to pachislot machines! SEGA will open up a new world through IP collaboration!



©SEGA ©Sammy

Ryu ga Gotoku Kiwami scheduled for launch on January 21, 2016!

Ryu ga Gotoku Kiwami, the latest title presented by *Ryu ga Gotoku* Studio, was unveiled at the TOKYO GAME SHOW 2015!

This title is developed by brushing up the very first title *Ryu ga Gotoku* and added new elements. Enjoy this timeless classic once more!



©SEGA



Group Information

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

Factors Affecting Assets

Total assets were ¥518.3 billion, down ¥10.3 billion from the previous fiscal year-end.

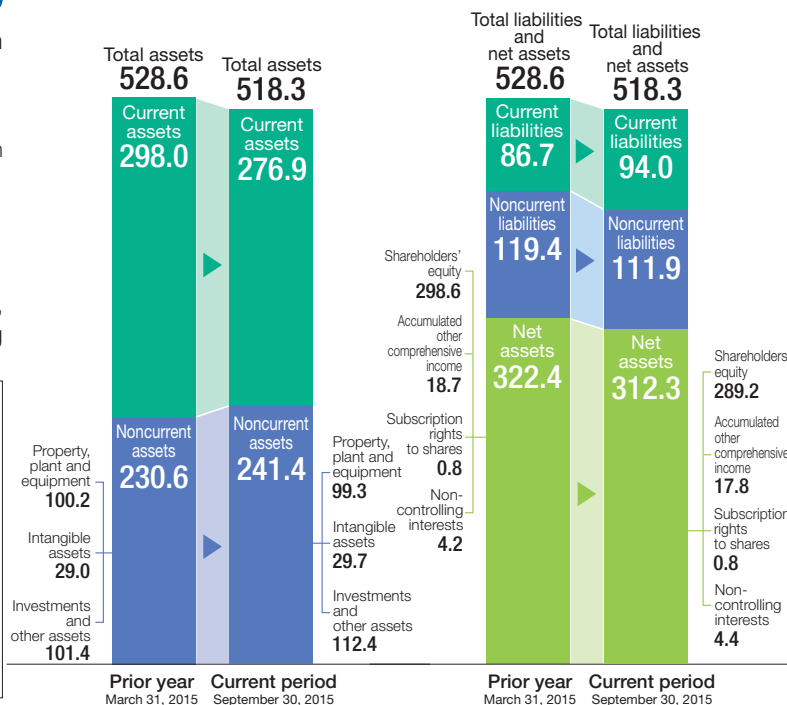
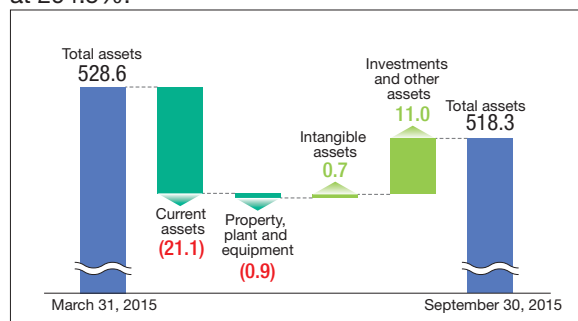
● Current assets decreased by ¥21.1 billion.

Factors ▶ Decrease in cash and deposits and securities (short-term fund management) while accounts receivable increased

● Noncurrent assets increased by ¥10.8 billion.

Factors ▶ Increase in investment securities

Although current ratio fell by 49.2 percentage points, the ratio continued to remain at high levels, standing at 294.5%.



Factors Affecting Liabilities and Net Assets

Total liabilities decreased by ¥0.2 billion to ¥206.0 billion from the previous fiscal year-end.

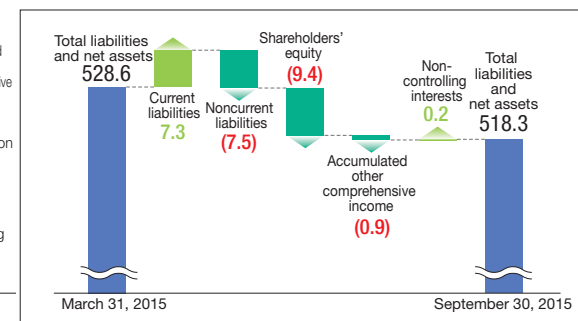
● Current liabilities increased by ¥7.3 billion.

Factors ▶ Increase in current portion of bonds

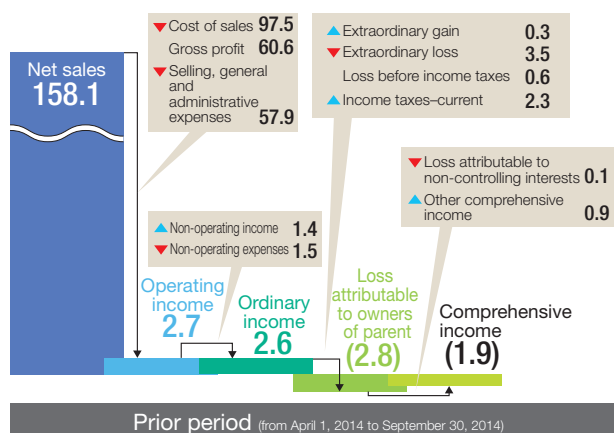
● Noncurrent liabilities decreased by ¥7.5 billion.

Factors ▶ Decrease in long-term debt

Equity ratio was 59.2%, down 0.8 percentage points, indicating a continuing sound financial standing.



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



Profit attributable to owners of parent

Profit attributable to owners of parent amounted to ¥0.9 billion.

Factors ▶ Significant improvement in operating income

Consolidated Operating Results and Financial Data

		Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2015 ^{*2}		Fiscal year ending March 31, 2016 ^{*2}	
		First half	Full year	First half	Full year	First half	Full year	First half	Full year	First half	Full year (Forecast)
Operating results (billions of yen)	Net sales ^{*1}	152.6	395.5	136.5	321.4	162.2	378.0	158.1	366.8	154.3	420.0
	Operating income	15.1	58.3	7.8	19.0	12.3	38.5	2.7	17.4	5.7	25.0
	Operating income to net sales (%)	9.9	14.7	5.7	5.9	7.6	10.2	1.7	4.7	3.7	6.0
	Ordinary income	14.7	58.1	7.2	20.9	14.2	40.5	2.6	16.8	5.8	25.0
	Profit attributable to owners of parent ^{*3}	3.9	21.8	3.8	33.4	11.3	30.7	(2.8)	(11.3)	0.9	19.0
Expenses (billions of yen)	Research and development expenses/ Content production expenses ^{*4}	19.7	53.3	19.1	45.2	25.1	59.2	28.4	67.6	24.7	69.4
	Capital expenditure	9.4	36.1	21.6	32.8	22.6	38.1	14.7	28.7	12.5	34.4
	Depreciation and amortization ^{*5}	6.4	16.1	7.4	18.1	7.5	16.1	8.1	17.6	8.2	16.8
	Advertising expenses ^{*6}	7.6	17.2	5.6	13.1	7.6	16.0	10.0	19.1	9.3	24.5
Financial Data (billions of yen)	Total assets	460.9	497.4	448.3	528.5	529.6	542.9	551.2	528.6	518.3	
	Liabilities	178.0	201.0	173.1	208.4	184.5	194.6	207.6	206.2	206.0	
	Net assets	282.9	296.3	275.2	320.0	345.0	348.2	343.5	322.4	312.3	
	Equity ratio (%)	60.8	58.9	60.6	59.7	64.3	63.2	61.5	60.0	59.2	
Cash Flows (billions of yen)	Cash flows from operating activities	(8.9)	38.0	2.9	18.6	23.6	75.2	5.5	37.0	(18.5)	
	Cash flows from investing activities	11.4	(59.0)	12.6	6.3	(25.0)	(38.5)	(19.9)	(37.7)	(18.2)	
	Cash flows from financing activities	11.6	0.9	(9.1)	(1.1)	(4.0)	(11.5)	17.5	(15.0)	(0.6)	
	Cash and cash equivalents at end of period	179.8	146.5	152.3	174.2	170.6	202.7	208.2	190.8	153.5	
Per Share Data (yen)	Net income per share	15.79	86.73	15.74	137.14	46.76	126.42	(11.50)	(46.70)	4.11	80.02
	Net assets per share	1,115.46	1,167.59	1,125.09	1,304.44	1,401.90	1,409.27	1,384.25	1,336.54	1,310.36	-
	Dividends per share	20	40	20	40	20	40	20	40	20	40

*1 From fiscal year ending March 31, 2016, net sales indicate total amounts

*2 In accordance with changes implemented in the accounting method, these changes have been retrospectively applied to data from the fiscal year ended March 31, 2015.

*3 In accordance with the application of the revised "Accounting Standard for Business Combinations," "net income" has been renamed "profit attributable to owners of parent."

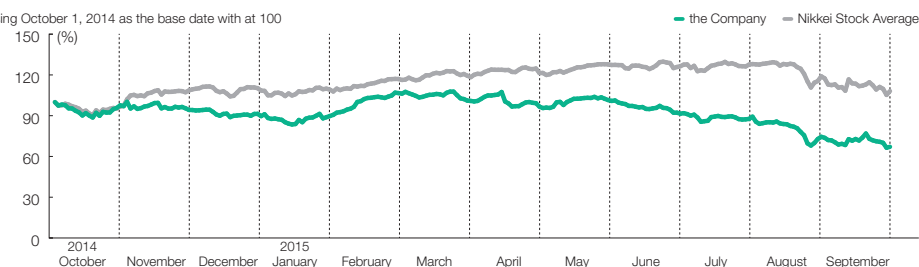
*4 From fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses (until fiscal year ended March 31, 2013, amortization cost of digital titles was included in depreciation and amortization).

*5 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 is included depreciation and amortization).

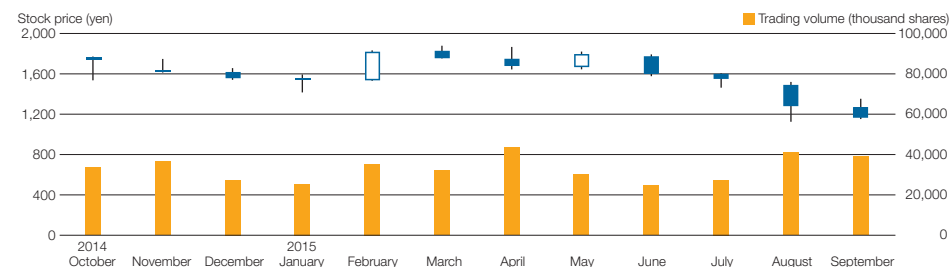
*6 From fiscal year ended March 31, 2014, advertising expenses are included in cost (until fiscal year ended March 31, 2013, only selling, general and administrative expenses were included in cost).

Performance of the Company's Stock Price

using October 1, 2014 as the base date with at 100



Changes in the Company's Stock Price and Trading Volume



INFORMATION

Company Profile (As of September 30, 2015)

Company Name	SEGA SAMMY HOLDINGS INC.
URL	http://www.segasammy.co.jp/english/
Established	October 1, 2004
Capital	¥29.9 billion
Number of Employees	7,825 (Consolidated)
Directors and Auditors	Hajime Satomi Chairman of the Board and Chief Executive Officer
	Naoya Tsurumi Senior Managing Director and Representative Director
	Koichi Fukazawa Director
	Haruki Satomi Director
	Shigeru Aoki Director
	Hideki Okamura Director
	Hisao Oguchi Director, CCO (Chief Creative Officer)
	Yuji Iwanaga Outside Director
	Takeshi Natsuno Outside Director
	Tomio Kazashi* Standing Audit and Supervisory Board Member
	Toshio Hirakawa* Audit and Supervisory Board Member
	Yukito Sakaue Audit and Supervisory Board Member
	Mineo Enomoto* Audit and Supervisory Board Member

* Outside Audit and Supervisory Board Member

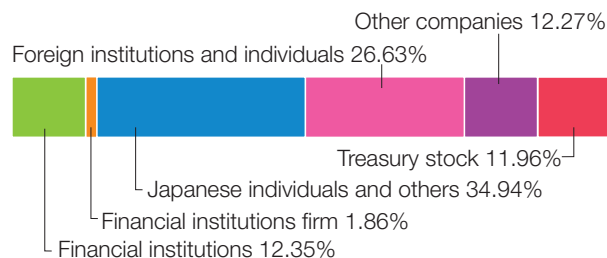
Information on Outstanding Shares (As of September 30, 2015)

Number of shares authorized for issuance	800,000,000 shares
Total number of shares issued and outstanding	266,229,476 shares
Number of Shareholders	94,825 (Odd-lot shareholders: 73,585)

Principal Shareholders

Name of Shareholder	Shares Held	Shareholding Ratio (%)
Hajime Satomi	31,869,338	11.97
SEGA SAMMY HOLDINGS INC.	31,831,923	11.95
FSC Co., Ltd.	12,972,840	4.87
HS Company	11,750,000	4.41
CBNY - ORBIS SICAV	5,462,818	2.05

Distribution of Shareholders



Shareholder Memo

Stock Code	6460
Round Unit	100 shares
Fiscal Year	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June
Date of Record for Dividends	March 31 (September 30 for interim periods, if paid) Advance public notice is given when required for other dividend payments.
Method of Public Notice	Electronic public notices
Notification URL	http://www.segasammy.co.jp/japanese/etc/notice If electronic notification is not available due to unavoidable circumstances, the Company will post the notice in the "Nihon Keizai Shimbun."
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Administrative Office of Transfer Agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan Telephone: +81-3-5683-5111
Agencies	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) <http://www.tr.mufg.jp/daikou/>

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 summer of 2016. We will continue to enhance the contents of our report based on your opinions expressed through the questionnaire.

2016 IR Calendar

Schedule of activities for shareholders and investors

- February ● Announcement of results for the nine months ending December 31, 2015
- May ● Announcement of results for the fiscal year ending March 31, 2016
- June ● Ordinary General Meeting of Shareholders/Release of the Business Report for the fiscal year ending March 31, 2016



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
H O L D I N G S

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"), 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.