

# Business Results Highlights

Years ended March 31

## Consolidated Business Highlights

	2007	2008	2009	2010	2011	2012	2013
Net sales	¥528,238	¥458,977	¥429,194	¥384,679	¥396,732	¥395,502	¥321,407
Gross profit	203,079	120,403	119,092	138,867	166,055	161,663	116,938
Selling, general and administrative (SG&A) expenses	126,548	126,232	110,728	102,154	97,304	103,279	97,865
Operating income (loss)	76,530	(5,829)	8,363	36,712	68,750	58,384	19,073
EBITDA* <sup>1</sup>	104,578	39,782	35,007	53,887	84,699	74,542	37,254
Profit (loss) attributable to owners of parent* <sup>2</sup>	43,456	(52,470)	(22,882)	20,269	41,510	21,820	33,460
R&D expenses, content production expenses* <sup>3</sup>	52,106	65,384	59,676	41,502	41,104	53,348	45,294
Capital expenditures	59,271	50,422	26,610	16,164	19,686	36,141	32,871
Depreciation and amortization* <sup>3</sup>	28,048	45,611	26,644	17,175	15,949	16,158	18,181
Net cash provided by (used in) operating activities	60,623	(25,878)	32,199	54,998	87,696	38,023	18,603
Net cash provided by (used in) investing activities	(75,395)	(10,399)	936	(7,640)	(29,585)	(59,012)	6,396
Net cash provided by (used in) financing activities	(1,712)	(7,579)	(7,653)	(3,401)	(57,168)	914	(1,116)
Free cash flows* <sup>4</sup>	(14,772)	(36,277)	33,135	47,358	58,111	(20,989)	24,999
Total assets	549,940	469,642	423,938	423,161	458,624	497,451	528,504
Total net assets	358,858	281,627	242,532	256,770	285,461	296,376	320,034
Number of shares outstanding (shares)	283,229,476	283,229,476	283,229,476	283,229,476	266,229,476	266,229,476	266,229,476
Number of employees (employees)	7,734	7,665	6,856	6,236	6,000	6,700	7,008
Net sales per employee	68.3	59.9	62.6	61.7	66.1	59.0	45.9
<b>Per Share Data</b>							
Net income (loss)	¥ 172.47	¥ (208.26)	¥ (90.83)	¥ 80.46	¥ 163.19	¥ 86.73	¥ 137.14
Diluted net income	172.35	—	—	—	163.01	86.54	136.85
Total net assets	1,341.80	1,030.09	882.47	937.80	1,093.23	1,167.59	1,304.44
Cash dividends	60.00	45.00	30.00	30.00	40.00	40.00	40.00
<b>Key Ratios</b>							
Gross profit margin	38.4	26.2	27.7	36.1	41.9	40.9	36.4
SG&A ratio	24.0	27.5	25.8	26.6	24.5	26.1	30.4
Operating margin	14.5	—	1.9	9.5	17.3	14.8	5.9
R&D expenses to net sales	9.9	14.2	13.9	10.8	10.4	13.5	14.1
ROE	13.3	—	—	8.8	16.2	7.7	11.0
ROA* <sup>5</sup>	7.9	—	—	4.8	9.1	4.4	6.3
Equity ratio	61.5	55.3	52.4	55.8	60.0	58.9	59.7

\*1 EBITDA = Operating income (loss) + Depreciation and amortization; since fiscal 2014, calculations have been based on the inclusion of amortization cost of digital game titles in depreciation and amortization.

\*2 The Company has adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013) and presented "net income (loss)" as "profit (loss) attributable to owners of parent" from fiscal 2016.

\*3 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.

\*4 Free cash flows = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities

\*5 ROA = Profit attributable to owners of parent ÷ Total assets

\*6 As the recognition of net sales was changed (1) from a net basis to a gross basis and (2) from a shipment basis to a delivery basis in fiscal 2016, figures for fiscal 2015 reflect these changes retrospectively.

Millions of yen, unless stated otherwise

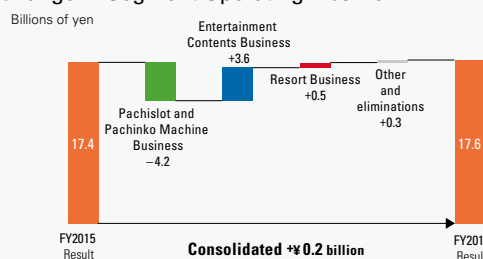
2014	2015*6	2016
¥378,011	¥366,813	¥347,981
147,970	135,371	127,372
109,437	117,876	109,754
38,533	17,495	17,617
58,276	39,242	38,632
30,721	(11,375)	5,369
59,219	67,622	58,042
38,182	28,780	28,046
16,182	17,615	16,624
75,201	37,010	16,906
(38,547)	(37,734)	(35,280)
(11,512)	(15,058)	14,285
36,654	(724)	(18,373)
542,936	528,659	532,957
348,270	322,452	299,950
266,229,476	266,229,476	266,229,476
7,472	7,888	7,606
50.6	46.5	45.8
Yen		
2014	2015*6	2016
¥ 126.42	¥ (46.70)	¥ 22.90
125.39	—	22.90
1,409.27	1,336.54	1,257.43
40.00	40.00	40.00
%		
2014	2015*6	2016
39.1	36.9	36.6
29.0	32.1	31.5
10.2	4.8	5.1
15.7	18.4	16.7
9.3	—	1.8
5.7	—	1.0
63.2	60.0	55.3

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## Operating Income

¥ **17.6** billion  
(up ¥0.2 billion, or 0.7% year on year)

### Change in Segment Operating Income



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## Extraordinary Loss\*7

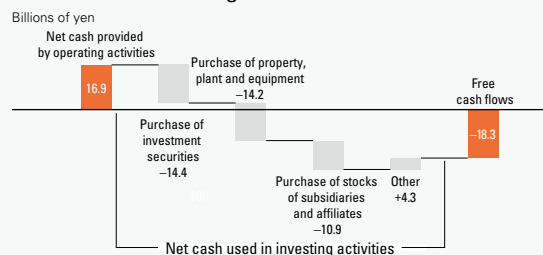
Impairment loss	¥1.3 billion
Early extra retirement payments	¥1.9 billion
Restructuring loss	¥1.2 billion
Other	¥1.2 billion

3

## Free Cash Flows

— ¥ **18.3** billion

### Main Causes of Changes in Free Cash Flows



\*7 Certain line items that are classified as other income (expenses) in consolidated statements of income and comprehensive income have been reclassified as extraordinary income or extraordinary loss in explanations. Details are on page 78.

## Business Results Highlights

Years ended March 31

## Business Results by Business Segment

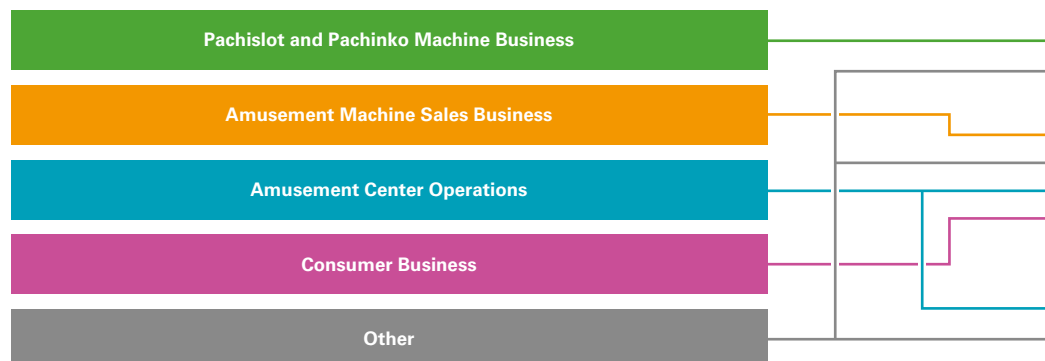
	Millions of yen, unless stated otherwise						
	2009	2010	2011	2012	2013	2014	2015
<b>Pachislot and Pachinko Machine Business</b>							
Net sales	¥161,691	¥160,376	¥212,060	¥212,189	¥142,281	¥181,834	¥149,160
Operating income	14,528	29,502	64,284	71,040	23,534	45,292	25,796
Operating margin (%)	9.0	18.4	30.3	33.5	16.5	24.9	17.3
R&D expenses, content production expenses*1	14,289	13,019	13,485	14,393	18,056	19,510	22,327
Capital expenditures	4,516	3,297	5,725	12,726	11,914	7,905	6,709
Pachislot machine unit sales (units)	123,286	162,932	302,270	300,866	202,221	301,575	207,828
Pachinko machine unit sales (units)	391,831	360,171	343,188	332,288	216,860	200,225	242,847
<b>Amusement Machine Sales Business</b>							
Net sales	¥61,926	¥45,117	¥47,237	¥49,929	¥39,134	¥38,604	¥39,641
Operating income (loss)	6,890	7,094	7,317	7,415	1,902	(1,264)	(2,536)
Operating margin (%)	11.1	15.7	15.5	14.9	4.9	—	—
R&D expenses, content production expenses*1	11,450	7,841	9,195	9,374	7,819	8,950	11,253
<b>Amusement Center Operations</b>							
Net sales	¥71,310	¥54,788	¥45,695	¥44,608	¥42,707	¥43,216	¥41,416
Operating income (loss)	(7,520)	(1,338)	342	355	1,194	60	(946)
Operating margin (%)	—	—	0.7	0.8	2.8	0.1	—
Capital expenditures	14,893	7,796	7,701	8,328	7,923	7,729	6,534
Depreciation and amortization*1	15,908	8,212	6,126	6,184	4,671	4,725	5,232
Number of domestic amusement centers*2 (centers)	322	260	249	241	236	198	198
Existing domestic amusement center sales year on year*3 (%)	92.4	91.7	99.3	100.5	93.8	96.1	100.1
<b>Consumer Business</b>							
Net sales	¥131,361	¥121,575	¥88,896	¥85,688	¥83,874	¥99,841	¥111,025
Operating income (loss)	(941)	6,332	1,969	(15,182)	(732)	2,089	4,033
Operating margin (%)	—	5.2	2.2	—	—	2.1	3.6
R&D expenses, content production expenses*1	32,875	19,644	18,150	29,316	19,538	30,166	33,467
Home video game software unit sales (thousands)	29,470	26,750	18,710	17,240	10,780	8,730	12,300

## Business Segmentation Change

## Changed from Five to Three Business Segments

We have reorganized our businesses into three business segments to establish a system that expedites decision making, increases efficiency where functions overlap, and enables appropriate deployment of management resources. Furthermore, we sought to adapt to changes in business conditions and heighten management efficiency.

From fiscal 2005 to fiscal 2015



\*1 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.

\*2 The establishment of SEGA ENTERTAINMENT Co., Ltd., integrated the Group's amusement center operations. As a result, the aggregate calculation method for the number of amusement centers has changed as of fiscal 2014.

\*3 As a result of the abovementioned integration, the amusement centers classified as existing amusement centers have changed as of fiscal 2014.

\*4 As the recognition of net sales was changed (1) from a net basis to a gross basis and (2) from a shipment basis to a delivery basis in fiscal 2016, figures for fiscal 2015 reflect these changes retrospectively.

\*5 These figures are annual sales of domestic titles (gross revenues) in the digital game area divided by monthly active users (MAU).

Millions of yen, unless stated otherwise

Pachislot and Pachinko Machine Business	2015 *4	2016
Net sales	¥152,174	¥132,732
Operating income	25,780	21,548
Operating margin (%)	16.9	16.2
R&D expenses, content production expenses*1	22,336	18,583
Capital expenditures	6,949	5,014
Depreciation and amortization	6,484	6,325
Pachislot machine unit sales (units)	207,830	142,337
Pachinko machine unit sales (units)	241,425	199,014

Entertainment Contents Business	2015 *4	2016
Net sales	¥199,663	¥198,856
Operating income	63	3,653
Operating margin (%)	0.0	1.8
R&D expenses, content production expenses*1	45,705	39,222
Capital expenditures	19,522	17,867
Depreciation and amortization*1	9,569	8,659
ARPMU*5 (yen)	1,667	1,538
Number of domestic amusement centers*2 (centers)	198	194
Existing domestic amusement center sales year on year*2 (%)	100.1	103.1
Home video game software unit sales (thousands)	12,280	9,220

Resort Business	2015 *4	2016
Net sales	¥14,974	¥16,392
Operating income (loss)	(2,336)	(1,825)
Operating margin (%)	—	—
R&D expenses, content production expenses*1	235	591
Capital expenditures	2,152	5,045
Depreciation and amortization	995	1,047

1

### Pachislot and Pachinko Machine Business: Reasons for business results changes

- Although series with established track records posted steady sales of pachislot machine titles, other title sales flagged due to a change in model-testing operation methods.

2

### Entertainment Contents Business: Reasons for business results changes

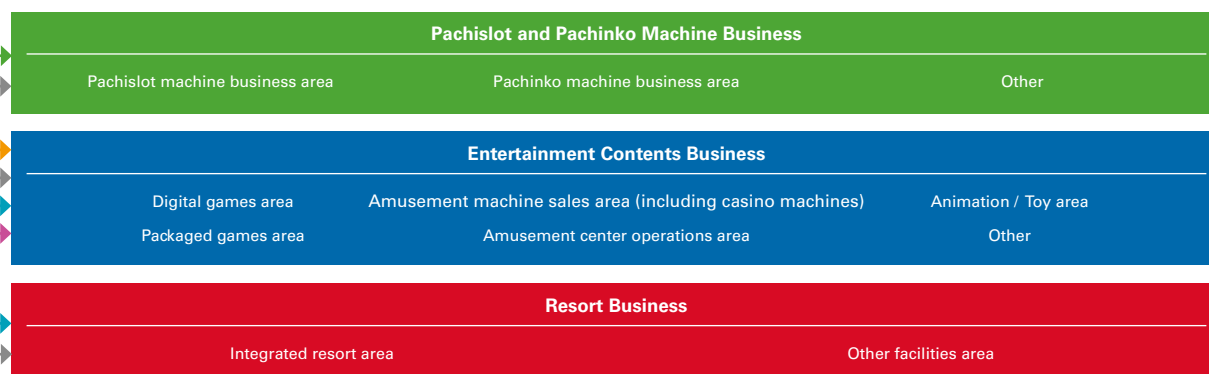
- The digital game area performed sluggishly due to the revision of the asset values of certain titles and higher advertising expenses. Thanks to improved profitability resulting from cost reductions, the business segment's overall earnings rose.

3

### Resort Business: Reasons for business results changes

- Losses decreased because increases in average spending per customer at *Phoenix Seagaia Resort* and *TOKYO JOYPOLIS* counteracted higher depreciation and amortization and expenses incurred due to advance investment in integrated resorts.

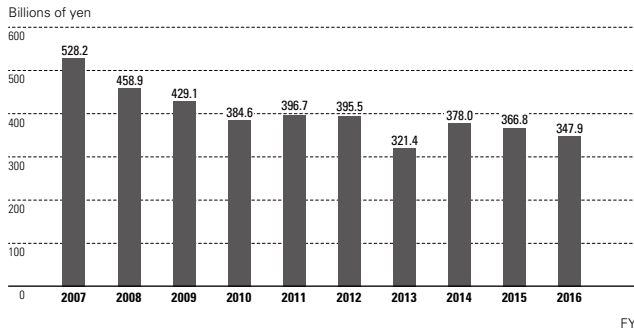
From fiscal 2016



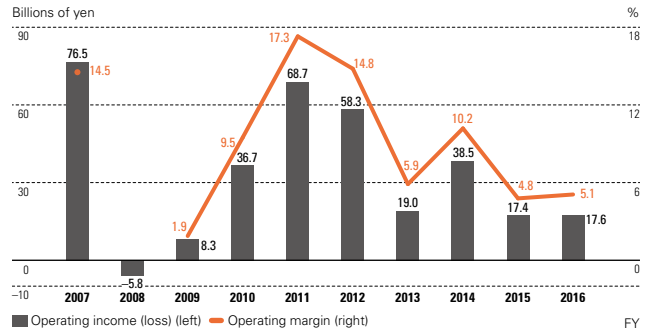
## Business Results Highlights

### Business Trends

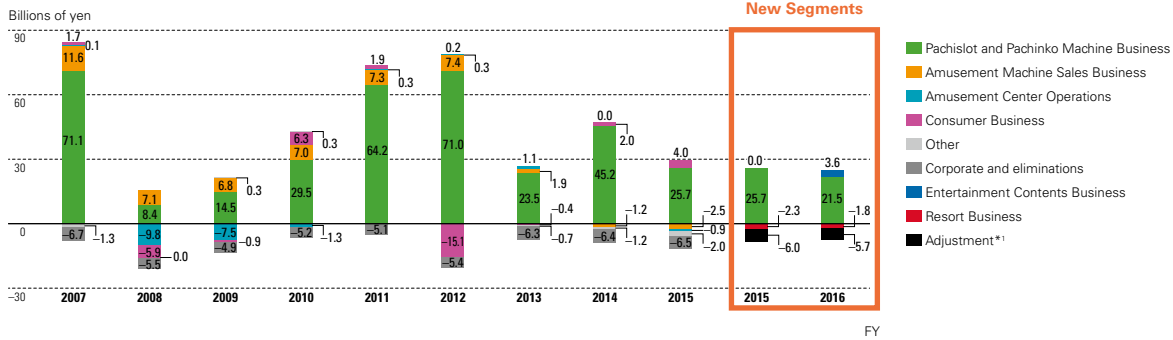
#### Net Sales



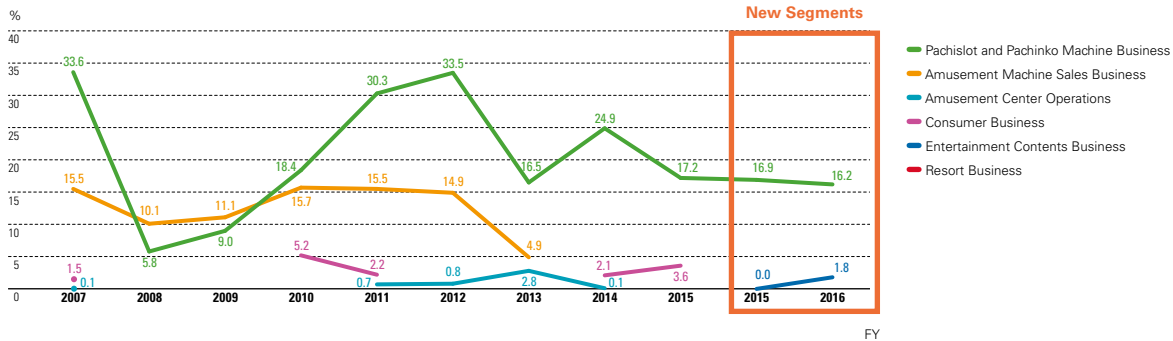
#### Operating Income (Loss) / Operating Margin



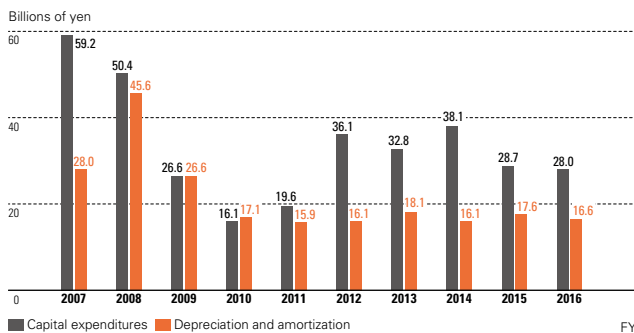
#### Operating Income (Loss) by Segment



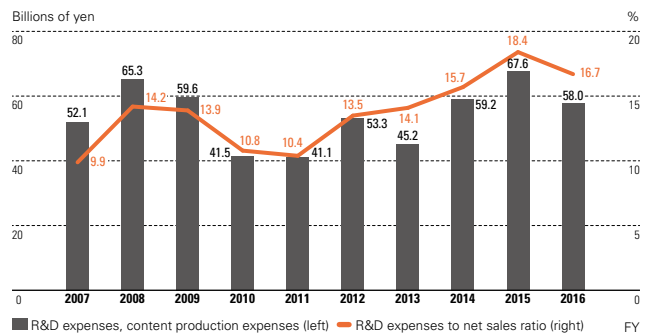
#### Operating Margin by Segment



#### Capital Expenditures / Depreciation and Amortization\*2

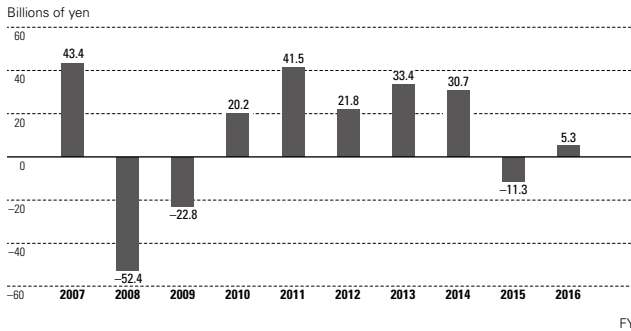


#### R&D Expenses, Content Production Expenses\*2 / R&D Expenses to Net Sales Ratio

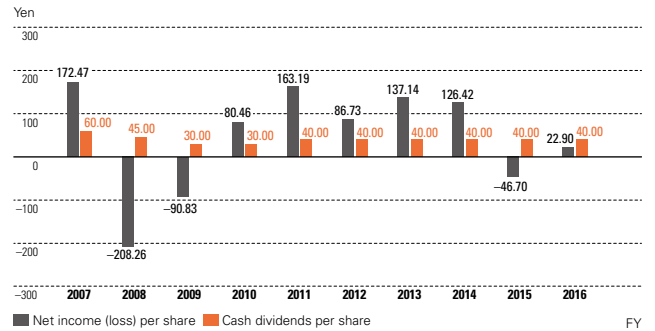


\*1 As of the fiscal 2016 change in segmentation, elimination of inter-segment transactions and general corporate expenses that are not allocated to the reporting segment are included in the adjustment to segment income (loss).  
 \*2 The aggregate calculation method has changed as of fiscal 2014. Consequently, 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.  
 \*3 In accordance with the adoption of "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013) and other accounting standards, net income (loss) was changed to profit (loss) attributable to owners of parent in fiscal 2016.  
 \*4 ROA = Profit attributable to owners of parent ÷ Total assets  
 \*5 The establishment of SEGA ENTERTAINMENT Co., Ltd., integrated the Group's amusement center operations. As a result, the aggregate calculation method for the number of amusement centers has changed as of fiscal 2014.  
 \*6 As a result of the abovementioned integration, the amusement centers classified as existing amusement centers have changed as of fiscal 2014.  
 Note: As the recognition of net sales was changed (1) from a net basis to a gross basis and (2) from a shipment basis to a delivery basis in fiscal 2016, figures for fiscal 2015 reflect these changes retrospectively.

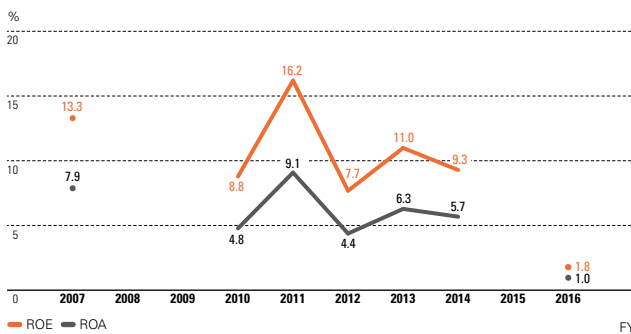
### Profit (Loss) Attributable to Owners of Parent\*3



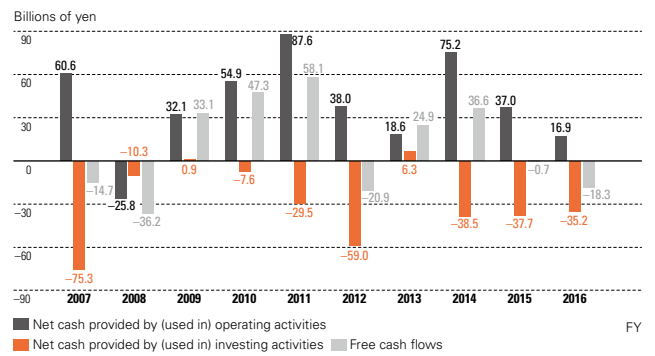
### Net Income (Loss) per Share / Cash Dividends per Share



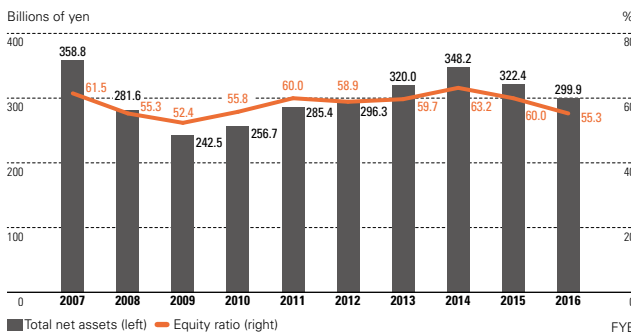
### ROE / ROA\*4



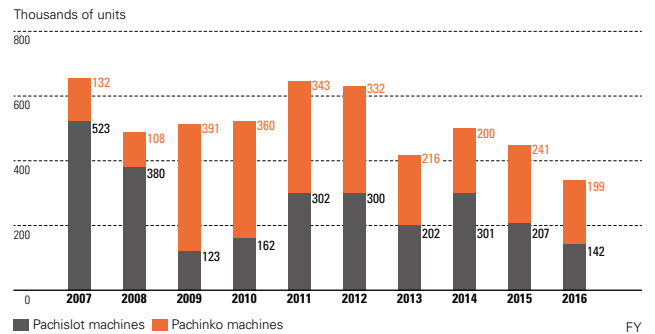
### Cash Flows



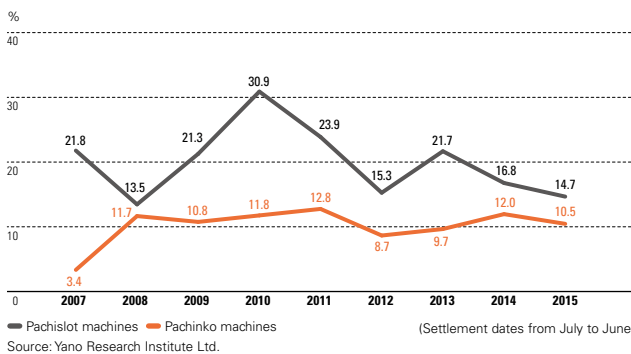
### Total Net Assets / Equity Ratio



### Pachislot and Pachinko Machine Unit Sales



### Market Share of Pachislot and Pachinko Machines



### Number of Domestic Amusement Centers\*5 / Existing Domestic Amusement Center Sales YoY\*6

