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**Actively pursuing business investments to achieve further growth**



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# SEGA SAMMY in 2011

**Net sales** **JPY 395.5 billion** (down 0.3% year on year)

Although sales were positive for pachislot and amusement machines thanks to the introduction of popular major titles, the pachinko sales market stagnated against the backdrop of rising pachislot demand. This, in addition to the influence of sluggish sales of new packaged software in the Consumer Business segment mainly in the United States and Europe, led to a decline in net sales compared with the previous year.

**Operating income** **JPY 58.3 billion** (down 15.1% year on year)

Although sales of mainstay, high-margin pachislot titles were robust, profits decreased due to a drop in packaged software unit sales in the Consumer Business segment, as well as the impact of loss on valuation of packaged software works-in-process that accompanied the reorganization of that business.

## Number of pachislot and pachinko machines sold

Pachislot  
11 titles  
300,000 units (Fiscal year under review) → **13 titles 470,000 units**  
(Plan for the fiscal year ending March 31, 2013)

Pachinko  
14 titles  
330,000 units (Fiscal year under review) → **15 titles 450,000 units**  
(Plan for the fiscal year ending March 31, 2013)

The numbers of pachislot machines sold were down by 2,000 units compared to the previous fiscal year, due to postponement of sales of certain titles until the next fiscal year because of the effects of the flooding in Thailand. Meanwhile, amid a stagnating pachinko market due to rising pachislot demand, the Group's unit sales declined, although our share of sales is expected to grow.

The Group plans to substantially increase sales in the fiscal year ending March 31, 2013, setting targets of 470,000 pachislot machines, and 450,000 pachinko machines.

## Number of packaged software titles sold

45 titles (Fiscal year under review) → **24 titles**  
(Plan for the fiscal year ending March 31, 2013)

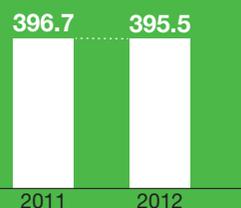
## Number of package units sold

17.24 million units (Fiscal year under review) → **8.94 million units**  
(Plan for the fiscal year ending March 31, 2013)

In packaged software sales, new titles were down overall, and the number of units sold decreased from the previous fiscal year. For the fiscal year ending March 31, 2013, the Group's sales plan will focus on carefully selected titles that can be expected to bring in solid income mainly based on results to date.

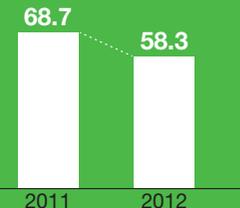
## Other key figures

### Net Sales (JPY billion)



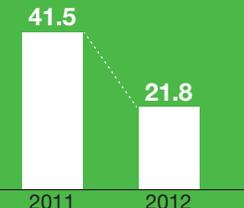
\*Years ended March 31

### Operating Income (JPY billion)



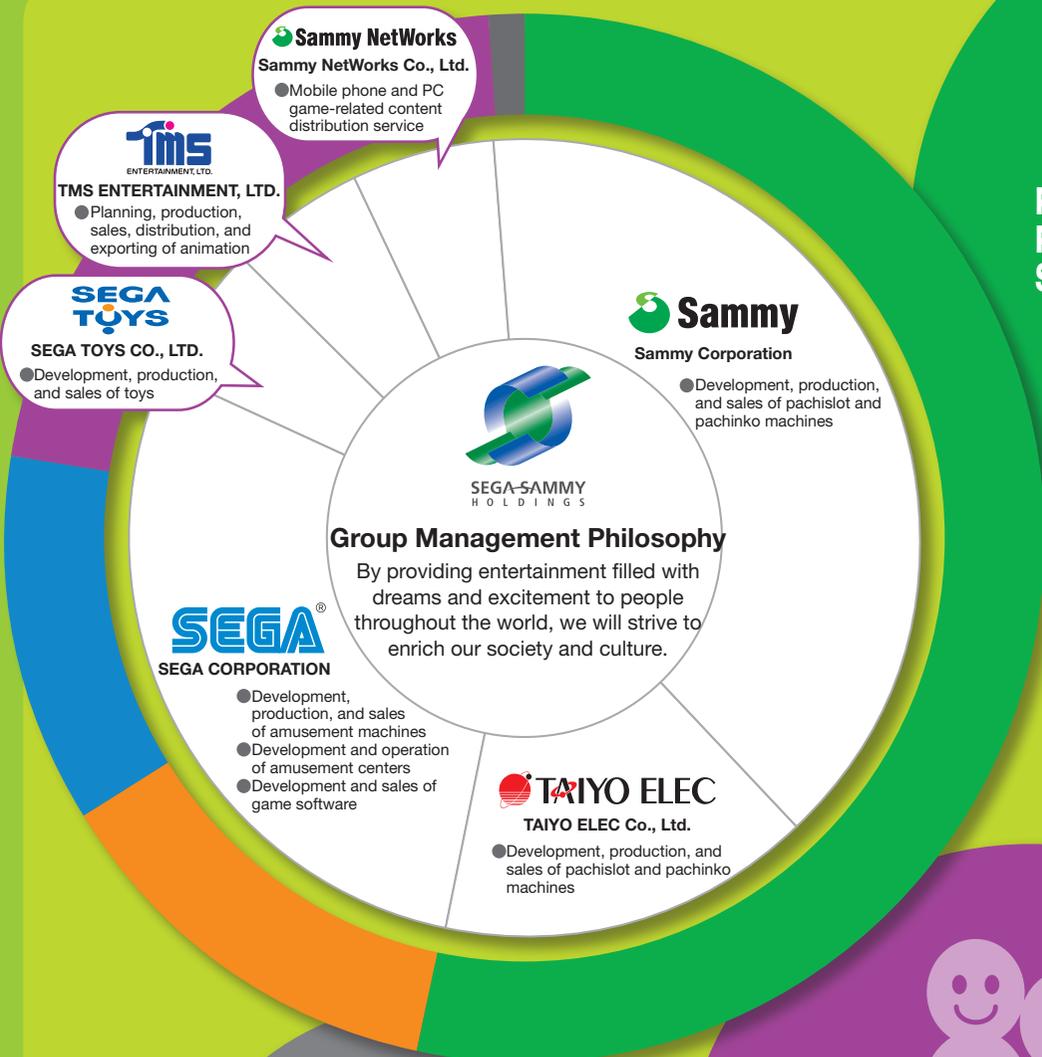
\*Years ended March 31

### Net Income (JPY billion)



\*Years ended March 31

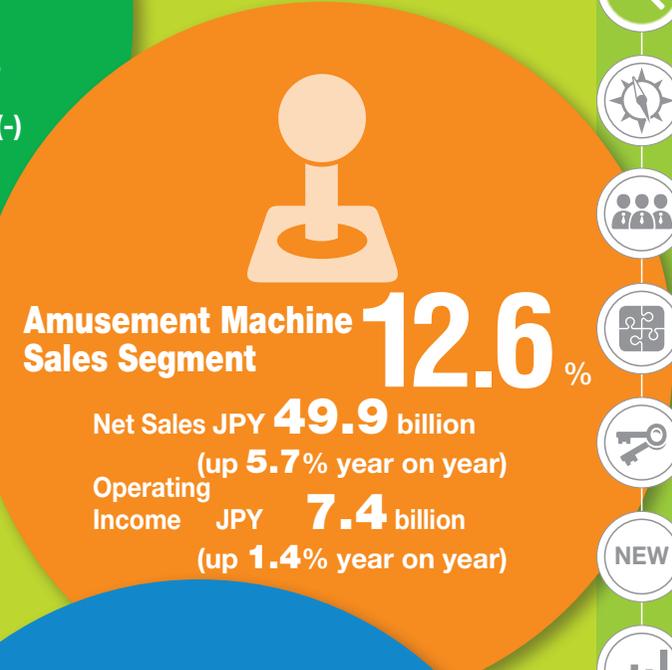
Please see page 13 for detailed financial information.



777

Pachislot and Pachinko Machines Segment **53.6%**

Net Sales JPY **212.1** billion (-)  
Operating Income JPY **71.0** billion  
(up **10.6%** year on year)



Amusement Machine Sales Segment **12.6%**

Net Sales JPY **49.9** billion  
(up **5.7%** year on year)  
Operating Income JPY **7.4** billion  
(up **1.4%** year on year)

Business Segments of SEGA SAMMY and Composition of Net Sales by Business Segment

**Other 0.8%**  
Net Sales JPY **3.0** billion  
(up **7.1%** year on year)  
Operating Income JPY **0.2** billion (-)

**Consumer Business Segment 21.6%**  
Net Sales JPY **85.6** billion  
(down **3.6%** year on year)  
Operating Loss JPY **15.1** billion (-)

**Amusement Center Operations Segment 11.3%**  
Net Sales JPY **44.6** billion  
(down **2.2%** year on year)  
Operating Income JPY **0.3** billion (-)

Please see pages 7 for results by segment.



Looking back,  
what is your  
evaluation of the  
fiscal year ended  
March 31, 2012?



A year during which valu-  
able steps were taken  
toward the building of a  
framework for acceleration  
of future growth.

### Dear shareholders,

The SEGA SAMMY Group has implemented various management measures to create a framework that can deal speedily and flexibly with changes in the business environment, and has directed efforts to building a solid management base that can accelerate future growth. Going forward, we will develop the business by making the whole world, and all generations, our target market. Thus, the Group aims to “establish a presence in every business field, and become one of the world’s foremost global entertainment companies.”

We look forward to your continued support in our endeavors.

June 2012

### Hajime Satomi

SEGA SAMMY HOLDINGS INC.  
Chairman of the Board and Chief Executive Officer  
Chairman of Sammy Corporation  
Chairman, Representative Director, and Chief Executive  
Officer of SEGA CORPORATION

In the Pachislot and Pachinko Machines Business segment, pachislot continued to enjoy healthy sales, while pachinko sales faltered. Performance has remained strong in the Amusement Machine Sales Business and Amusement Center Operations segments. In the Consumer Business segment, digital contents were performing solidly, although there has been a downturn in packaged software sales reflecting deteriorating business confidence in the United States and Europe. As a result, the Company unfortunately posted a decrease in sales and profit for the consolidated fiscal year under review, with net sales of JPY395,502 million, operating income of JPY58,384 million, and ordinary income of JPY58,164 million. Additionally, extraordinary gain of JPY3,382 million were posted in gain on negative goodwill, etc. while extraordinary loss of JPY18,577 million were posted due to impairment loss, amortization of goodwill, settlement payment for patent licensing, and restructuring loss. Consequently, net income amounted to JPY21,820 million.

Looking just at the performance results for the fiscal year ended March 31, 2012, business growth may appear to be at a standstill; however, the Group views this as a year during which valuable steps were taken towards the building of a framework for acceleration of future growth.

As one of the main management measures of the fiscal year under review, TAIYO ELEC Co., Ltd. became a wholly owned subsidiary of Sammy Corporation in August. This will permit even greater personnel exchanges and joint development through effective utilization of substantial intellectual property (IP) of the Group and integration of technology. In terms of production as well, putting in place this framework will allow us to achieve further cost improvements such as implementing even more standardization of parts, and joint purchasing.

In addition, on March 26, 2012, PHOENIX RESORT K.K. was converted to a subsidiary. This will enable us to acquire management expertise in the operation of large-scale facilities, and we will utilize that expertise in the development and operation of resort complexes where the Group aims for new expansion.

► Further details can be found on page 9 of this report.

Furthermore, SEGA CORPORATION commenced structural reform of its Consumer Business segment in March. In order to demonstrate anew its significance in an industry where speedy responses are required amidst a extremely changing market environment, we will establish a structure that can proceed with business development at a rapid pace, while utilizing the contents and technical capacities it has cultivated thus far, with the goal of a return to profitability in the Consumer Business segment in the fiscal year ending March 31, 2013.

Please tell us your goals and challenges for the fiscal year ending March 31, 2013.



We aim to launch a drive to achieve increased sales and profit based on a firm grasp of market needs in each business segment.

**In the Pachislot and Pachinko Machine Business**

segment, the Group will launch 13 titles, including mainstay titles, in the strong pachislot market, setting a Group sales target of 470,000 units to capture a nearly 40% share of the total 1.25 million new units expected to be sold across the market. An all-out drive will be launched in the pachinko market as well, with 15 titles including major titles, setting the goal of achieving sales of 450,000 units out of a total market forecast of 2.30 million new units.

In the Amusement Machine Sales Business segment, although there will be no new major products to be introduced due to the development cycle, we will continue to secure stable revenue through the revenue sharing\* model, while also beefing up sales of minor titles of the prize machines and medal machines.

In the Amusement Center Operations segment, we intend to launch a strategic expansion drive in connection with the upcoming re-opening of the renovated "Tokyo Joypolis" in July 2012, in addition to renovations of 26 other amusement centers in Japan. Expectations are high with regard to the possibility for expanding sales in the future, including overseas sales, by applying the positive results gained from the "Tokyo Joypolis" renovation.

In the Consumer Business segment, first of all, we are streamlining the organization in the packaged

software sales field in European and North American markets, in order to build a system capable of generating stable revenue. Furthermore, we executed a corporate split-off of the main functions of the network business that had been developed under SEGA CORPORATION, and decided to transfer them to the SEGA Networks., Ltd. to be newly established in July. In this way, we intend to create a framework to maximize network revenue, by allowing the rapid management decision-making that the business requires and enabling precise responses to the diversifying needs of customers. With regard to the social game "Complete Gacha" that has been the source of concern recently, the impact on the Group has been minor. The relevant functions, however, will be eliminated by May 31, 2012, and it will be Group policy not to include such functions in social games or network game services provided in the future.

As a result of these cumulative efforts, SEGA SAMMY Group plans to increase sales and profits for the fiscal year ending March 31, 2013, with consolidated net sales of JPY470.0 billion (up 18.8% year on year), operating income of JPY66.0 billion (up 13.2% year on year), ordinary income of JPY65.0 billion (up 11.9% year on year), and net income of JPY40.0 billion (up 83.5% year on year.)

**Results Forecast**

(Unit: JPY billion)	Year ended March 31, 2012 Results	Year ending March 31, 2013 Plan	Change (%)
Net Sales	395.5	470.0	+18.8
Operating Income	58.3	66.0	+13.2
Ordinary Income	58.1	65.0	+11.9
Net Income	21.8	40.0	+83.5

**Glossary**

**Revenue sharing** \* Revenue sharing refers to a business model under which revenue is shared in proportion to machines' operational status, together with a policy to sell chassis for low prices and lease content free of charge.





News about new initiatives was announced on May 11.

This marks a major step toward expansion into a new business domain.



Incheon  
Republic of Korea

Finally, a word to shareholders, please.

The Company aims to invest in fields of business growth as well as to pay dividend aligned with our level of profits.



First of all, with the goal to reinforce the Group's management structure in order to deliver sustainable corporate growth, the Group submitted a proposal for discussion at the 8th Ordinary General Meeting of Shareholders. It concerned the nomination of Mr. Naoya Tsurumi, President and Representative Director (COO) of SEGA CORPORATION and Mr. Haruki Satomi, President and Representative Director (CEO) of Sammy NetWorks Co., Ltd. as candidates for Director of SEGA SAMMY HOLDINGS INC. Subsequently the proposal was approved by shareholders.

In addition, we reached an agreement to establish a joint venture with Paradise Group, in terms of developing a resort complex including casinos in the Incheon City area of South Korea. Paradise Group is a tourism and other services conglomerate which conducts the operation of casinos and management of hotels and spas in South Korea centered on Paradise Co., Ltd. (headquarters located in South Korea).

We are currently planning to develop and operate a resort complex including casinos in the Incheon City area of South Korea, and is considering the International Business Center (IBC-1) owned by the Incheon International Airport Corporation as a candidate construction site. Paradise Group has already participated

in the International Business Center (IBC-1) second phase business operator bidding, obtained preferential negotiation rights, and is currently negotiating with Incheon International Airport Corporation towards conclusion of an agreement\*. Considering the business of operating a resort complex including casinos as a new profit-making opportunity, the Group has established a joint venture with Paradise Group to conduct planning, development, and operation of the project, and plans to participate in management.

\* As of May 31, 2012

### Notice of Dividends

The Company decided at the meeting of Board of Directors, held on May 11, 2012, to pay a dividend for the 8th term as follows.

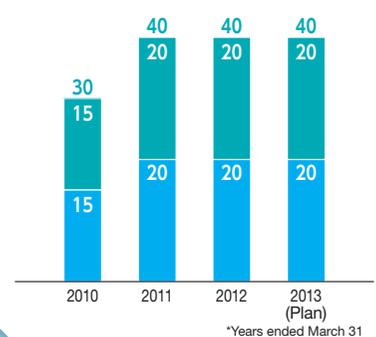
- Year-end dividend of JPY20 per share  
Interim dividend of JPY20 for total full-year cash dividends of JPY40
- Effective date (payment start date)  
May 29, 2012

In the fiscal year ended March 31, 2012, we were able to move ahead with aggressive business investments. The Sammy brand's new plants and new distribution centers will finally begin operating in the fall of 2012. In addition, we will continuously shift Group management resources to the smartphone and SNS content business where growth continues to be strong. The Group positions this as a growth field, and intends to increase the revenue.

While investing for growth, we also aim to continue paying dividends to shareholders aligned with our level of profits, and plan to pay full-year cash dividends of JPY40 in the fiscal year ending March 31, 2013 just as we did in the fiscal year under review.

We ask for and appreciate the continued understanding and support of our shareholders in the Company's business activities.

Change in amount of dividend (JPY)





**We constantly offer entertainment that exceeds expectations through “outstanding manufacturing and service.”**

I am Naoya Tsurumi, and have been appointed as President and Representative Director, COO of SEGA CORPORATION.

Since the founding of the company in 1960, we at SEGA have led the industry by constantly offering products that are ahead of the curve. Entertaining our customers with SEGA games is our mission, and the reason for our existence.

Asking what it is that we want to deliver to the world and to our customers, and having the passionate commitment to convey that feeling, while responding flexibly to various changes in the business environment, we will offer entertainment that exceeds customer expectations through “outstanding manufacturing and service.”

Going forward, I would like to ask all of our stakeholders for their continued patronage and direction.

President Representative  
Director, Chief Operating Officer  
SEGA CORPORATION

**Naoya Tsurumi**



**Keeping innovation in our DNA, making change into chance, we will contribute to revitalization of the industry.**

I am Shigeru Aoki, and I have been named to the position of President and Representative Director, COO of Sammy Corporation.

We at Sammy took our first steps in 1975 as a company whose development centered on the pachinko and pachislot industry.

Amid various changes in the market facing us in recent years, including changes in social structure, technological innovations, deregulation, and industry reorganization, Sammy has surprised the market with its characteristic groundbreaking experiments created through finely-tuned collaboration between its diverse game features and the world-view and scenarios of contents.

Going forward, we at Sammy will keep innovation in our DNA, making change into chance, and contribute to further revitalization of the industry, while providing entertainment full of dreams and excitement, where pachinko and pachislot have their place as a familiar and affordable amusement, bringing joy to the hearts of many.

I would like to ask for your continuing support and patronage in the years ahead.

President, Representative Director  
Chief Operating Officer  
Sammy Corporation

**Shigeru Aoki**



**We will continue to provide services that inspire “joy,” “fun,” and “excitement.”**

I am Haruki Satomi, and I have been named to the position of President and Representative Director, CEO of Sammy NetWorks Co., Ltd.

With the corporate slogan of “Delivering “Wow!!” to the World via Networks,” Sammy NetWorks is engaged in the planning, production, and distribution of online game contents for personal computers and mobile phones via the Internet.

Going forward, our aim is to generate corporate value by pressing ahead energetically with further enhancement of services with an eye on trends in smart phone and social networking services.

We will continue to devote our efforts to providing services that inspire “joy,” “fun,” and “excitement” for many people, and ask for your continuing support in that endeavor.

President Representative  
Director, Chief Executive Officer  
Sammy NetWorks Co., Ltd.

**Haruki Satomi**



## Segment Information

### Pachislot and Pachinko Machines Segment

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Composition of Net Sales **53.6%**

**Net Sales**  
JPY **212.1** billion  
(-)

**Operating Income**  
JPY **71.0** billion  
(up **10.6%** year on year)



#### Key Points for the Fiscal Year under Review

##### Market Environment

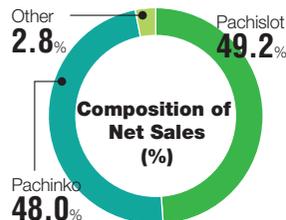
- Pachinko sales market stagnated against the backdrop of rising pachislot demand

##### Results

- Margins increased thanks to strong sales of mainstay pachislot titles, in addition to reuse and other cost improvement measures

##### Primary Factors

- Although sales of certain pachislot titles were postponed resulting from the effects of the flooding in Thailand, an upturn of sales for numerous titles became a driver of recovery in the pachislot market.
- While pachinko unit sales declined from previous fiscal year, suppressed by the popularity of pachislot, the Group's share of sales increased. (Group estimate)



#### Key points for the Fiscal Year ending March 31, 2013

**Plan** Net Sales JPY **286.5** billion Operating Income JPY **70.0** billion

- Although net sales will increase from the previous fiscal year, a decrease in profit is planned due to greater spending mainly on research and development
- Operations scheduled to commence at Sammy's new plants and new distribution centers in September 2012.
- Pachislot: Introduction of 13 titles, including numerous mainstay titles, planned during the fiscal year
- Pachinko: Introduction of 15 titles, including numerous major titles, planned during the fiscal year
- A temporary decrease in margins accompanying the launch of new frames of pachinko machine under the Sammy brand

## In Focus

Incorporating the staging of "Pachinko CR Hokuto no Ken," the thrills, passion, and excitement of the first generation "pachislot Hokuto no Ken" are recreated here.

With the launch of the Sammy brand "Pachislot Hokuto no Ken" as "the ultimate specifications" that combine the staging of the still-popular "Pachinko CR Hokuto no Ken" series, we completely reincarnate the first generation "pachislot Hokuto no Ken." Installations began in December 2011, and the machine has received a tremendous response in the market, with 177,469 units sold as of the end of March 2012.



© Burinson&Tetsuo Hara/NSP 1983  
© NSP 2007, Approved No. YR1-125  
© Sammy

### Amusement Machine Sales Segment



Composition of Net Sales **12.6%**

**Net Sales**  
JPY **49.9** billion  
(up **5.7%** year on year)

**Operating Income**  
JPY **7.4** billion  
(up **1.4%** year on year)



#### Key Points for the Fiscal Year under Review

##### Market Environment

- The market remained strong due to factors including an increased preference among consumers for more accessible entertainment.

##### Results

- In addition to sales of mainstay titles, distribution revenue from revenue sharing model operation and sales of consumables such as cards were robust.

##### Primary Factors

- Sales were strong for mainstay title "StarHorse3 Season I A NEW LEGEND BEGINS."
- Sales were solid for consumables such as cards and CVT kits for the "SEGA NETWORK MAH-JONG MJ5" and "WORLD CLUB Champion Football" series and others.
- Revenue sharing model operation has resulted in continued strong distribution revenue (Distribution revenue from revenue sharing model operation accounted for approximately 11% of domestic machine sales.)

#### Key Points for the Fiscal Year ending March 31, 2013

**Plan** Net Sales JPY **40.5** billion Operating Income JPY **1.3** billion

- Due to the development cycle, no new major titles are scheduled for launch, and a decrease in sales and profits is planned.
- Continue concentrated effort to expand sales of "StarHorse3 Season I A NEW LEGEND BEGINS."
- Although no new major titles are planned for launch, revenue sharing model is expected to contribute to stable revenue.
- Beef up sales of minor titles and standard titles including prize machines and medal machines

## In Focus

The latest in the ultimate horse-racing medal game series "StarHorse3 Season I A NEW LEGEND BEGINS." is a smash hit.

Enhanced game contents including data updated every month based on actual race results through "latest generation report," and "Legend Mode" which allows players to vie for victory by owning and training well-known actual horses. This is an even more spectacular reincarnation with a significantly evolved look.



© SEGA

### Amusement Center Operations Segment



Composition of Net Sales **11.3%**

**Net Sales** JPY **44.6** billion  
(down 2.2% year on year)

**Operating Income** JPY **0.3** billion  
(-)



### Consumer Business Segment



Composition of Net Sales **21.6%**

**Net Sales** JPY **85.6** billion  
(down 3.6% year on year)

**Operating Loss** JPY **15.1** billion  
(-)



**Key Points for the Fiscal Year under Review**

**Market Environment**

- ▶ Strong performance, backed by a shift in consumer preferences towards accessible entertainment

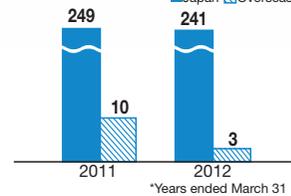
**Results**

- **Net sales were solid at existing SEGA amusement centers in Japan, thanks to a shift in consumer preferences towards accessible entertainment, in addition to enhancement of operational management capabilities at existing locations.**

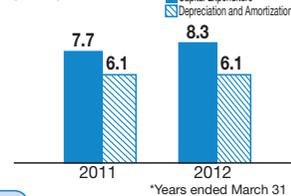
**Primary Factors**

- ▶ Enhancement of operational management capabilities at existing amusement centers proved effective.
- ▶ Upturn in sales in the prize category for games such as UFO Catchers.

Trends in the Number of Amusement Centers in Japan and Overseas (Locations)



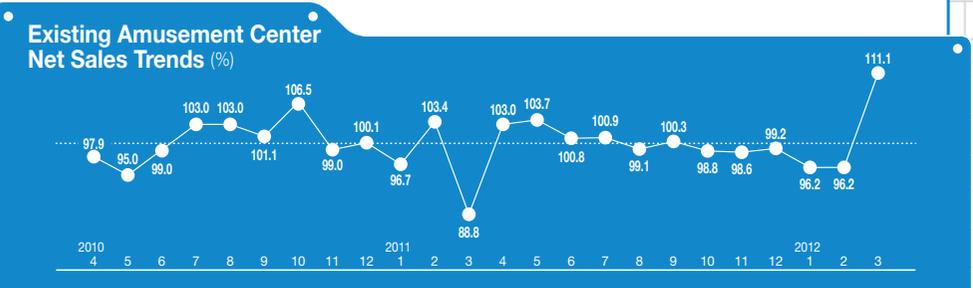
Trends in Capital Expenditure / Depreciation and Amortization (JPY billion)



**Key Points for the Fiscal Year ending March 31, 2013**

**Plan** Net Sales JPY **44.5** billion Operating Income JPY **1.0** billion

- **Net sales are holding steady, but an increase in profits is planned due to a decrease in depreciation and amortization following a change in accounting policy.**
- ▶ Renovated "Tokyo Joypolis" will re-open in July 2012.
- ▶ Aiming at sales expansion, renovations are scheduled at 26 SEGA amusement centers in Japan.



**Key Points for the Fiscal Year under Review**

**Market Environment**

- ▶ Demand is down in the home video game industry mainly due to the challenging economic environment in the United States and Europe. Demand is growing in new content markets, such as SNS and smartphones.

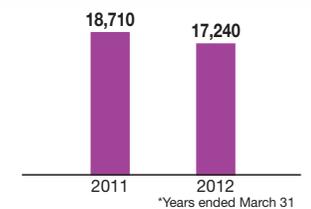
**Results**

- **Posing operating loss due to consistently weak packaged software sales and write-offs of part of work-in process titles under development**

**Primary Factors**

- ▶ There was a downturn in sales of new titles in the packaged game software field.
- ▶ Total downloads of smartphone title "Kingdom Conquest" soared to over 2.5 million in March 2012.
- ▶ With respect to toys, the "Anpanman" series, "Jewelpod" series, and other standards were strong sellers.
- ▶ In animation, license revenue from "Anpanman," "Detective Conan," and the TV series "CARD-FIGHT!! VANGUARD" and other revenue were solid.

Unit Sales of Home Video Game Software (Unit sales: in thousands)



**Key Points for the Fiscal Year ending March 31, 2013**

**Plan** Net Sales JPY **85.0** billion Operating Income JPY **0.5** billion

- **Planning a return to profitability by way of decreased operating expenses through structural reform in spite of lower sales**

- ▶ Concentrate package sales on titles expected to be profit-makers in Japan and abroad
- ▶ Maximize network revenue through the launch of PC network game mainstay title "Phantasy Star Online 2," while strengthening new games for smartphones and social games
- ▶ With regard to toys, reinforce efforts for standard products such as "Anpanman," "Jewel Pet," and "HOMESTAR," and implement improvements to profitability by reviewing the value chain
- ▶ Proceed business development centered on new movies and TV series, while focusing efforts on video production for pachislot and pachinko machines

### In Focus

To celebrate Sonic's 20th Anniversary (For Nintendo 3DS™ PlayStation®3 System, Xbox 360®, PC Download)



To mark the 20th anniversary of the birth of the widely loved Sonic series, which has sold more than 70 million copies to date worldwide, we launched the commemorative set "Sonic Generations" which offers 20 years of memories and new adventures to Sonic fans of all generations.





## Looking back with a “Key Person”

# Review of Activities in the Fiscal Year under Review

\*For information up to the end of the second quarter, please consult the Business Report for the 6 months ended September 30, 2011 on the IR page of the Company’s website.



## Acquisition of all shares in PHOENIX RESORT K.K., conversion to wholly owned subsidiary

On March 26, 2012, the Company acquired all shares in PHOENIX RESORT K.K. (hereinafter “PSR”), operator of “Phoenix Seagaia Resort,” one of Japan’s leading resort complexes, and converted the company into a wholly owned subsidiary.

PSR manages the Phoenix Seagaia Resort, which is located on the eastern shore of Miyazaki City on an expansive stretch of land measuring approximately 11 km north to south and covering approximately 700 hectares, forested with black pines and facing the Pacific Ocean. Featuring a world-class hotel and spa, the facility has one of Japan’s best golf courses, which is also ranked in the top 100 internationally, as well as one of the country’s largest international conference centers and a variety of restaurants and activity facilities. By adding PSR as a Group company, the SEGA SAMMY Group plans to acquire management expertise in the operation of large-scale facility, and will utilize that know-how in the development and operation of resort complexes where the Group aims for new expansion. Following the PSR’s basic policy of aiming to be the No. 1 sports and entertainment resort in Asia, we will leverage Group synergies to increase the contents capability and heighten appeal for customers in the family sector, in order to raise the value of the resort even further.

Key Person

A word from **Kazuhiko Kawamoto**, CEO of PHOENIX RESORT K.K.



I am Kazuhiko Kawamoto, CEO of PHOENIX RESORT K.K., which became a Group company under SEGA SAMMY HOLDINGS, INC., on March 26, 2012. I would like to take this opportunity to offer my greetings. At Phoenix Seagaia Resort, we offer a superlative resort experience, with an array of activities taking advantage of the beautiful environment with which Miyazaki is blessed. In the years ahead, we aim to leverage Group synergies, and increase the contents capability in order to be the No. 1 sports and entertainment resort in Asia. Please come and visit us, and enjoy our highest-quality resort experience.

### Leveraging SEGA SAMMY Group synergies to increase contents capability and heighten customer appeal, in order to be the No. 1 sports and entertainment resort in Asia

Hotels

#### Our four hotels offer a superlative resort experience

A full line of accommodations to meet the various needs of guests, beginning with the flagship hotel, Sheraton Grande Ocean Resort, located on the straight coastline overlooking the vast Pacific Ocean, featuring a seaside view from every room, as well as condominiums and cottages.

Golf

#### A golfer’s dream One of the finest of Japan’s prestigious golf courses

Includes the Phoenix Country Club, the setting for Japan’s top tournament\*, and the Phoenix Golf Academy, featuring natural turf grounds.

Activities

#### Activities offering endless enjoyment in a luxuriant natural environment

A wide array of activities can be enjoyed in the pleasant scenery amid thickets of black pine. Each hotel is equipped with a garden pool.

Weddings

#### Spacious facilities featuring more than 15 banquet rooms

Offering a resort wedding of the highest quality in every detail for the happy couple and their guests

Spa and Onsen at Shosenkyu

#### Experience the ultimate in relaxation

Banyan Tree Spa, the top name in spas, and Shosenkyu, whose beautifying waters spring from the midst of the pine forest.

Restaurants and Shops

#### Experience the full range of Miyazaki dining in this “gourmet’s treasure trove.”

A variety of restaurants and original shops using ingredients from Miyazaki, known throughout Japan as a treasure trove for the gourmet.

Conferences

#### Quality befitting the site of an international summit

With a capacity of 5,000, this is one of the largest convention centers in Japan, with specialists on hand to assist with event management.

Glossary

**\*Japan’s top tournament:** The Dunlop Phoenix Tournament, now in its 39th year, boasts the highest total prize money in Japan. Held at the Phoenix Country Club, it attracts leading pros from Japan and abroad, and has been the scene of many legendary matches. This is the only domestic tournament where the host facility is also the organizer.



Pachinko and pachislot applications of a variety of machines, from current models to popular models from the past, can be enjoyed on smartphones.

## Android “777townSP” service launched in February 2012!

We began distribution of the “777townSP” service for Android, which allows pachislot and pachinko games that have won overwhelming popularity in pachislot and pachinko parlors to be enjoyed on smartphones. “Pachislot Hokuto no Ken (2011),” “Pachislot Psalms of Planets Eureka Seven,” “Pachinko CR Hokuto no Ken Raoh,” and other highly anticipated new pachislot and pachinko applications are scheduled for distribution every month. Users can download the “777townSP” application and register for a free course to try out a sample version.

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 © 2005 BONES/Project EUREKA © 2009 NBGI  
 © Sammy



© SEGA

Application for iOS/Android  
**“Kingdom Conquest” achieved 2.5 million downloads worldwide!**  
 Captured first place for top sellers at “App Store Japan Rewind 2011”!

## Software for Nintendo 3DS™



## Sales launch for “HATSUNE MIKU and Future Stars Project mirai” in March 2012!

The Nintendo 3DS™ software “HATSUNE MIKU and Future Stars Project mirai” starring the digital diva “HATSUNE MIKU” was launched on March 8, 2012. This title is a collaborative effort with Good Smile Company, Inc., employing designs from the popular “Nendoroid” figures with CG models. Users can enjoy the rhythm and action of the adorable HATSUNE MIKU and friends singing and dancing in 3D action with this software.

In addition, on March 8-9, a HATSUNE MIKU live concert utilizing our unique computer-generated image technology took place at TOKYO DOME CITY HALL. The event attracted much attention, drawing 10,000 fans to four shows over two days, featured a web live for a real-time worldwide Internet stream, and broadcast live at 24 theaters nationwide as well as in Shanghai, Hong Kong, and Taiwan.

© SEGA / © Crypton Future Media, Inc.  
 Cooperation for design : Nendoroid



© SEGA / © Crypton Future Media, inc.  
 Organized by SEGA/MAGES.





## Introducing players to watch in the upcoming Japan Amateur Baseball Championships

The SEGA SAMMY Group aims at bringing dreams and drama through sports to contribute to culture. The SEGA SAMMY Baseball Club is training hard every day, aiming to win the 83rd Japan Amateur Baseball Tournament to be held in July 2012.



### Catcher Toshiro Norikae



- Sub captain. A key player as regular catcher who leads the team in both offense and defense.
- Highly trusted by teammates.
- Tackles every issue straightforwardly and seriously. The most sincere and passionate man on the team.



### Infielder Toshiro Miyazaki



- Already a sub captain in his second year on the team.
- Surprising power for a rookie made him a key man in last year's batting line-up.
- Great clutch hitting and a powerful swing are in his arsenal.



### Pitcher Keigo Kimura



- An ace right-hander whose weapons are a mid-140 km/h fastball and a variety of breaking pitches.
- Has been mentioned as a draft prospect in his second year with the team.
- Along with Oyama, these two aces are key men of the pitching staff.

### Other main news (October 1, 2011 to March 31, 2012)

#### 2011

- October** **Sammy** Release of "Pachislot Kaitou Tenshi Twin Angel 3"
- November** **SEGA** Acquired American online game development company "Three Rings Design, Inc."
- TMS** "Detective Conan Quarter of Silence" debuted at theaters in China
- December** **Sammy** Release of "Pachislot Hokuto no Ken Seikimatsu Kyuseishu Densetsu (Legend of the Century's End Savior)"
- TAIYOIELEC** Release of "Pachinko CR Ryu ga Gotoku Kenzan!"

#### 2012

- February** **SEGA** Signed a deal with Index Corporation for distribution of "Atlus" brand game software
- SEGA** Exhibited at the AOU 2012 Amusement EXPO
- TOYS** Sale of eclipse glasses, which allow a person to look at the "annular solar eclipse," in sets with HOMESTAR and other products
- TOYS** Began broadcasting popular Korean animation program "Zooobles!"
- TAIYOIELEC** Release of Pachislot "ToHeart2"
- March** **SEGA** Concluded an agreement with Korea-based NCsoft to license "Professional Baseball Manager" in Korea.
- SEGA** Entered the trading card game business with release of "SANGOKUSHI TAISEN TCG"

## CSR Column, vol. 2 Great East Japan Earthquake Volunteer Efforts for Reconstruction of the Affected Areas (Continuation report)

### Delivering smiles and energy through entertainment!

The SEGA SAMMY Group has been continuously engaged in a variety of support activities aimed at reconstruction and restoration in the areas affected by the Great East Japan Earthquake since immediately after the disaster. The "SEGA SAMMY Group Disaster Assistance Volunteers," formed by company employees at the end of June 2011, has been working mainly in Higashi Matsushima and Shichigahama in Miyagi Prefecture, maintaining land for housing, clearing fields, parks, and forestry roads, removing rubble, amid other activities. By the end of June 2012, approximately 230 employees will have participated in a total of 20 volunteer sessions.

In addition, an event in support of restoration, titled "Delivering smiles and energy through entertainment," was held in Higashi Matsushima in December 2011, and in Shichigahama in March 2012, where people could enjoy amusements such as UFO Catchers, darts, BAKUGAN (a toy for boys), SEASONS (a string ensemble), and an Anpanman show. Looking ahead, we intend to continue support activities for the reconstruction of the affected areas.



A word from **Akihiro Sasaki**, General Manager of General Affairs Department, Corporate Division, Sammy Corporation

I participated in hopes that I could lend assistance, however slight, to help the victims who suffered immeasurable damage by this unprecedented disaster return to their normal lives as quickly as possible. I, as well as other participants, went about the tasks steadily, thinking only of how to be of use to the people in the stricken area. However, looking back on the experience, I think it was really meaningful for people from different Group companies, who don't normally see each other, to come together to work toward a common goal.



A word from **Eiko Kohama**, Administration Division, Sega Logistics Service Co., Ltd.

When I actually saw the damage from the disaster with my own eyes, I was at a loss for words. What we can do is very limited I suppose, but, in a variety of ways, what I took away from the volunteer experience was huge. The stricken area still needs the cooperation of volunteers. I hope that this activity will continue in the future.



All kinds of new products and titles yet to come!



## Opened in May 2012, this all-new experiential attraction uses a combination of the latest visual technology and live entertainment to tell the story of the making of TOKYO SKYTREE®!



A word from **Natsuko Chiba**, Planning and Development Division, Entertainment Business Department, SEGA TOYS CO., LTD.

Because it is located at the foot of the SKYTREE, Japan's newest landmark, this attraction has received many visitors from Japan and abroad since it opened. As this is the first time to operate a facility, we encounter the occasional challenge, but we are making every effort to ensure the satisfaction of our customers and to make this a destination that will be loved for years to come. We are looking forward to your visit!



The "Making Tour TREE of DREAMS – How the TOKYO SKYTREE® was Built" opened in the commercial facility "TOKYO Solamachi" inside the Tokyo SKYTREE TOWN. In this walk-through style attraction, visitors are guided by an "attender (guide)" to the "mid-air construction site," where they experience a video tour. Don't miss the chance to experience "the making of TOKYO SKYTREE®" through the latest visual technology combined with live entertainment.

## Japan's largest indoor theme park "Tokyo Joypolis" reopens after renovation with the concept of "DigitaReal"

"Tokyo Joypolis," Japan's largest indoor theme park, will reopen its newly renovated facility in Odaiba, Tokyo, on July 14, 2012.

The all-new "Tokyo Joypolis" is based on the concept of "DigitaReal," a compound signifying the fusion of "digital" and "real." No mere upgrading of the attractions, but an utterly new, out-of-the-ordinary experience awaits visitors, including the "DigitaReal Live Stage," where shows blend digital images and real performance, and time event shows using the latest visual media of "projection mapping."



A word from **Kazuhiko Hayami**, General Manager of Tokyo Joypolis

We had many internal discussions over the years, even revisiting the question of the significance of "Tokyo Joypolis." Finally, we will be unveiling the results this summer. Everyone involved in the project is confident about this launch, and you can expect great things from the all-new attraction and live park "Tokyo Joypolis."



## 16th movie release in the theater animation series "Detective Conan: The Eleventh Striker" Debuted in first place! An all-time best start for the series!

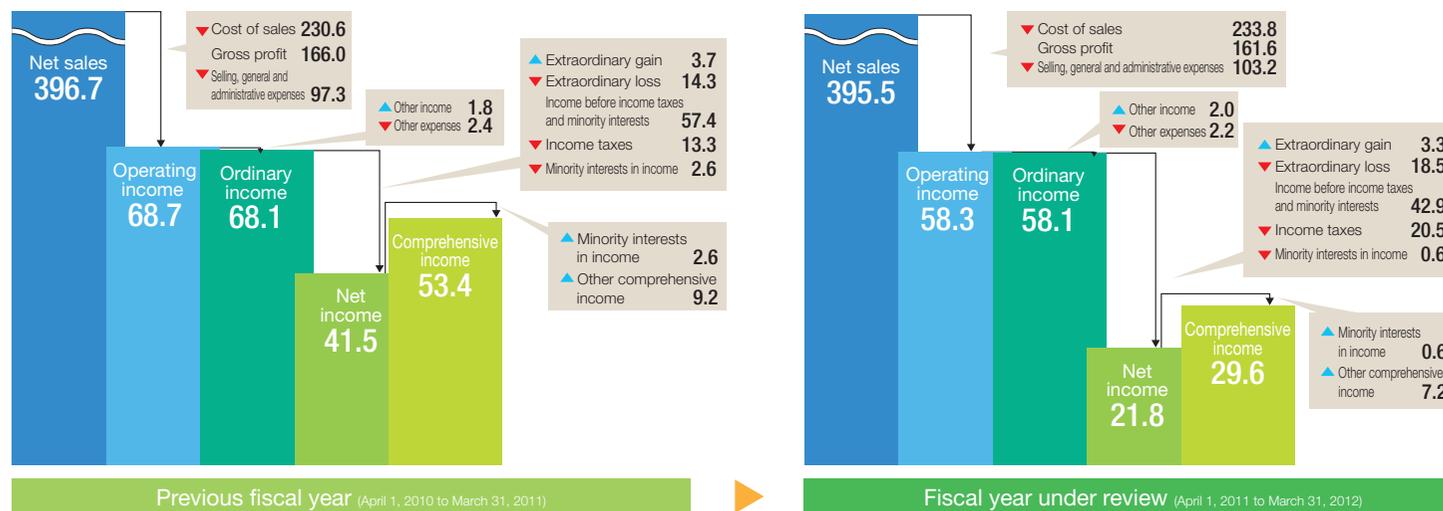
The "Detective Conan" movie series, which has won the Excellent Animation Award at the Japan Academy Prize awarding ceremony for six straight years, has pulled off another amazing feat. This movie is the first in the series to take up the theme of soccer to create a grand tale of mystery, and was made in full collaboration with the J. League, which is marking its 20th season this year. With current J. League players including Kazuyoshi Miura taking on the challenge of voice acting, the movie is creating quite a buzz. Over the two days of the first weekend after its release (April 14-15, 2012), it was seen by 540,975 people, surpassing the 500,000 mark, and brought in more than ¥600 million in revenue, getting off to a blockbuster start.



Consolidated Operating Results and Financial Data

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ending March 31, 2013 (Plan)
<b>Operating results (JPY billion)</b>						
Net Sales	458.9	429.1	384.6	396.7	395.5	470.0
Operating Income	(5.8)	8.3	36.7	68.7	58.3	66.0
Operating income to net sales (%)	(1.3)	1.9	9.5	17.3	14.7	14.0
Ordinary Income	(8.2)	6.6	35.9	68.1	58.1	65.0
Net Income	(52.4)	(22.8)	20.2	41.5	21.8	40.0
<b>Expenses (JPY billion)</b>						
Research and Development Expenses/Content Production Expenses	65.3	59.6	41.5	41.1	53.3	45.2
Capital Expenditure	50.4	26.6	16.1	19.6	36.1	41.0
Depreciation and Amortization	45.6	26.6	17.1	15.9	16.1	21.4
Advertising Expenses	22.8	20.7	20.7	15.1	17.2	18.3
<b>Financial Data (JPY billion)</b>						
Total Assets	469.6	423.9	423.1	458.6	497.4	
Liabilities	188.0	181.4	166.3	173.1	201.0	
Net Assets	281.6	242.5	256.7	285.4	296.3	
Equity Ratio (%)	55.3	52.4	55.8	60.0	58.9	
<b>Cash Flows (JPY billion)</b>						
Cash Flows from Operating Activities	(25.8)	32.1	54.9	87.6	38.0	
Cash Flows from Investing Activities	(10.3)	0.9	(7.6)	(29.5)	(59.0)	
Cash Flows from Financing Activities	(7.5)	(7.6)	(3.4)	(57.1)	0.9	
Cash and Cash Equivalents at End of Period	99.9	123.3	167.0	165.9	146.5	
<b>Per Share Data (JPY)</b>						
Net income per share	(208.26)	(90.83)	80.46	163.19	86.73	159.34
Net assets per share	1,030.09	882.47	937.80	1,093.23	1,167.59	
Dividends per share	45	30	30	40	40	40

Overview of Consolidated Statements of Income and Comprehensive Income (Unit: JPY billion)



Overview of Consolidated Balance Sheets (Unit: JPY billion)

Factors Affecting Assets

Total assets stood at JPY497.4 billion, up JPY38.8 billion from the previous fiscal year-end.

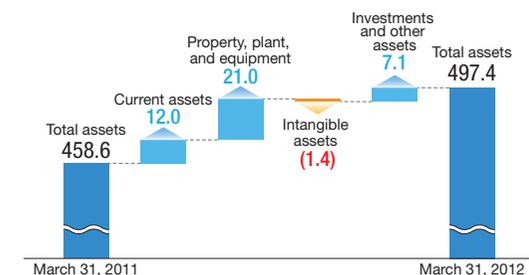
Current assets increased by JPY12.0 billion.

Factors: Increases in notes and accounts receivable-trade and negotiable certificates of deposit and other factors

Noncurrent assets increased by JPY26.7 billion.

Factors: Increase in property, plant and equipment, due to starting the construction of new plants to be completed in the next fiscal year for the Pachislot and Pachinko Machines Business and making PHOENIX RESORT K.K. a wholly owned subsidiary, increase in investment securities, and other factors.

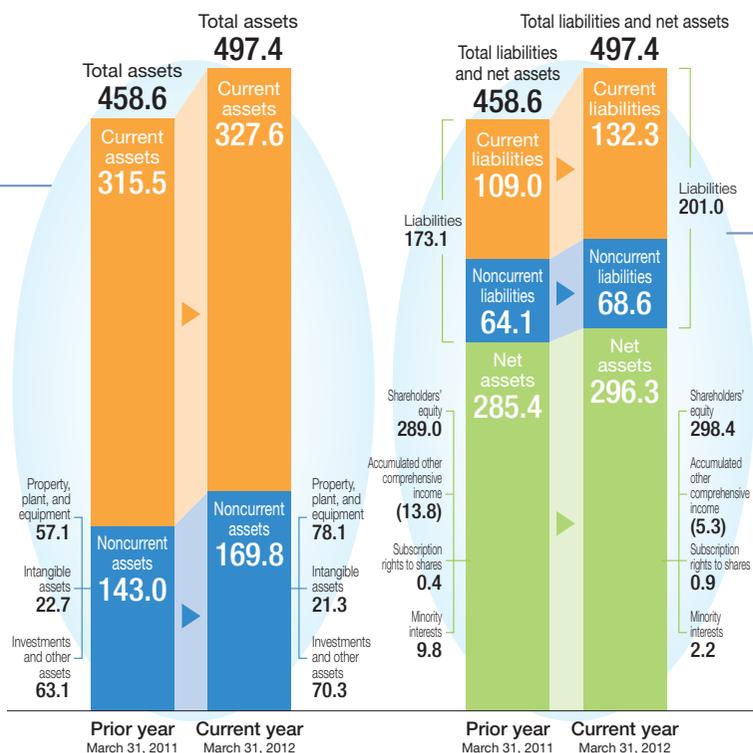
Current ratio remained at a high level of 247.5%, though it decreased by 41.9 percentage points from the previous fiscal year-end.



Net Income

Net Income decreased by 47.4% to JPY21.8 billion from the previous fiscal year.

Extraordinary gain and loss: The Company recorded an extraordinary gain of JPY3.3 billion, including gain on negative goodwill, and an extraordinary loss of JPY18.5 billion, including impairment loss, amortization of goodwill, settlement payment for patent licensing, and restructuring loss.

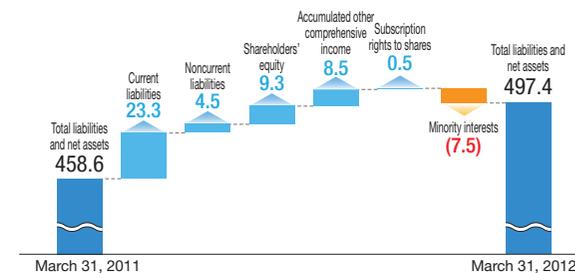


**Factors Affecting Liabilities and Net Assets**

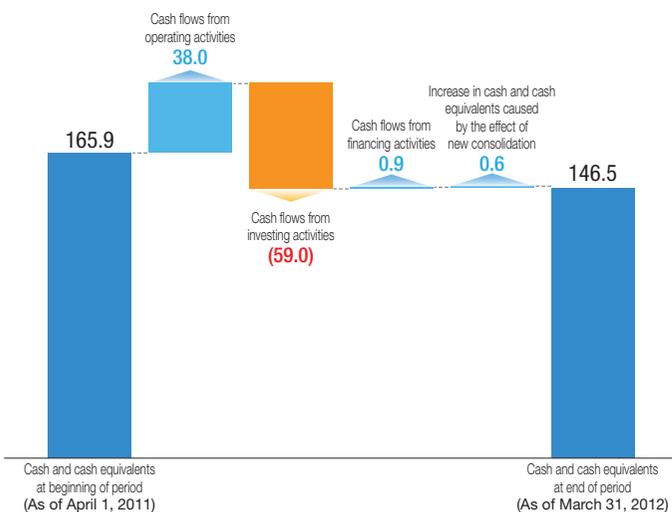
Total liabilities increased by JPY27.9 billion from the previous fiscal year-end to JPY201.0 billion.

- **Current liabilities increased by JPY23.3 billion.**  
 Factors ▶ Increases in notes and accounts payable-trade and other factors
- **Noncurrent liabilities increased by JPY4.5 billion.**  
 Factors ▶ A decrease of JPY17.6 billion in bonds payable, an increase of JPY19.7 billion in long-term loans payable, and other factors
- **Total net assets increased by JPY10.9 billion from the previous fiscal year-end.**  
 Factors ▶ An increase of JPY10.5 billion in retained earnings and other factors

Equity ratio was 58.9%, down 1.1 percentage points from the previous fiscal year-end.



**Overview of Consolidated Statements of Cash Flows (Unit: JPY billion)**



**Factors Affecting Consolidated Statements of Cash Flows**

Balance of cash and cash equivalents decreased by JPY19.3 billion from previous fiscal year-end to JPY146.5 billion.

- **Cash flows from operating activities.**  
 The Company recorded a net cash inflow of JPY38.0 billion. This was due to the posting of income before income taxes and minority interests for JPY42.9 billion and depreciation and amortization for JPY16.1 billion, and to factors including an increase of JPY22.5 billion in notes and accounts payable-trade, an increase of JPY16.6 billion in notes and accounts receivable-trade, and the payment of corporate tax amounting to JPY40.3 billion.
- **Cash flows from investing activities**  
 For cash flows from investing activities, the Company recorded a net outflow of JPY59.0 billion. This was due to factors includ-

ing an outflow of JPY44.1 billion for purchase of investment securities and an outflow of JPY24.0 billion for acquisition of property, plant and equipment.

- **Cash flows from financing activities**  
 The Company recorded a net cash inflow of JPY0.9 billion. This was due to factors including an outflow of JPY10.2 billion for cash dividends paid (including cash dividends paid to minority shareholders), a net outflow of JPY8.4 billion for purchase of treasury stock, an outflow of JPY13.6 billion for redemption of bonds, and an increase of JPY34.4 billion in long-term loans payable.



## Company Profile (As of March 31, 2012)

<b>Company Name</b>	SEGA SAMMY HOLDINGS INC.																		
<b>URL</b>	<a href="http://www.segasammy.co.jp/english/">http://www.segasammy.co.jp/english/</a>																		
<b>Established</b>	October 1, 2004																		
<b>Capital</b>	JPY29.9 billion																		
<b>Number of Employees</b>	6,700 (Consolidated)																		
<b>Directors and Auditors</b>	<table border="0"> <tr> <td>Hajime Satomi</td> <td>Chairman of the Board and Chief Executive Officer</td> </tr> <tr> <td>Keishi Nakayama</td> <td>Executive Vice President and Representative Director</td> </tr> <tr> <td>Hisao Oguchi</td> <td>Director and CCO (Chief Creative Officer)</td> </tr> <tr> <td>Yuji Iwanaga</td> <td>Director</td> </tr> <tr> <td>Takeshi Natsuno</td> <td>Director</td> </tr> <tr> <td>Tomio Kazashi</td> <td>Standing Corporate Auditor</td> </tr> <tr> <td>Toshio Hirakawa</td> <td>Corporate Auditor</td> </tr> <tr> <td>Hisashi Miyazaki</td> <td>Corporate Auditor</td> </tr> <tr> <td>Mineo Enomoto</td> <td>Corporate Auditor</td> </tr> </table>	Hajime Satomi	Chairman of the Board and Chief Executive Officer	Keishi Nakayama	Executive Vice President and Representative Director	Hisao Oguchi	Director and CCO (Chief Creative Officer)	Yuji Iwanaga	Director	Takeshi Natsuno	Director	Tomio Kazashi	Standing Corporate Auditor	Toshio Hirakawa	Corporate Auditor	Hisashi Miyazaki	Corporate Auditor	Mineo Enomoto	Corporate Auditor
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Hisashi Miyazaki	Corporate Auditor																		
Mineo Enomoto	Corporate Auditor																		

\* Director Okitane Usui resigned on March 31, 2012.

## Information on Outstanding Shares (As of March 31, 2012)

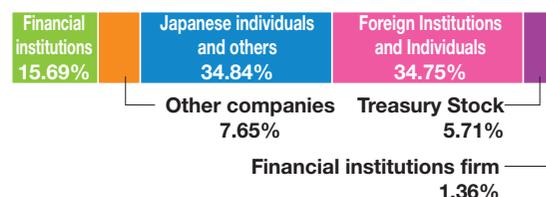
Number of shares authorized for issue	800,000,000 shares
Total shares issued and outstanding	266,229,476 shares
Number of Shareholders	88,239 (Odd-lot shareholders 62,765)

### Principal Shareholders

Name of Shareholder	Shares held	Shareholding Ratio (%)
Hajime Satomi	43,569,338	17.35
Mellon Bank N.A. Treaty Clients Omnibus	16,640,094	6.62
FSC Co., Ltd.	14,172,840	5.64
Japan Trustee Services Bank, Ltd. (Trustee)	9,138,600	3.64
The Master Trust Bank of Japan, Ltd (Trustee)	7,753,600	3.08

(Note) Shareholding ratio was calculated excluding treasury stock (15,194,836 shares).

### Distribution of Shareholders



### Editor's Note

The next Business Report will be released in the winter of 2012. We will continue to enhance the contents of our report in order to meet your expectations.

### 2012 IR Calendar

Schedule of activities for shareholders and investors

Month	Activities
June	<ul style="list-style-type: none"> <li>Ordinary General Meeting of Shareholders</li> <li>Release of the Business Report for the fiscal year ended March 31, 2012</li> </ul>
July	<ul style="list-style-type: none"> <li>Announcement of results for the three months ending June 30, 2012</li> </ul>
October	<ul style="list-style-type: none"> <li>Announcement of results for the six months ending September 30, 2012</li> </ul>
December	<ul style="list-style-type: none"> <li>Release of the Business Report for the six months ending September 30, 2012</li> </ul>



## Shareholder Memo

<b>Stock Code</b>	6460
<b>Round Lot</b>	100 shares
<b>Fiscal Year</b>	from April 1 to March 31
<b>Ordinary General Meeting of Shareholders</b>	June
<b>Date of Record for Dividends</b>	March 31 (September 30 for interim dividends, if paid) Advance public notice is given when required for other dividend payments.
<b>Method of Public Notice</b>	Electronic public notices
<b>Notification URL</b>	<a href="http://www.segasammy.co.jp/japanese/etc/notice">http://www.segasammy.co.jp/japanese/etc/notice</a> If, due to unavoidable circumstances, electronic notification is not possible, the Company shall post the notice in The Nihon Keizai Shimbun.
<b>Administrative Office of Transfer Agent</b>	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan Telephone : +81-3-5683-5111
<b>Agency</b>	Mitsubishi UFJ Trust and Banking Corporation branches in Japan The website of Mitsubishi UFJ Trust and Banking Corporation, the Company's transfer agent, provides information on share registration, purchase or additional purchase of shares in fractional lots, and other stock-related procedures. If using the storage transfer system for share certificates, etc., please contact the securities company that handles the transaction. Mitsubishi UFJ Trust and Banking Corporation website: <a href="http://www.tr.mufj.jp/daikou/">http://www.tr.mufj.jp/daikou/</a>



SEGA SAMMY IR

For detailed information, please see the investor information section of the Company's website.

<http://www.segasammy.co.jp/english/ir/>

Please inquire to the following inquiry desk regarding any questions you may have in relation to stock information, Group information, or other such matters.

SEGA SAMMY HOLDINGS INC. IR Information Center

**Phone** +81-3-6215-9839  
**Hours of operation** Weekdays 9:00-18:00

Please be aware that the IR Information Center is closed on Saturdays, Sundays, national holidays, and company holidays.

## CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and its SEGA SAMMY Group Companies ("the Group"), including SEGA CORPORATION and Sammy Corporation, are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management. The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not assume that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation. Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.