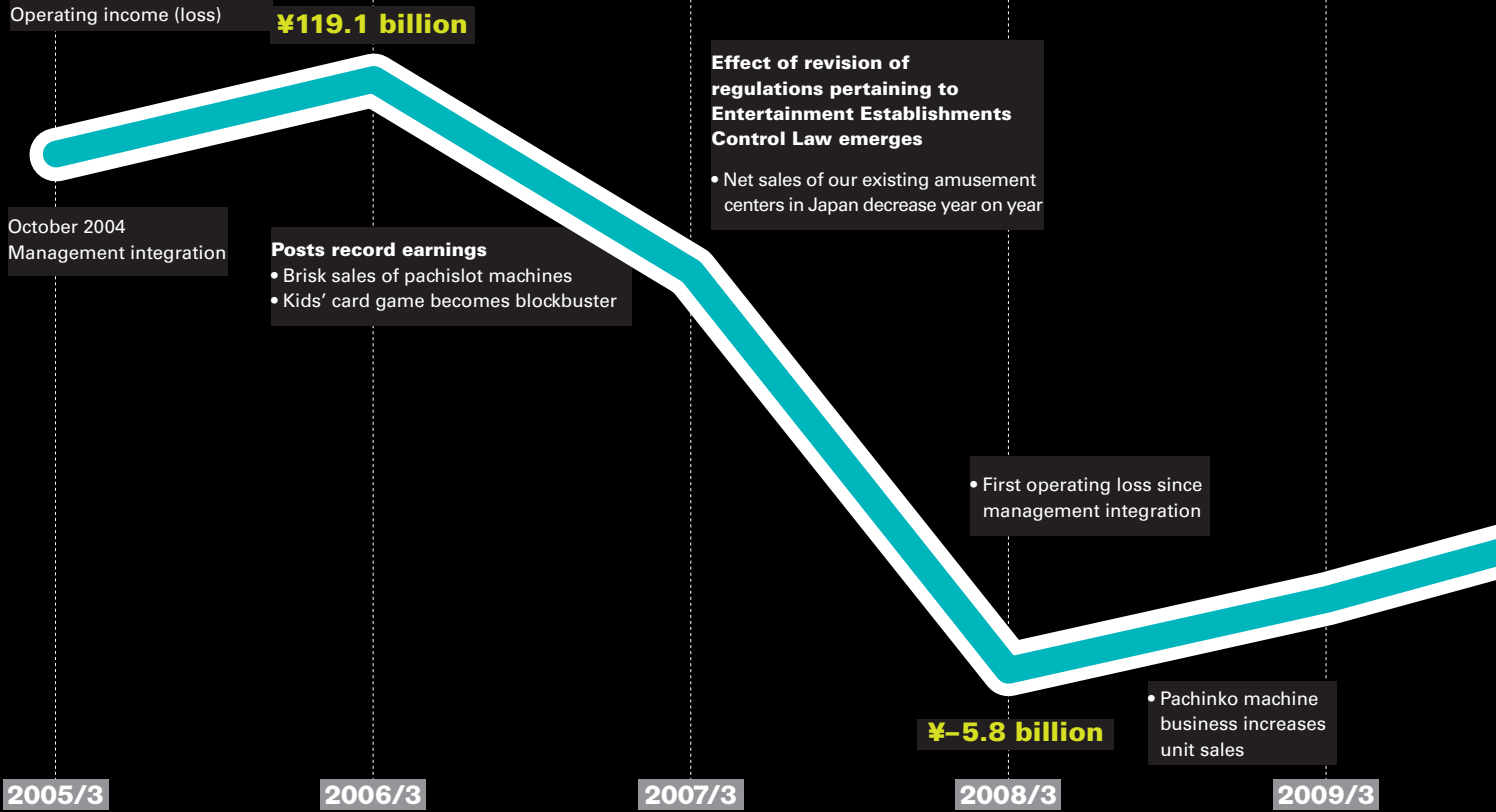


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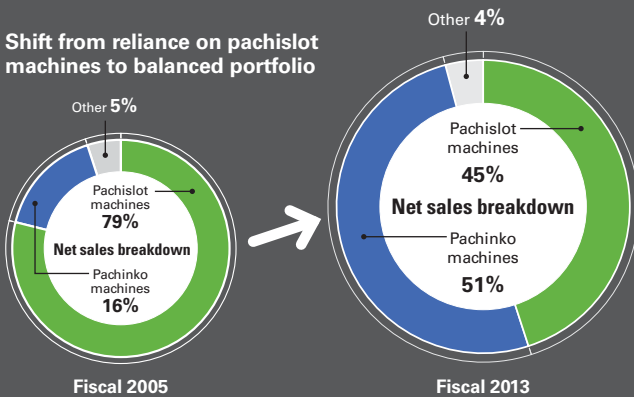
Since Management Integration



Major Changes

PACHISLOT AND PACHINKO MACHINE BUSINESS

Shift from reliance on pachislot machines to balanced portfolio



Main initiatives

- Strengthened pachinko machine business (transferred to new development system and increased pachinko boards' share of net sales)
- Withdrew from pachislot and pachinko machine peripheral business
- Reduced cost by reusing components
- Built new plant and distribution center

➔ P57 "Insight: Cyclical Demand Fluctuations in the Pachinko and Pachislot Machine Market and the Portfolio of the Pachislot and Pachinko Machine Business Segment"

AMUSEMENT MACHINE SALES BUSINESS

AMUSEMENT CENTER OPERATIONS

Amusement centers in Japan

Fiscal 2005

477

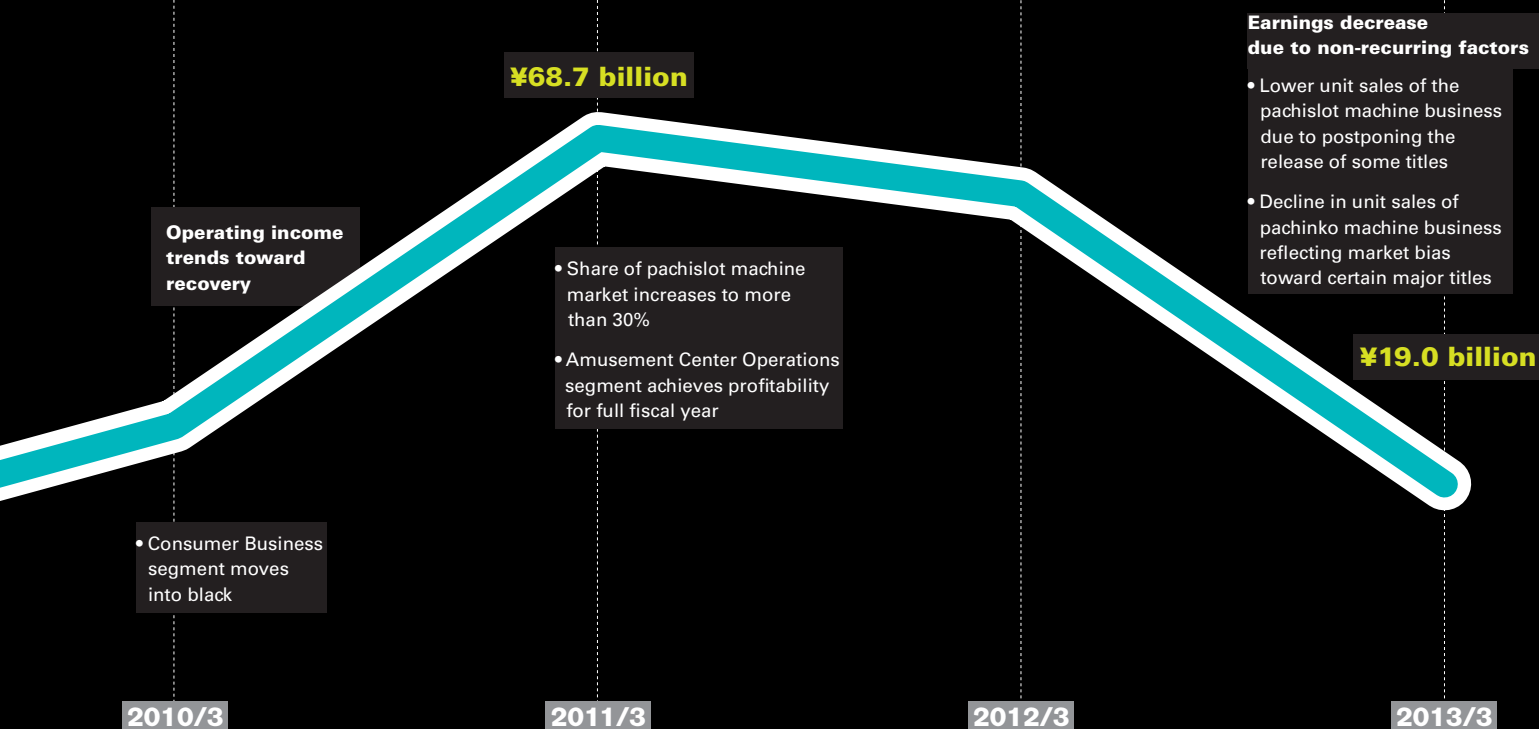
Fiscal 2013

236

Main initiatives

- Stopped developing certain large, high-end machines
- Reduced R&D expenses, content production expenses
- Introduced new business model (revenue-sharing business model)
- Closed or sold amusement centers with inadequate profitability or potential
- Strengthened management capabilities of amusement centers

The SEGA SAMMY Group has been steadily restructuring its businesses in response to a variety of management issues. These have included declining earnings from the Pachislot and Pachinko Machine Business segment amid dramatic changes in the pachinko and pachislot machine market as well as lower profitability in the Amusement Center Operations and the Consumer Business segments. In conjunction with these efforts, we have been laying strategic foundations for increasing earnings in the future.



CONSUMER BUSINESS

Number of packaged game software titles (SKU)

Fiscal 2007

140

Fiscal 2013

49

Main initiatives

- Streamlined organizations in home video game software area in North America and Europe
- Narrowed down number of titles under development
- Reduced R&D expenses, content production expenses
- Established SEGA Networks, Ltd.

OTHER CORPORATE ACTIONS

Main initiatives

- Rightsized workforce by introducing voluntary early retirement plan (SEGA CORPORATION and SEGA TOYS CO., LTD.)
- Established subsidiary boasting some of Japan's most advanced animation development technology (MARZA ANIMATION PLANET INC.)
- Made Sammy NetWorks Co., Ltd., SEGA TOYS, TMS ENTERTAINMENT, LTD., and TAIYO ELEC Co., Ltd., wholly owned subsidiaries
- Established PARADISE SEGASAMMY Co., Ltd., as joint venture with the Paradise Group
- Made resort complex developer and operator Phoenix Resort Co., Ltd., wholly owned subsidiary
- Participated in resort complex development project in Busan, South Korea
- Acquired THQ Canada Inc., now Relic Entertainment Inc., and intellectual properties related to titles under development

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Business Results Highlights

Years ended March 31

Consolidated Business Highlights

	2005	2006	2007	2008	2009	2010	2011
Net sales	¥515,668	¥553,240	¥528,238	¥458,977	¥429,194	¥384,679	¥396,732
Gross profit	211,559	229,011	203,079	120,403	119,092	138,867	166,055
Selling, general and administrative (SG&A) expenses	106,469	109,867	126,548	126,232	110,728	102,154	97,304
Operating income (loss)	105,090	119,144	76,530	(5,829)	8,363	36,712	68,750
EBITDA ²	122,764	140,999	104,578	39,782	35,007	53,887	84,699
Net income (loss)	50,574	66,221	43,456	(52,470)	(22,882)	20,269	41,510
Capital expenditures	32,468	37,650	59,271	50,422	26,610	16,164	19,686
Depreciation and amortization	17,674	21,854	28,048	45,611	26,644	17,175	15,949
R&D expenses, content production expenses	41,590	36,337	52,106	65,384	59,676	41,502	41,104
Net cash provided by (used in) operating activities	77,762	83,228	60,623	(25,878)	32,199	54,998	87,696
Net cash provided by (used in) investing activities	(39,618)	(54,706)	(75,395)	(10,399)	936	(7,640)	(29,585)
Net cash provided by (used in) financing activities	(25,703)	(21,152)	(1,712)	(7,579)	(7,653)	(3,401)	(57,168)
Free cash flows ³	38,144	28,522	(14,772)	(36,277)	33,135	47,358	58,111
Total assets	438,991	522,914	549,940	469,642	423,938	423,161	458,624
Total net assets / shareholders' equity ⁴	258,954	316,679	358,858	281,627	242,532	256,770	285,461
Number of shares outstanding (shares)	140,551,522	283,229,476	283,229,476	283,229,476	283,229,476	283,229,476	266,229,476

Per Share Data	2005	2006	2007	2008	2009	2010	2011
Net income (loss)	¥ 205.27	¥ 261.06	¥ 172.47	¥ (208.26)	¥ (90.83)	¥ 80.46	¥ 163.19
Diluted net income	200.48	260.35	172.35	—	—	—	163.01
Total net assets / shareholders' equity ⁴	1,033.96	1,254.14	1,341.80	1,030.09	882.47	937.80	1,093.23
Cash dividends	60.00	80.00	60.00	45.00	30.00	30.00	40.00

Key Ratios	2005	2006	2007	2008	2009	2010	2011
Gross profit margin	41.0	41.4	38.4	26.2	27.7	36.1	41.9
SG&A ratio	20.6	19.9	24.0	27.5	25.8	26.6	24.5
Operating margin	20.4	21.5	14.5	—	1.9	9.5	17.3
R&D expenses to net sales	8.1	6.6	9.9	14.2	13.9	10.8	10.4
ROE	19.5	23.0	13.3	—	—	8.8	16.2
ROA ⁵	11.5	24.8	15.2	—	1.5	8.5	15.5
Total net assets ratio	59.0	60.6	61.5	55.3	52.4	55.8	60.0

1 Yen amounts have been translated into U.S. dollars solely for convenience at the rate of ¥94.01 to U.S. \$1, the prevailing exchange rate at March 29, 2013.

2 EBITDA = Operating income (loss) + Depreciation and amortization

3 Free cash flows = Net cash provided by (used in) operating activities + Net cash provided by (used in) investing activities

4 Following the enactment of the new Companies Act of Japan in 2006, the Company presents total net assets for the fiscal year ended March 31, 2007, and subsequent fiscal years, which represent the shareholders' equity figure used in previous years plus minority interests and share subscription rights.

5 ROA = Ordinary income ÷ Total assets

Millions of yen, unless stated otherwise		Thousands of U.S. dollars ¹
2012	2013	2013
¥395,502	¥321,407	\$3,418,860
161,663	116,938	1,243,898
103,279	97,865	1,041,014
58,384	19,073	202,883
74,542	37,254	396,280
21,820	33,460	355,926
36,141	32,871	349,664
16,158	18,181	193,396
53,348	45,294	481,805
38,023	18,603	197,885
(59,012)	6,396	68,041
914	(1,116)	(11,877)
(20,989)	24,999	265,918
497,451	528,504	5,621,790
296,376	320,034	3,404,263
266,229,476	266,229,476	

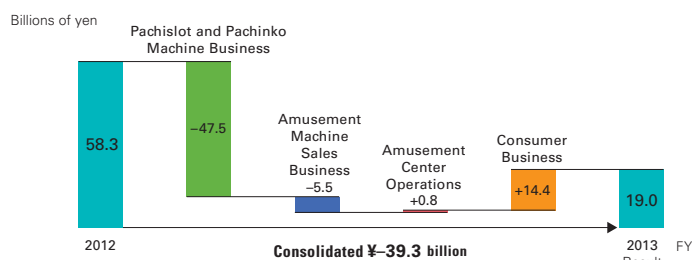
Yen		U.S. dollars ¹
2012	2013	2013
¥ 86.73	¥ 137.14	\$ 1.45
86.54	136.85	1.45
1,167.59	1,304.44	13.87
40.00	40.00	0.42

%	
2012	2013
40.9	36.4
26.1	30.4
14.8	5.9
13.5	14.1
7.7	11.0
12.2	4.1
58.9	59.7

Operating Income

¥19.0 billion (down ¥39.3 billion, or 67.3% year on year)

Change in Segment Operating Income



Main Other Income and Expenses

Other income

Gain on sales of investment securities	¥1.9 billion
Gain on transfer of benefit obligation relating to employees' pension fund	¥6.3 billion

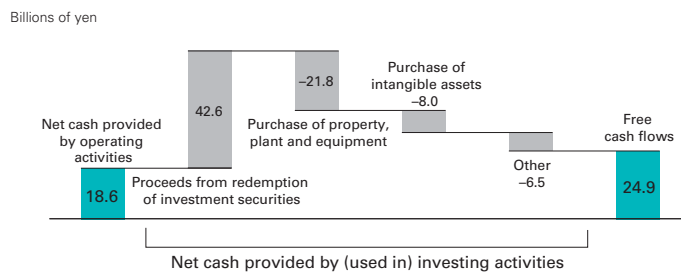
Other expenses

Impairment loss	¥2.9 billion
Loss on liquidation of subsidiaries and affiliates	¥1.7 billion

Free Cash Flows

¥24.9 billion

Main Causes of Changes in Free Cash Flows



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Business Results Highlights

Years ended March 31

Business Results by Business Segment

Pachislot and Pachinko Machine Business	2005	2006	2007	2008	2009	2010	2011
Net sales	¥280,109	¥265,631	¥211,539	¥145,582	¥161,691	¥160,376	¥212,060
Operating income	103,931	99,847	71,102	8,443	14,528	29,502	64,284
Operating margin (%)	37.1	37.6	33.6	5.8	9.0	18.4	30.3
R&D expenses	6,952	6,940	9,325	12,632	14,289	13,019	13,485
Capital expenditures	2,842	6,670	8,790	23,829	4,516	3,297	5,725
Pachislot machine unit sales (units)	676,933	607,106	523,422	380,688	123,286	162,932	302,270
Pachinko machine unit sales (units)	233,049	288,895	132,981	108,184	391,831	360,171	343,188
Amusement Machine Sales Business							
	2005	2006	2007	2008	2009	2010	2011
Net sales	¥63,305	¥71,512	¥75,454	¥71,061	¥61,926	¥45,117	¥47,237
Operating income	7,424	12,176	11,682	7,152	6,890	7,094	7,317
Operating margin (%)	11.7	17.0	15.5	10.1	11.1	15.7	15.5
R&D expenses, content production expenses	12,029	10,002	12,527	13,695	11,450	7,841	9,195
Amusement Center Operations							
	2005	2006	2007	2008	2009	2010	2011
Net sales	¥83,194	¥106,245	¥103,850	¥91,226	¥71,310	¥54,788	¥45,695
Operating income (loss)	5,472	9,244	132	(9,807)	(7,520)	(1,338)	342
Operating margin (%)	6.6	8.7	0.1	—	—	—	0.7
Capital expenditures	24,886	24,577	40,754	15,910	14,893	7,796	7,701
Depreciation and amortization	11,937	17,148	18,052	17,161	15,908	8,212	6,126
Number of domestic amusement centers (centers)	477	462	449	363	322	260	249
Existing domestic amusement center sales year on year (%)	98.5	103.3	95.8	89.0	92.4	91.7	99.3
Consumer Business							
	2005	2006	2007	2008	2009	2010	2011
Net sales	¥65,341	¥90,352	¥119,593	¥141,790	¥131,361	¥121,575	¥88,896
Operating income (loss)	(8,810)	1,977	1,749	(5,989)	(941)	6,332	1,969
Operating margin (%)	—	2.2	1.5	—	—	5.2	2.2
R&D expenses, content production expenses	21,736	17,823	26,583	37,129	32,875	19,644	18,150
Home video game software unit sales (thousands)	11,790	16,400	21,270	26,990	29,470	26,750	18,710

¹ Yen amounts have been translated into U.S. dollars solely for the convenience of readers at the rate of ¥94.01 to U.S. \$1, the prevailing exchange rate at March 29, 2013.

	Millions of yen, unless stated otherwise		Thousands of U.S. dollars ¹
	2012	2013	2013
	¥212,189	¥142,281	\$1,513,470
	71,040	23,534	250,343
	33.5	16.5	
	14,393	18,056	192,068
	12,726	11,914	126,732
	300,866	202,221	
	332,288	216,860	

Pachislot and Pachinko Machine Business —Causes of business results changes

- In the pachislot machine business, unit sales were down 32.8% year on year due to postponing the release of several titles, including mainstay title *Hokuto No Ken Chapter of Resurrection*.
- In the pachinko machine business, sales decreased 34.7% year on year because favorable sales of mainstay titles, such as *Pachinko CR Hokuto No Ken 5 Hasha*, were unable to compensate fully for flagging sales of second-tier titles, which resulted from a market bias toward major titles.

	Millions of yen, unless stated otherwise		Thousands of U.S. dollars ¹
	2012	2013	2013
	¥49,929	¥39,134	\$416,277
	7,415	1,902	20,233
	14.9	4.9	
	9,374	7,819	83,181

Amusement Machine Sales Business —Causes of business results changes

- Revenues and earnings decreased due to the absence of major titles.
- Revenues from revenue-sharing titles were steady.

	Millions of yen, unless stated otherwise		Thousands of U.S. dollars ¹
	2012	2013	2013
	¥44,608	¥42,707	\$454,289
	355	1,194	12,710
	0.8	2.8	
	8,328	7,923	84,279
	6,184	4,671	49,696
	241	236	
	100.5	93.8	

Amusement Center Operations —Causes of business results changes

- Sales at existing amusement centers struggled, declining 6.2% from the previous fiscal year, which saw comparatively solid results thanks to favorable revenues from prize game machines.
- Earnings rose due to lower depreciation and amortization resulting from an accounting policy change.

	Millions of yen, unless stated otherwise		Thousands of U.S. dollars ¹
	2012	2013	2013
	¥ 85,688	¥ 83,874	\$892,186
	(15,182)	(732)	(7,788)
	—	—	
	29,316	19,538	207,835
	17,240	10,780	

Consumer Business —Causes of business results changes

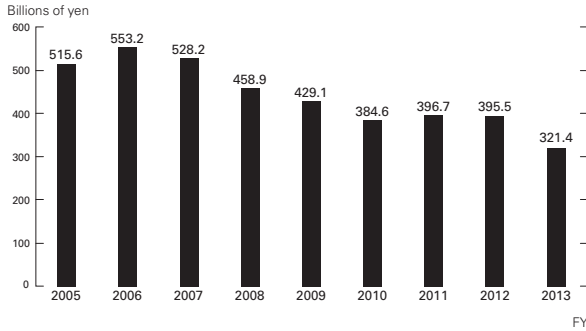
- Despite the lower revenues that resulted from narrowing down the number of packaged game software titles in North America and Europe, loss contracted as rationalized businesses led to reduced operating expenses.
- Cumulative ID registrations of the online role-playing game *Phantasy Star Online 2* surpassed 2.5 million, and revenues from in-game paid items were favorable.

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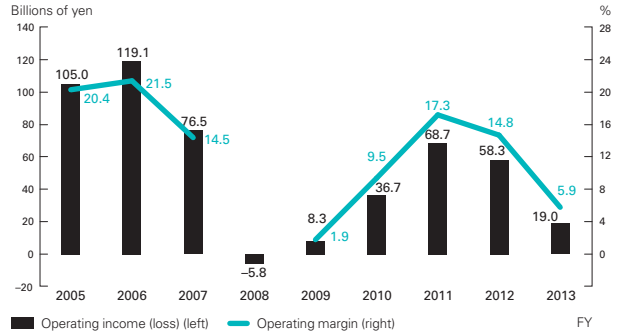
Business Results Highlights

Business Trend

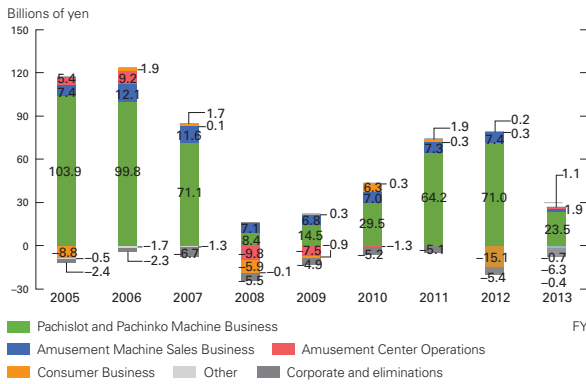
Net Sales



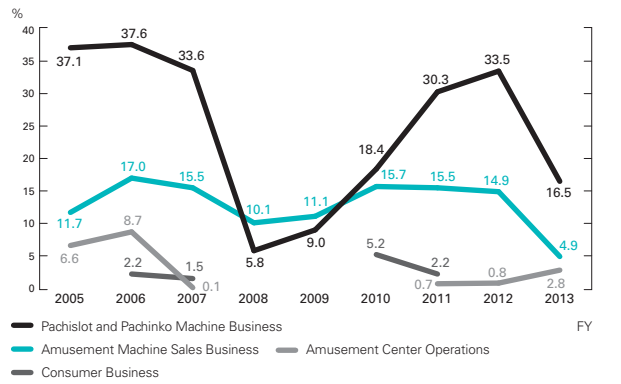
Operating Income (Loss) / Operating Margin



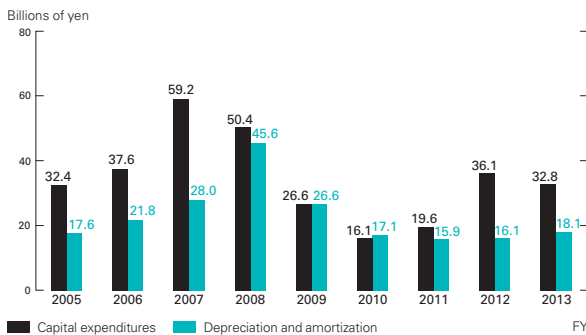
Operating Income (Loss) by Segment



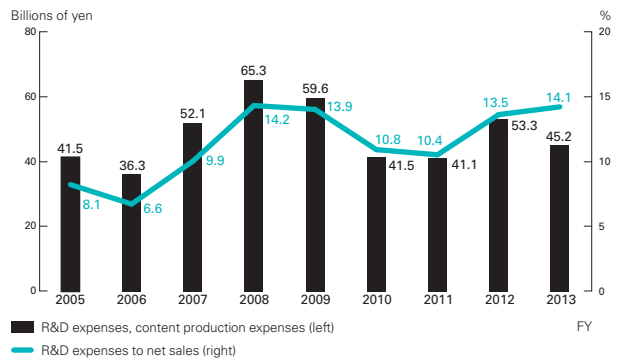
Operating Margin by Segment



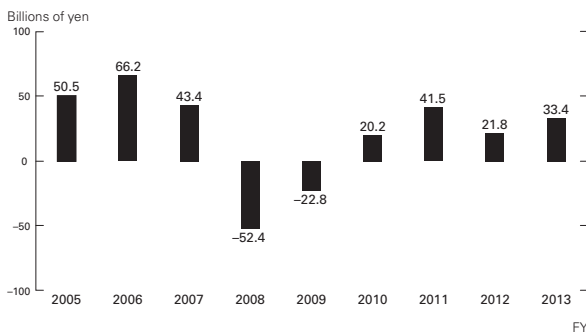
Capital Expenditures / Depreciation and Amortization



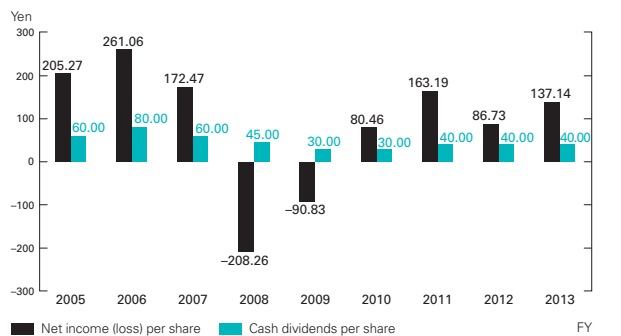
R&D Expenses, Content Production Expenses / R&D Expenses to Net Sales



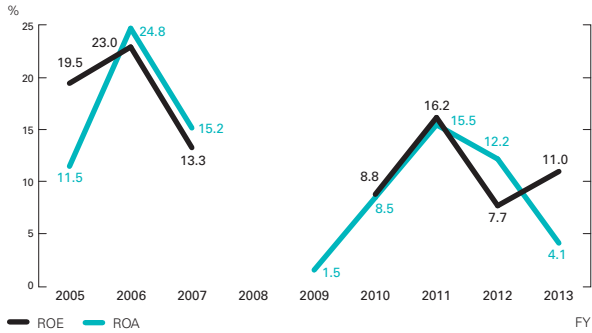
Net Income (Loss)



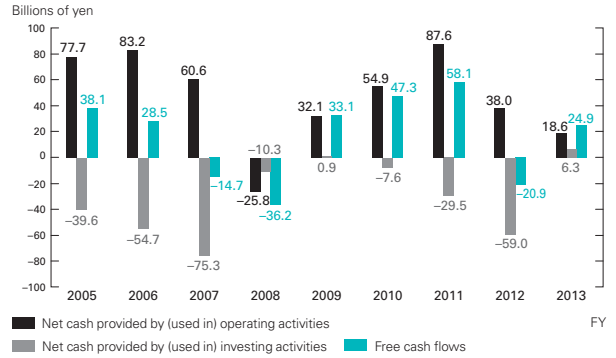
Net Income (Loss) per Share / Cash Dividends per Share



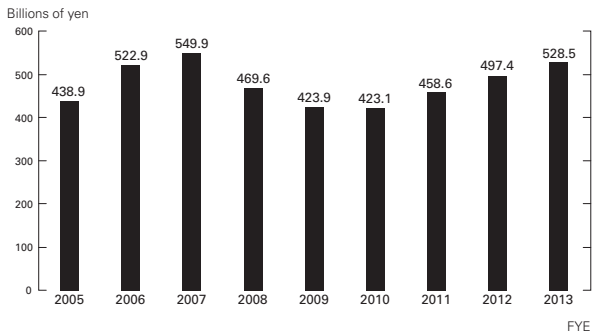
ROE / ROA



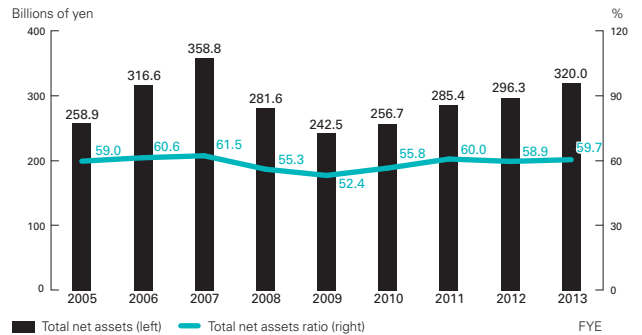
Free Cash Flows



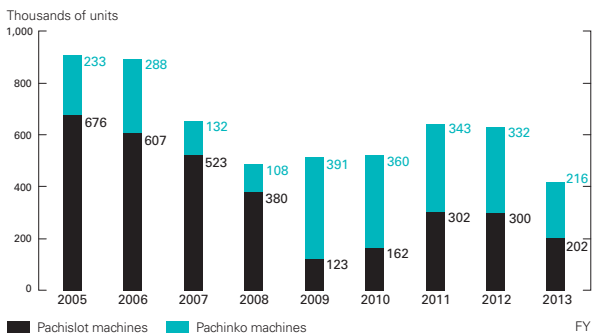
Total Assets



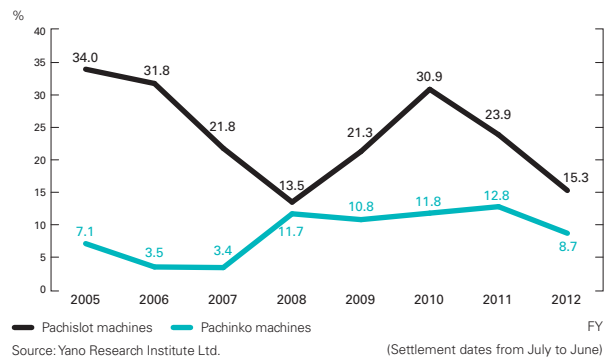
Total Net Assets / Total Net Assets Ratio



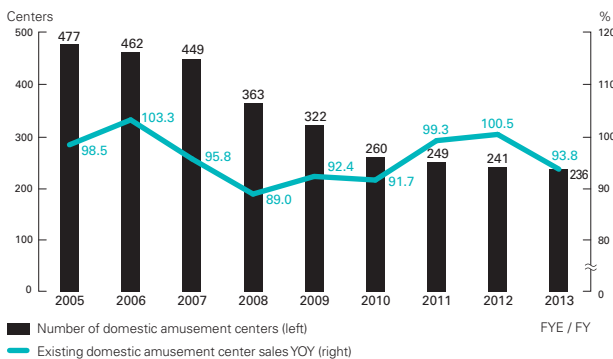
Pachislot and Pachinko Machine Unit Sales



Market Share of Pachislot and Pachinko Machines



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



Home Video Game Software Unit Sales / Consumer Business R&D Expenses, Content Production Expenses

