

Financial Capital

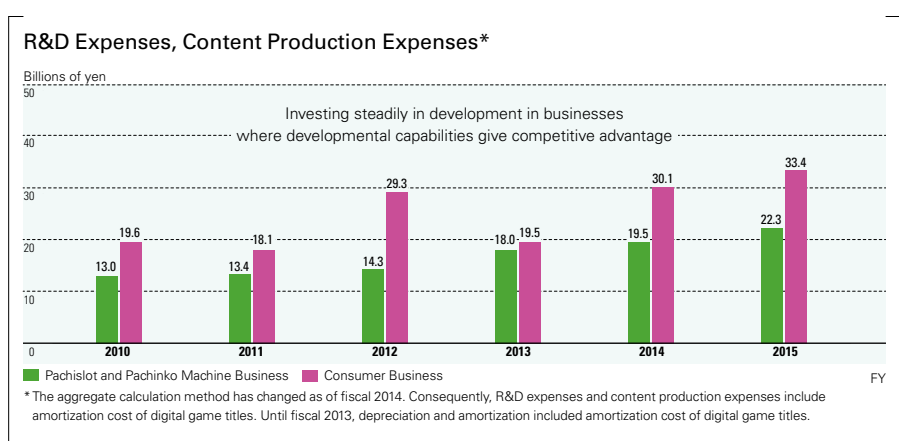
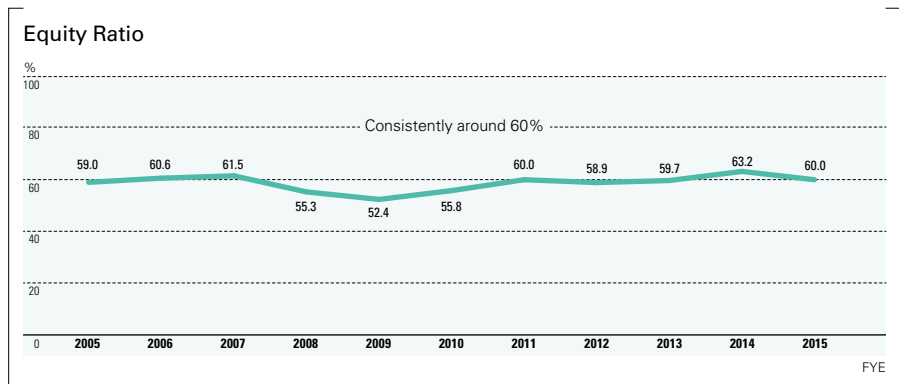
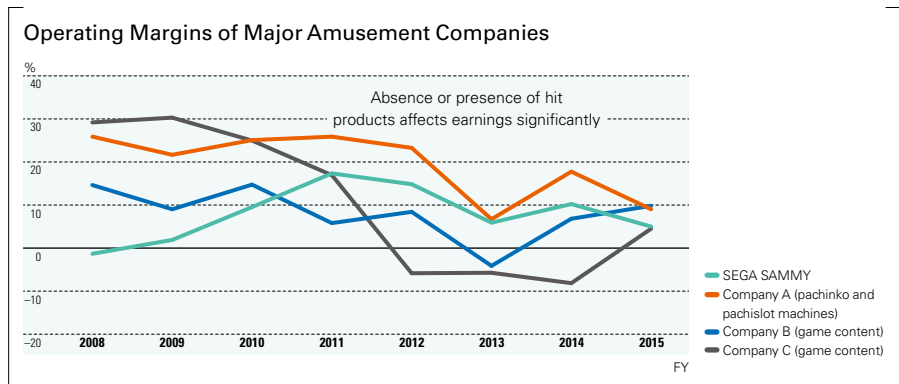
The SEGA SAMMY Group is engaged in hit-product businesses in which hit products, or their absence, affect earnings significantly. The Group is able to prosper in this environment because its financial stability and the Pachislot and Pachinko Machine Business segment’s cash generation capabilities enable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

Financial Capital Enabling Continuous Investment in Development

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 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. Whether or not manufacturers have the development capabilities to continuously provide machines that incorporate leading-edge components as well as the financial strength to invest in such development is determining winners and losers. Similarly, amid the online game content market’s fierce competition, the winners are those companies with the intellectual properties, development personnel, and funds to release content in a wide range of genres continuously and rapidly. Furthermore, business conditions in the amusement machine sales and amusement center operations areas have entered a phase in which only companies with the strength to market hit products continuously will enjoy the benefit of being industry survivors.

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 remains consistently around 60%, the Group is able to absorb the development risk inherent in being a producer of hit products. Having the highly profitable Pachislot and Pachinko Machine Business segment in its business portfolio makes the Group very unusual in the digital game area, where many competitors operate exclusively in the area.



* 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.

Foundations Enabling Entry into the Integrated Resort Business

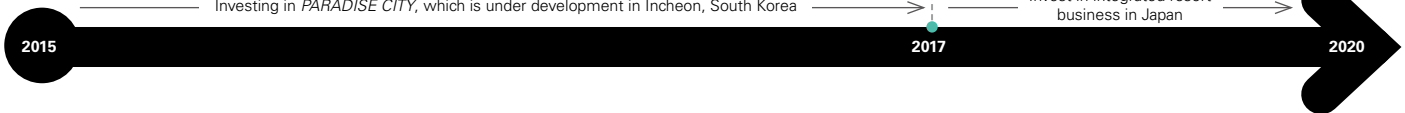
We are preparing to establish an integrated resort business, which we envision as becoming a future earnings mainstay for us. As well as prior investment to accumulate expertise, entry into this area will require large-scale investment. Financial stability provides foundations that enable the Group to make such forward-looking investments.

● Planning to open *PARADISE CITY* in 2017



Investing in *PARADISE CITY*, which is under development in Incheon, South Korea

Invest in integrated resort business in Japan



Assuming act promoting integrated resorts is enacted

▶▶▶ ▶▶▶ ▶▶▶ Within 2 years

Passing of integrated resort enforcement act
Establishing of designated tourism resort areas

▶▶▶ ▶▶▶ ▶▶▶ ● Selecting of operators
Implementing investment

Total Assets Breakdown in Fiscal 2015 and Directly after Management Integration

Consumer Business

Main additions

- Increase in human capital and intellectual properties for the digital game area
- Acquisition of Index Corporation
- Acquisition of Sports Interactive
- Acquisition of The Creative Assembly

Main deduction

- Downsizing of North American and European businesses

Amusement Center Operations

Main addition

- Development of new-concept facilities, including *Orbi Yokohama*

Main deduction

- Closure or sale of amusement centers with low profitability or potential (from 477 amusement centers to 198)

Pachislot and Pachinko Machine Business

Main additions

- Construction of new Kawagoe Factory
- Acquisition of TAIYO ELEC and GINZA

Main deduction

- Withdrawal from pachislot and pachinko machine peripheral business

Amusement Machine Sales Business

Main deduction

- Decrease in development of large products

