

Operations

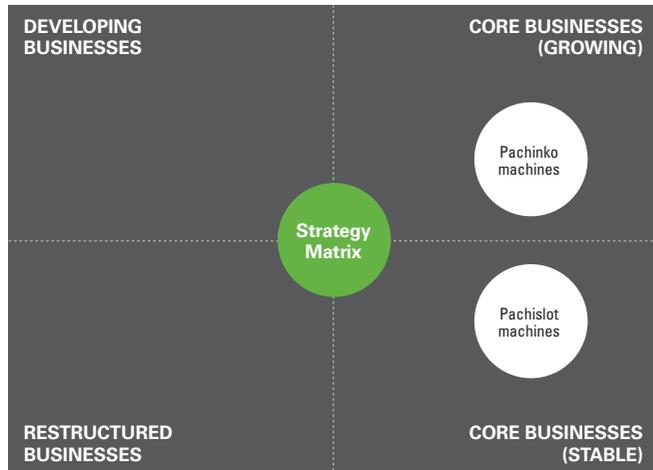
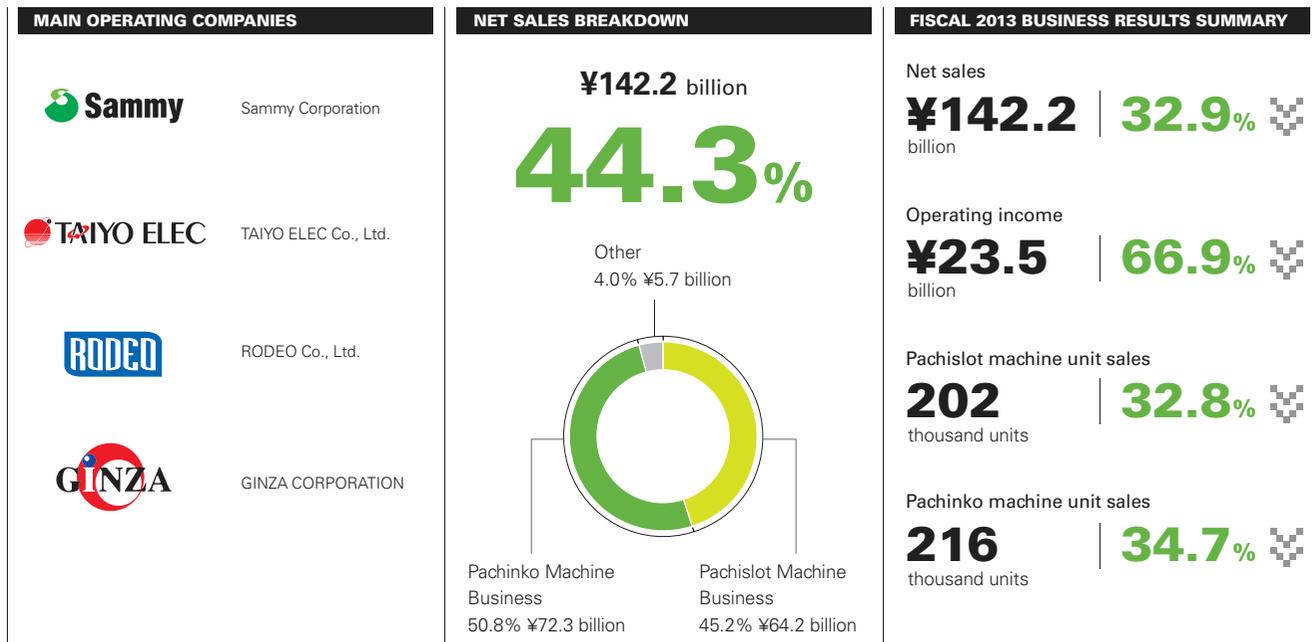
Operational Review



Pachislot and Pachinko Machine Business

Basic Information

Accounting for approximately 44% of net sales, the Pachislot and Pachinko Machine Business segment is the Group's growth driver. As well as having led the pachislot machine market for many years, Sammy Corporation has been steadily strengthening its brand in the pachinko machine market by increasing product appeal. The business segment is further heightening competitiveness by advancing a multibrand strategy founded on Sammy, TAIYO ELEC Co., Ltd., RODEO Co., Ltd., and GINZA CORPORATION; bolstering development capabilities; and restructuring costs continuously.



Executive Summary

- Pachislot machine unit sales decreased 32.8% year on year due to the postponement of several title launches.
- Pachinko machine unit sales declined 34.7% year on year, reflecting the market's bias toward major titles.
- Operating income was down 66.9% year on year as a result of lower unit sales.
- A new plant and distribution center started up operations.
- In 2014, the business segment is targeting unit sales increases of 136.4% for pachislot machines and 49.6% for pachinko machines.

➔ For trends in related markets, please see "Market Conditions for Each Business" in the **A to Z** section.

Fiscal 2013 Overview

In fiscal 2013, ended March 31, 2013, the business segment recorded a 32.9% year-on-year decrease in net sales, to ¥142.2 billion. In the pachislot machine business, net sales were down 38.4% year on year, to ¥64.2 billion, while in the pachinko machine business net sales declined 29.0% year on year, to ¥72.3 billion. The business segment's operating income decreased 66.9% year on year, to ¥23.5 billion. Due to lower unit sales, higher R&D expenses accompanying efforts to strengthen product appeal, and the absence of the previous fiscal year's benefits from component reuse, the operating margin was down 17.0 percentage points year on year, to 16.5%.

The pachislot machine business postponed the launches of several titles, including mainstay title *Pachislot Hokuto No Ken Chapter of Resurrection*. As a result, the business only launched 8 titles, compared with 11 titles in the previous fiscal year, and unit sales

decreased 98,000 units from the previous fiscal year to 202,000 units. Meanwhile, the titles launched sold steadily overall. These included *Pachislot CODE GEASS Lelouch of the Rebellion* under the Sammy brand and *Pachislot Shin-Onimusha Sairin* and *Pachislot Monster Hunter* under the RODEO brand.

As in the previous fiscal year, the pachinko machine business marketed 14 titles. Under the Sammy brand, mainstay title *Pachinko CR Hokuto No Ken 5 Hasha* sold briskly, shipping 120,000 units. On the other hand, second-tier titles struggled amid bias in demand from pachinko hall operators, which favored certain major titles. Consequently, pachinko machine sales declined 115,000 units, to 216,000 units. Reflecting the rollout of new-model pachinko frames, the business saw pachinko board sales as a percentage of net sales decline from the previous fiscal year's 52.4% to 26.2%.

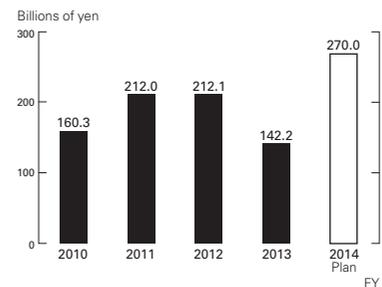


Pachislot Shin-Onimusha Sairin
© CAPCOM CO., LTD. ALL RIGHTS RESERVED.
© Sammy © RODEO



Pachislot CODE GEASS Lelouch of the Rebellion
© SUNRISE / PROJECT GEASS-MBS Character Design
© 2006 CLAMP © NAMCO BANDAI Games Inc.
© Sammy

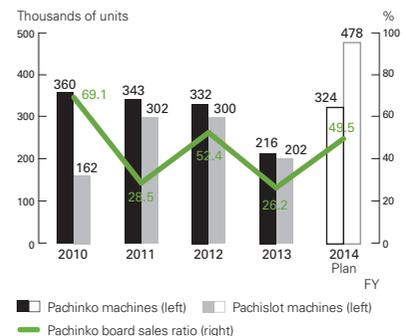
Net Sales



Operating Income / Operating Margin



Pachislot and Pachinko Machine Unit Sales



OPERATIONS

Operational Review

Growth Strategies

The business segment's basic strategies are to maintain and extend the leading market share in the pachislot machine market and to aim for the No. 1 share of the pachinko machine market over the medium term. To these ends, we will invest in R&D proactively to strengthen the competitiveness of products even further. From a medium-to-long-term perspective, we intend to address the market's dwindling player population by focusing efforts on fostering new player groups through the development of a more varied product lineup that caters to the preferences of a broader range of age groups.

Furthermore, this business segment meets diverse market demand through its multibrand strategy. The Group intends to strengthen the brand power of all subsidiaries in the business segment by bolstering development capabilities through exchanges among development personnel and the exploitation and combination of the Group's major intellectual properties. In addition, using Sammy's new plant, which started up operations in September 2012, as a core base, we will increase common components, joint purchasing, and core components reuse to intensify collaboration and thereby strengthen the Group's overall cost competitiveness.

Fiscal 2014 Outlook

In fiscal 2014, ending March 31, 2014, against a backdrop of restrained investment among pachinko hall operators, steady conditions in the pachislot machine market, sluggish demand for pachinko machines, and a demand bias toward popular machines are likely to continue.

In these conditions, the Pachislot and Pachinko Machine Business segment aims to grow net sales 89.9% year on year, to ¥270.0 billion. The pachislot machine business and the pachinko machine business both plan to reach their targets by marketing major titles to boost unit sales significantly.

The pachislot machine business is targeting a 136.4% year-on-year increase in sales, to 478,000 units. By bringing 11 titles to market during the current fiscal year, including *Hokuto No Ken* and several other major titles, the pachislot machine business aims to regain and extend its No. 1 market share. Assuming annual sales in the pachislot machine market as a whole of roughly 1,300,000 units—the same level as in the fiscal year under review—meeting this target will give the business a market share of approximately 37%.



Pachinko CR Hokuto No Ken 5 Hasha
© Buronson & Tetsuo Hara / NSP1983,
Approved No.YKA-105
© Sammy



Pachinko CR Shin-Juuh
© Sammy

INSIGHT Lightning-Fast Production and Supply that Captures Sales Opportunities Reliably

Shipments peak in the initial period after launching pachislot and pachinko machines. For example, we receive more than 90% of orders for pachinko machines in our flagship *Pachinko CR Hokuto No Ken* series in the first week after launch. To avoid sales opportunity loss, having a production and distribution system able to cater to such intensive short-term demand is indispensable. Therefore, the Group has built a production system with one of the industry's largest production capacities. Its new plant, which began operations in September 2012, and the old plant, which remains operational, have a combined daily production capacity of 7,900 pachislot machines and 9,800 pachinko machines. Moreover, on the lot adjacent to the new plant we have built a distribution center, which consolidates distribution centers previously in various locations. By simplifying production processes to shorten lead times, we have established a lightning-fast production and distribution system that is able to meet intensive short-term demand rapidly.

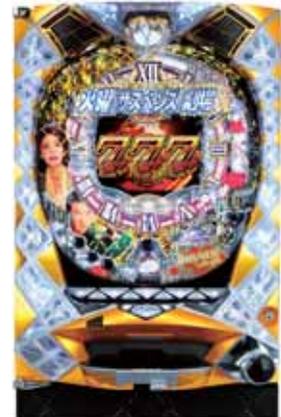


During fiscal 2014, the pachinko machine business plans to release 12 titles, 2 fewer than in the fiscal year under review but including several major titles, and ship 324,000 units, up 107,000 units from the fiscal year under review. If the market as a whole remains at the fiscal year under review's level of 2,500,000 units, achieving this target will result in the business accounting for approximately 13% of the market.

As for earnings, we anticipate year-on-year increases of 214.9% in operating income, to ¥74.0 billion, and 10.9 percentage points in the operating margin, to 27.4%, because unit sales growth and an increase in sales of high-margin pachinko boards as a percentage of net sales in the pachinko machine business from the fiscal year under review's 26.2% to 49.5% are likely to counteract a rise in R&D expenses.



Pachislot Hokuto No Ken Chapter of Resurrection
© Buronson & Tetsuo Hara / NSP1983 © NSP2007,
Approved No. YGL-126 © Sammy



CR Kayou Suspense Gekijou
© Nippon Television Network Corporation © Daiei Television
© HoriPro Inc. All Rights Reserved. © TOHO
ENTERTAINMENT CO., LTD. ALL RIGHTS RESERVED.
© YamamuraMisa Office All Rights Reserved.
© TAIYO ELEC

INSIGHT

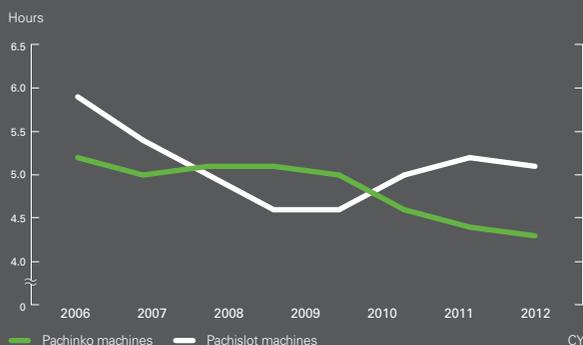
Cyclical Demand Fluctuations in the Pachinko and Pachislot Machine Market and the Portfolio of the Pachislot and Pachinko Machine Business Segment

As a result of revision of regulations pertaining to the Entertainment Establishments Control Law, the revision of industry bodies' internal regulations, and the evolution of players' preferences, the pachinko and pachislot machine market has seen sales of pachinko and pachislot machines alternate between peaks and troughs. Moreover, this cycle has accelerated since the 2004 regulatory revision. As utilization times* show, since regulatory revision players' preferences have tended to shift significantly over short periods. Facing challenging financial positions, pachinko hall operators have shown an increasing tendency to focus investment on pachinko and pachislot machines that promise reliable returns

on the limited capital they have available for investment. Investing in step with demand fluctuation has accelerated the above-mentioned cycle and increased the difference between peaks and troughs.

In fiscal 2009, Sammy transferred to a new development system and heightened the product appeal of its pachinko machines, a market offering significant scope for the company to increase its market share. As a result, Sammy's reputation has risen steadily in the pachinko machine market, and the Pachislot and Pachinko Machine Business segment has built a well-balanced portfolio. This has given the business segment an earnings.

Utilization Time



* Number of hours per business day that pachinko or pachislot machines are utilized
Source: Daikoku Denki Co., Ltd., DK-S/S data

Pachinko Machine Unit Sales as a Percentage of the Group's Pachislot and Pachinko Machine Unit Sales

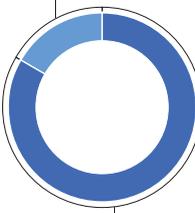




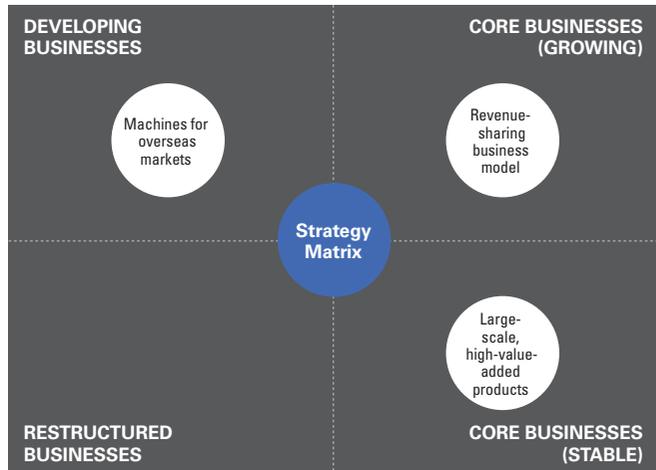
Amusement Machine Sales Business

Basic Information

The Amusement Machine Sales Business segment is SEGA's founding business. As an unflagging pioneer, this business segment has leveraged technological prowess and creativity to market a wide range of innovative world-first and industry-first products that have initiated new trends and driven the industry's development. Aiming to invigorate the amusement center industry by extending the player base to include families, the business segment is introducing new business models proactively.

MAIN OPERATING COMPANIES	NET SALES BREAKDOWN	FISCAL 2013 BUSINESS RESULTS SUMMARY
 SEGA CORPORATION  DARTSLIVE Co., Ltd.	<p>¥39.1 billion</p> <p>12.2%</p> <p>Overseas Amusement Machine Sales Business 16.4% ¥6.4 billion</p>  <p>Domestic Amusement Machine Sales Business 83.6% ¥32.7 billion</p>	<p>Net sales ¥39.1 billion 21.6% ▼</p> <p>Operating income ¥1.9 billion 74.3% ▼</p> <p>R&D expenses, content production expenses ¥7.8 billion 16.1% ▼</p>

<p>STRENGTHS</p> <ul style="list-style-type: none"> Very competitive products in the high-end market Precise identification of market needs through collaboration with Amusement Center Operations segment 	<p>WEAKNESS</p> <ul style="list-style-type: none"> Low profitability of overseas businesses
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> Growth potential of overseas markets centered on Asia Tie-ins with consumer generated media (CGM) 	<p>THREATS</p> <ul style="list-style-type: none"> Challenging financial position of amusement center operators Risk of lower revenues from revenue-sharing business model due to slumping consumer spending



Executive Summary

- Revenues and earnings were lower due to the absence of major new titles.
- Revenues from revenue-sharing titles were solid.
- In the current fiscal year, plans call for launching several major titles, including *Hokuto No Ken BATTLE MEDAL*.
- We are considering the introduction of a new free-to-play (F2P) business model.

➔ For trends in related markets, please see “Market Conditions for Each Business” in the **A to Z** section.

Fiscal 2013 Overview

In fiscal 2013, due to the stage of the product development cycle, the business segment did not launch any major new titles. Consequently, net sales declined 21.6% year on year, to ¥39.1 billion. Meanwhile, the business segment recorded steady revenues from titles incorporating the revenue-sharing business model, such as the *BORDER BREAK* series. R&D expenses and content production expenses were down 16.1% year on year, to ¥7.8 billion.

As a result, the business segment saw year-on-year decreases of 74.3% in operating income, to ¥1.9 billion, and 10.0 percentage points in the operating margin, to 4.9%.

Growth Strategies

In this business segment, invigorating the amusement center industry is a priority task because it affects the segment’s business results significantly. Accordingly, we are introducing business models based on revenue sharing and CVT kits* that reduce amusement center operators’ initial investment burden while helping broaden the player base.



Hokuto No Ken BATTLE MEDAL
© Buronson & Tetsuo Hara / NSP 1983 © NSP 2007,
Approved No. PGA-704 © Sammy © SEGA

At the same time, such business models promise to stabilize the Group’s earnings.

Going forward, we intend to explore the introduction of F2P business models with a view to attracting new players.

* Kits for upgrading boards, software, and exteriors

Fiscal 2014 Outlook

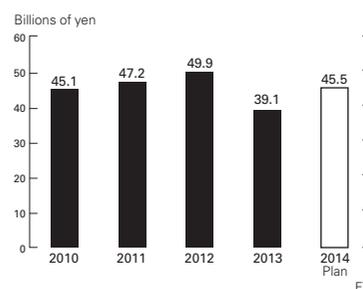
In fiscal 2014, the business segment aims to grow net sales 16.4% year on year, to ¥45.5 billion, by marketing several major new titles. R&D expenses and content production expenses are expected to rise 12.8% year on year, to ¥8.8 billion. Operating income is likely to increase 42.1% year on year, to ¥2.7 billion, while the operating margin is projected to improve 1.0 percentage point, to 5.9%.

In the current fiscal year, as well as the major title *Hokuto no Ken BATTLE MEDAL*, we plan to unveil a new revenue-sharing title, *CODE OF JOKER*. Furthermore, with our sights set on extending the player base, under a new F2P business model we will roll out *Puyopuyo!! Quest Arcade*, an amusement arcade machine version of an application for Apple’s iOS mobile operating system and Android™ that has proven popular.

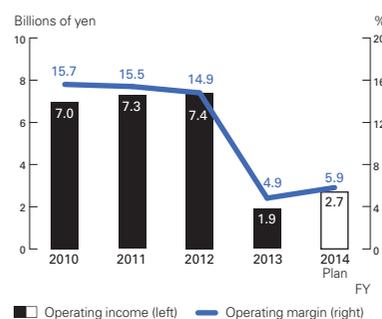


CODE OF JOKER
© SEGA

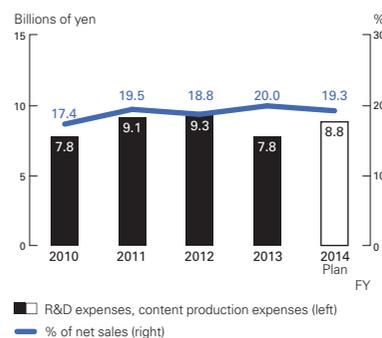
Net Sales



Operating Income / Operating Margin



R&D Expenses, Content Production Expenses / % of Net Sales





TOKYO JOYPOLIS

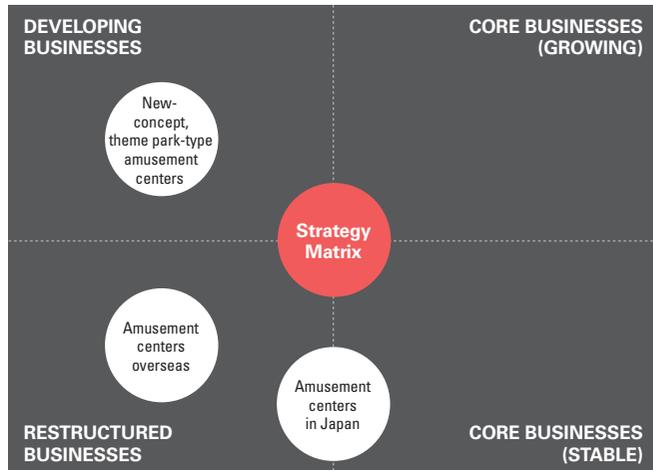
Amusement Center Operations

Basic Information

Core operating company SEGA CORPORATION is improving its earnings structure by reforming its portfolio of amusement centers and bolstering their operational capabilities. At the same time, in collaboration with the Amusement Machine Sales Business segment, this business segment aims to create entertainment spaces that a wide range of customers can enjoy. To this end, the business segment is developing new-concept, theme park-type amusement centers based such themes as “integrating the real with the digital” and “nature” and taking on challenges in areas beyond the “games” category.

MAIN OPERATING COMPANIES	NET SALES BREAKDOWN	FISCAL 2013 BUSINESS RESULTS SUMMARY
SEGA CORPORATION SEGA ENTERTAINMENT Co., Ltd. OASIS PARK Co., Ltd.	<p>¥42.7 billion</p> <p>13.3%</p> <p>Overseas Amusement Center Operations 1.4% ¥0.6 billion</p> <p>Domestic Amusement Center Operations 98.6% ¥42.1 billion</p>	<p>Net sales</p> <p>¥42.7 4.3% ▼ billion</p> <p>Operating income</p> <p>¥1.1 236.3% ▲ billion</p> <p>Existing domestic amusement center sales year on year</p> <p>93.8%</p>

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Rightsized amusement center portfolio • Product lineup catering to a broad range of player groups 	<p>WEAKNESS</p> <ul style="list-style-type: none"> • Low profit margins and capital turnover ratio
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Growth potential of overseas markets centered on Asia • Formation of seniors market • Expansion into new facilities such as restaurants and sports facilities 	<p>THREATS</p> <ul style="list-style-type: none"> • Market contraction due to a slump in consumer spending • Decline in player numbers due to an aging society



Executive Summary

- Despite lower revenues year on year, earnings rose due to lower depreciation and amortization resulting from a change in accounting policy.
- Existing amusement centers in Japan saw sales decline 6.2% year on year.
- Japan's largest indoor theme park, *TOKYO JOYPOLIS*, opened following renewal.
- We unveiled the world's first nature simulation museum, *Orbi Yokohama*, in August 2013.

➔ For trends in related markets, please see "Market Conditions for Each Business" in the **A to Z** section.

Fiscal 2013 Overview

In fiscal 2013, the Amusement Center Operations segment recorded a 4.3% decrease in net sales year on year, to ¥42.7 billion. Reflecting the absence of the previous fiscal year's comparatively solid sales mainly thanks to prize game machines, existing amusement centers in Japan flagged and recorded a 6.2% year-on-year decline in sales. As of March 31, 2013, the business segment had 236 amusement centers, 5 fewer than at the previous fiscal year-end. Capital expenditures were down 4.8% year on year, to ¥7.9 billion, and depreciation and amortization decreased 24.6% year on year, to ¥4.6 billion.

As a result of factors including lower than normal depreciation and amortization due to a change in accounting policy, operating income rose from the previous fiscal year's ¥0.3 billion to ¥1.1 billion, and the operating margin was up 2.0 percentage points, to 2.8%.

Growth Strategies

For traditional amusement centers in Japan, which are likely to continue facing challenging conditions as the country's birthrate declines, we will strengthen earnings capabilities by proactively remodeling amusement centers and bolstering their operational capabilities. Meanwhile, we intend to advance an amusement center opening strategy aimed at developing new customer groups. We plan to attract a broad range of new customers by stepping up amusement center openings in shopping centers and by actively opening theme park-type amusement centers, such as *TOKYO JOYPOLIS*, and new-concept amusement centers that transcend the amusement

center category. As part of these efforts, in partnership with BBC Worldwide Limited, SEGA unveiled the world's first nature simulation museum, *Orbi Yokohama*, in August 2013. Furthermore, we are considering licensing out this format overseas in the future.

Fiscal 2014 Outlook

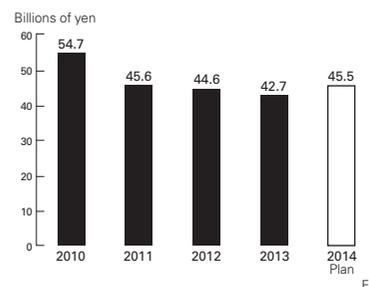
In fiscal 2014, plans call for a 6.6% year-on-year rise in net sales, to ¥45.5 billion. Sales of existing domestic amusement centers are expected to grow 1.8% year on year. We anticipate that investment in *Orbi Yokohama* will give rise to year-on-year increases of 27.8% in capital expenditures, to ¥10.1 billion, and 19.6% in depreciation and amortization, to ¥5.5 billion. As a result of higher depreciation and amortization, operating income is likely to decline from the fiscal year under review's ¥1.1 billion to ¥0.2 billion. In Japan, we plan to open 4 amusement centers and close 9, giving a total of 197 amusement centers* at the end of the current fiscal year.

* From fiscal 2014, only directly managed amusement centers will be included in the number of amusement centers in Japan.

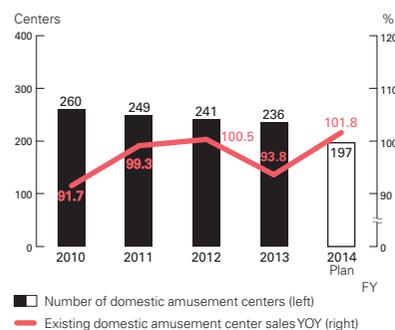


Orbi Yokohama

Net Sales



Number of Domestic Amusement Centers / Existing Domestic Amusement Center Sales YOY



Operating Income (Loss) / Capital Expenditures / Depreciation and Amortization





© SEGA

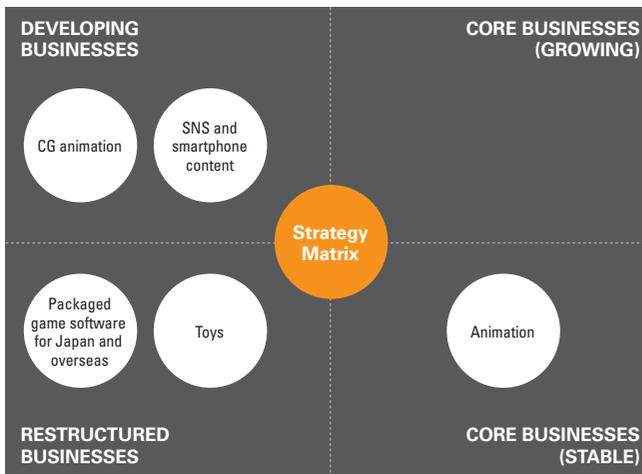
Consumer Business

Basic Information

SEGA is reinforcing its earnings structure in the packaged game software area while focusing management resources on accelerating efforts to strengthen competitiveness in the digital game content area, which is growing conspicuously. We intend to maximize earnings by pursuing a multiplatform strategy of rolling out video games for a wide variety of platforms. By stepping up collaborations across the whole Group, including the toy sales business and the animation business, we aim to leverage our extensive capabilities.

MAIN OPERATING COMPANIES	NET SALES BREAKDOWN*	FISCAL 2013 BUSINESS RESULTS SUMMARY
SEGA CORPORATION SEGA Networks, Ltd. TMS ENTERTAINMENT, LTD. Sammy NetWorks Co., Ltd. SEGATOYS CO., LTD. MARZA ANIMATION PLANET INC.	<p>¥83.8 billion</p> <p>26.1%</p> <p>Animation Business 12.4% ¥10.5 billion Packaged Game Software (Game Content Business) 42.2% ¥35.6 billion Toy Sales Business 10.0% ¥8.4 billion Digital Game Content (Game Content Business) 35.2% ¥29.7 billion</p> <p>* Excluding ¥0.6 billion of corporate and eliminations</p>	<p>Net sales ¥83.8 billion 2.1% ▼</p> <p>Operating loss ¥-0.7 billion —</p> <p>Home video game software unit sales 10.78 million units 37.5% ▼</p> <p>R&D expenses, content production expenses ¥19.5 billion 33.4% ▼</p>

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> Brand power in the game content business, accumulation of a powerful range of intellectual properties, and development personnel and other management resources Some of the best animation assets in Japan's animation industry 	<ul style="list-style-type: none"> Lackluster packaged game software sales and decline in earning power Low profit margin of the toy sales business
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> Rapid growth of content market for SNS and smartphones Expansion of the PC online game market in Japan and Asia 	<ul style="list-style-type: none"> Contraction of packaged game software market Continuous high development costs for packaged game software Intensification of competition in the SNS and smartphone content market



Executive Summary

- Despite lower revenues due to narrowing down the number of titles, successful organizational rationalization reduced operating loss significantly.
- Cumulative ID registrations of the online role-playing game *Phantasy Star Online 2* surpassed 2.5 million.
- With a view to maximizing earnings in the expanding digital game content business, we established SEGA Networks, Ltd.
- The business segment will launch a full-fledged, cross-platform strategy in fiscal 2014.

➔ For trends in related markets, please see "Market Conditions for Each Business" in the **A to Z** section.

Fiscal 2013 Overview

In fiscal 2013, net sales decreased 2.1% year on year, to ¥83.8 billion, due to lower unit sales of packaged game software accompanying the narrowing down of the number of titles. Meanwhile, the operating loss shrank substantially from the previous fiscal year's ¥15.1 billion to ¥0.7 billion, thanks to a reduction in operating expenses that accompanied the restructuring and rationalization of organizations responsible for packaged game software in North America and Europe. Reflecting the decrease in marketed titles, R&D expenses and content production expenses were down 33.4% year on year, to ¥19.5 billion.

Packaged Game Software Business

In Japan and overseas, the business segment sought to heighten profitability by narrowing down the number of titles to focus on major intellectual properties that promise unit sales commensurate with development investment. In Japan, we marketed 10 titles, compared with 16 titles in the previous fiscal year, and sold 2,140,000 units, down 660,000 units year on year. In North America and Europe, as a result of narrowing down the number of marketed titles from the previous fiscal year's 29 titles to 15 titles, sales declined 5,810,000 units year on year, to 8,620,000 units. Consequently, total sales decreased 6,460,000 units from the previous fiscal year, to 10,780,000 units, and net sales were ¥35.6 billion.

In Japan, *Ryu ga Gotoku 5: Yume, Kanaeshi-mono*, and *Hatsune Miku-Project DIVA-F*

achieved solid sales. Overseas, we brought to market such mainstay titles as *Sonic & All-Stars Racing Transformed* and *Aliens™: Colonial Marines*.

Digital Game Content Business

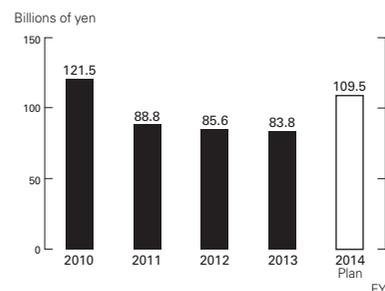
In the digital game content business, net sales were ¥29.7 billion.

SEGA launched full-fledged efforts in the digital game content business by establishing SEGA Networks, Ltd. SEGA embarked on a cross-platform strategy in earnest by beginning services for the online role-playing game for PCs *Phantasy Star Online 2* in July 2012 and services for PlayStation® Vita in February 2013. Cumulative ID registrations for the role-playing game exceeded 2.5 million as of March 10, and revenues from individual item fees have been higher than expected. In titles for smartphones, we began distributing the latest installment in the *Kingdom Conquest* series, *Kingdom Conquest II*, in December 2012, with the series surpassing five million downloads cumulatively in May 2013. Furthermore, we actively collaborated

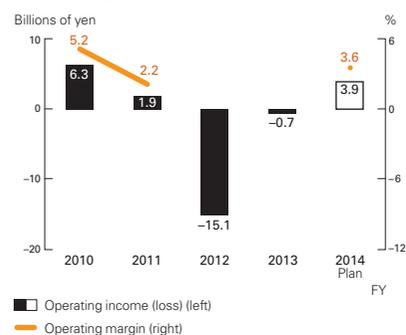


Ryu ga Gotoku 5: Yume, Kanaeshi-mono
© SEGA

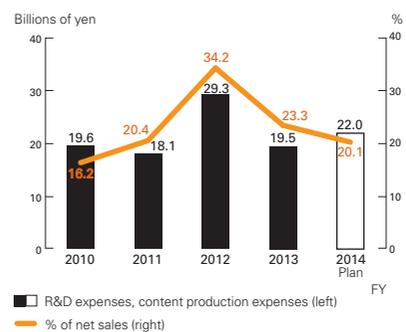
Net Sales



Operating Income (Loss) / Operating Margin



R&D Expenses, Content Production Expenses / % of Net Sales



OPERATIONS

Operational Review

with major partners and rolled out products overseas. Such initiatives included developing *The Clan Battle of Fate* and creating a version of it for South Korea.

In addition, we acquired all of the shares of THQ Canada Inc., currently Relic Entertainment Inc., as well as some intellectual properties owned by its parent company, THQ Inc., in January 2013.

Toys and Animation Area

The toy sales business saw net sales decrease 5.6% year on year, to ¥8.4 billion, while the animation business posted a 1.0% year-on-year increase in net sales, to ¥10.5 billion.

In the toy sales business, sales of *Jewel Pod Diamond* and other mainstay products were brisk. As for the animation business, distribution revenues and video distribution for the movie-theater version of *ANPANMAN: Revive Banana Island!* were favorable.

Growth Strategies

In the packaged game software business, we will build a system that generates earnings stably by rigorously analyzing the balance between development investment and unit sales forecasts and focusing development and marketing on major intellectual properties. Furthermore, in the packaged game software area the business segment will maximize earnings opportunities by advancing its cross-platform strategy, which enables the sharing of video game data among devices.

Regarding the digital game content business, we plan to heighten our presence by developing businesses rapidly primarily through SEGA Networks. We intend to take maximum advantage of SEGA's abundant intellectual properties and development resources and the SEGA SAMMY Group's other major intellectual properties to create differentiated titles featuring rich graphics and captivatingly multilayered worlds. Furthermore, plans call for rolling out titles that have been hits in Japan in other regions, particularly in Asia.

In the toy sales business, we will strengthen initiatives for mainstay products while revamping value chains to improve profitability.

In the animation business, TMS ENTERTAINMENT, LTD., which owns an extensive array of valuable animation assets, including *Detective Conan*, *Go! ANPANMAN*, and *Lupin the 3rd*, will concentrate on creating new movies and television series. Moreover, this business will create synergies by creating animation for pachislot and pachinko machines.

Fiscal 2014 Outlook

In fiscal 2014, the Consumer Business segment is targeting a 30.7% year-on-year increase in net sales, to ¥109.5 billion, based on earnings growth in the digital game content business. Also, the business segment aims to move into the black by achieving operating income of ¥3.9 billion, compared with the previous fiscal year's operating loss of ¥0.7 billion. R&D expenses and content production expenses are projected to increase 12.8% year on year, to ¥22.0 billion, mainly as a result of stepped-up development.

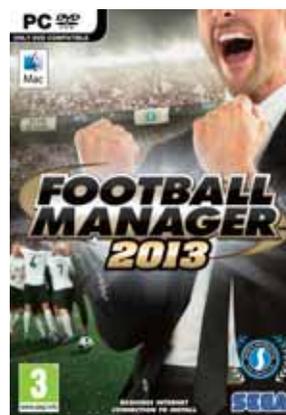
By business, we are targeting year-on-year increases in net sales of 28.9% in the packaged game software business, 35.7% in the digital game content business, 17.9% in the toy sales business, and 30.5% in the animation business.

The packaged game software business aims to grow sales 8.2%, to 11.66 million units.

In the digital game content business, we plan to roll out new titles for smart devices featuring major intellectual properties, including a version of *Phantasy Star Online 2* for smartphones and *Puyopuyo!! Quest*. In the PC game area, we intend to launch Relic Entertainment's title *Company of Heroes 2* in the North American and European markets and develop overseas markets further.



Phantasy Star Online 2
© SEGA



FOOTBALL MANAGER
© Sports Interactive Limited 2012. Published by SEGA Publishing Europe Limited. Developed by Sports Interactive Limited. SEGA and SEGA logo are either registered trademarks or trademarks of SEGA Corporation. Football Manager, Sports Interactive and the Sports Interactive Logos are either registered trademarks or trademarks of Sports Interactive Limited.



Kingdom Conquest II
© SEGA / © SEGA Networks