

A Message from the President of Sammy Corporation



We will remain the pillar of the Group's earnings.

Shigeru Aoki

President, Representative Director, and Chief Operating Officer
Sammy Corporation

Pachislot and Pachinko Machine Business Not Exempt from Restructuring

The Pachislot and Pachinko Machine Business segment continues to face uncertain conditions. An end to the long-term decline of the player population is still not in sight. Also, the actualization of latent regulatory risk in the fiscal year under review, in this case in relation to pachislot machines, calls for a careful response.

On the other hand, we have had some notable successes. Based on in-house estimates, we claimed the largest share of the pachinko machine market for the period from January through December 2014. I think this is attributable to the fact that strengthening development capabilities by organically linking sales, development, and production finally paid off. Nevertheless, unit sales are by no means satisfactory. Also, one fiscal year's results do not prove competence. We need to repeat our performance.

In the pachinko and pachislot machine market, selling more than 100,000 units of a single title is no longer easy. Meanwhile, upward pressure on the cost of such components as liquid crystal display (LCD) panels and ROMs (read-only memories) is mounting as higher-performance

machines are introduced and the yen depreciates. Moreover, current market conditions make passing on such increases to product prices difficult. Therefore, we see strengthening our profit structure through cost improvement as a pressing task. The most effective way of improving costs is to reuse components. The newly established Reuse Promotion Department will lead the design of product lifecycles—from development through to manufacturing and sales—with reuse as a premise. In this way, we intend to advance reuse in an even more systemic and planned way.

Furthermore, we will reduce total costs by modulating our product portfolio. While differentiating some machines through the incorporation of leading-edge components, we will include machines in the development pipeline that we can develop and manufacture inexpensively for casual players.

The Pachislot and Pachinko Machine Business segment is not exempt from the restructuring that the SEGA SAMMY Group is currently implementing. We are ready to restructure decisively to remain the pillar of the Group's earnings.

Strengthening Winning Qualities

Halting the decline in the player population calls for long-term, steady efforts not just on the part of the Group but by the industry as a whole. We welcome the self-regulation efforts of industry bodies, and are taking the lead in developing appealing machines that help broaden the player base.

We anticipate fierce competition for survival as the contrast between winners and losers becomes even more pronounced among pachinko and pachislot machine manufacturers. Winners will need powerful intellectual properties and titles as well as expertise in the development of machines that realize high utilization rates—the lifeblood of pachinko and pachislot machines. Furthermore, they will need systems that can manufacture such appealing machines at low cost and excellent sales strategies that maximize unit sales and reuse benefits. We are confident that we meet these requirements. We plan to maximize our advantages to become the No. 1 company in both pachinko and pachislot machines and thereby remain the SEGA SAMMY Group's earnings pillar.

