

Financial Capital

The SEGA SAMMY Group is engaged in hit-product businesses in which hit products, or their absence, affect earnings significantly. The Group is able to prosper in this environment because its financial stability and the Pachislot and Pachinko Machine Business segment's cash generation capabilities enable continuous investment to develop captivating new products and to create businesses.

Financial Capital Supporting Continuous Developmental Investment

Due to the aging of society and the growing popularity of mobile devices, companies not only within the entertainment industry but from outside it are aggressively competing for users.

Against the backdrop of a gradually declining player population, the pachinko and pachislot machine market is seeing demand from pachinko hall operators focus more strongly than ever on machines that provide highly reliable returns on investment. The market has entered a phase in which whether or not manufacturers have the developmental capabilities to continuously provide machines that keep up with the trend toward higher-value-added products as well as the financial strength to invest in development is determining winners and losers.

In the online game content market, competition is fierce and companies are releasing content for a wide range of genres continuously and rapidly. In these conditions, companies with intellectual properties, developmental personnel, and financial muscle are prevailing.

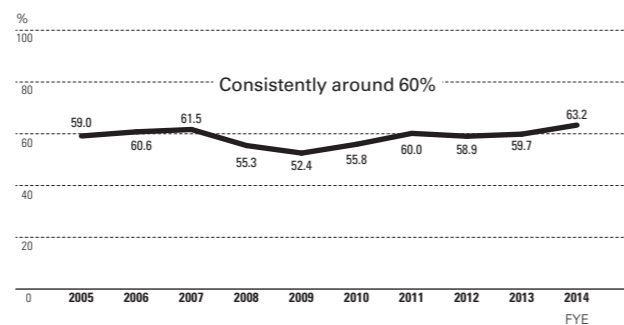
The SEGA SAMMY Group's pachislot machine business boasts a strong market presence, and the pachinko machine business is building brand power steadily. These businesses supply the cash we invest in development. Furthermore, because its equity ratio consistently remains around 60%, the Group is able to absorb a certain amount of developmental risk. Having the highly profitable Pachislot and Pachinko Machine Business segment in its business portfolio makes the Group unique among the companies competing in the online game content market.

Foundations Enabling Entry into the Integrated Resort Area

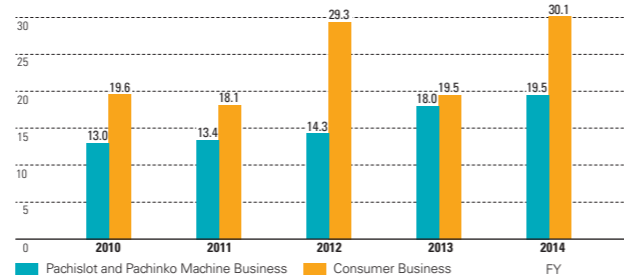
We are preparing to establish an integrated resort business, which we envision as becoming a future earnings mainstay for us. (For details, please see "Casinos and the SEGA SAMMY Group Vol. 2" on page 49.) As well as prior investment to accumulate expertise, entry into this area will require large-scale investment. Financial stability provides foundations that enable the Group to make such forward-looking investments.

Foundations of hit-product businesses' continuity — Financial stability and cash generation capacity

Equity Ratio



R&D Expenses, Content Production Expenses* Investing steadily in development in businesses where developmental capabilities give competitive advantage



* The aggregate calculation method has changed as of fiscal 2014. Consequently, R&D expenses and content production expenses include amortization cost of digital game titles. Until fiscal 2013, depreciation and amortization included amortization cost of digital game titles.

Financial capital supporting continuous developmental investment Equity ratio at March 31, 2014

63.2%

Asset Allocation by Segment

The Consumer Business segment's total assets have increased significantly due to the implementation of strategies aimed at exploiting growth potential by strengthening developmental capabilities through the acquisition of developmental companies and other investment in the digital game area. Meanwhile, the Amusement Center Operations segment's total assets have contracted sharply because the number of amusement centers has decreased.

