

SEGA®

SEGA TOYS

2013 summer

Sammy



SEGA-SAMMY HOLDINGS

TMS ENTERTAINMENT, LTD.

SEGA-SAMMY REPORT

TAIYO.ELEC

Sammy NetWorks

P1 Key Points of Financial Results by the Numbers

SEGA SAMMY in 2012

A Message from Management

Growing further by adapting to changes in the environment



P3 **Segment Information**

P9 Looking back with a "Key Person" **Review of Activities in the Fiscal Year Ended March 31, 2013**

- Acquisition of all the shares of THQ Canada Inc. and its intellectual property rights, etc. of developed titles
- Making Butterfly Corporation into a subsidiary

P12 **Latest News**

P13 **Group Information**

Business Report for the fiscal year ended March 31, 2013

From April 1, 2012 to March 31, 2013



Summer Edition

SEGA SAMMY

in 2012

Consumer Business Operating loss

¥15.1 billion → ¥0.7 billion

The business climate in Europe and North America remains difficult. The Company continued to restructure its packaged game software business in these regions, reducing the number of titles. Although unit sales and net sales of packaged game software fell, the Company greatly reduced the size of the loss by reducing the cost of sales and operating expenses through streamlining organizations, and making a full-scale entry into the digital area.

Other Significant Numbers

Acquired treasury stock

10 million shares

The Company acquired treasury stock as part of its commitment to providing returns to its shareholders. Between June 7, 2012 and July 31, 2012, the Company acquired 10 million shares (for a price of ¥16,192 million), which is the maximum total number of shares the Company could acquire.

Net sales

¥321.4 billion
(down 18.7% year on year)

Operating income

¥19.0 billion
(down 67.4% year on year)

Net income for the fiscal year ended March 31, 2013 rose 53.2% year on year, to ¥33.4 billion. Although net sales and operating income fell as a result of postponing the release of mainstay titles in the Pachislot and Pachinko Machine Business, the Company's income taxes fell due to the posting of deferred tax assets from the liquidation of some of its consolidated subsidiaries in the United States. The Company plans for a major increase in sales and earnings in the fiscal year ending March 31, 2014, driven mainly by the planned release of mainstay titles in the Pachislot and Pachinko Machine Business.

Net Sales (billions of yen)



Operating Income (billions of yen)



Net Income (billions of yen)



Please see page 13 for detailed financial information. ●●●▶

Other

4.1%

Net Sales ¥13.4 billion
(up 346.7% year on year)
Operating Loss ¥0.4 billion
(-)

Pachislot and Pachinko Machine Business

44.2%

Net Sales ¥142.2 billion
(down 33.0% year on year)
Operating Income ¥23.5 billion
(down 66.9% year on year)

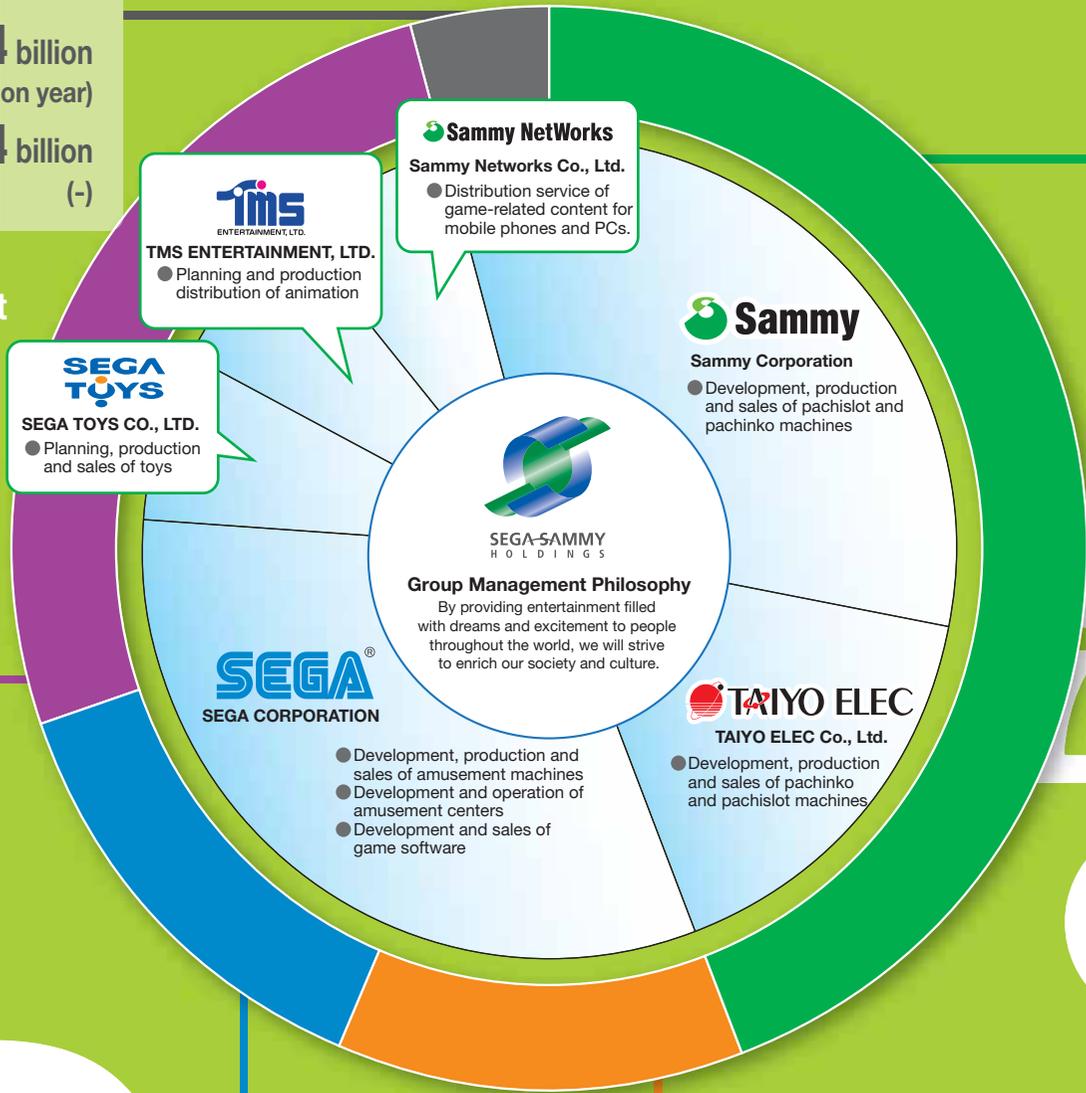
Business Segments of SEGA SAMMY and Composition of Net sales by Business Segment



Consumer Business

26.0%

Net Sales ¥83.8 billion
(down 2.1% year on year)
Operating Loss ¥0.7 billion
(-)



777

Amusement Center Operations

13.2%

Net Sales ¥42.7 billion (down 4.3% year on year)
Operating Income ¥1.1 billion (up 266.7% year on year)

Amusement Machine Sales Business

12.1%

Net Sales ¥39.1 billion (down 21.6% year on year)
Operating Income ¥1.9 billion (down 74.3% year on year)



Please see page 5 for results by segment. ...▶



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

Hajime Satomi

Dear Shareholders,

During the fiscal year ended March 31, 2013, the Japanese economy showed increased expectations of recovery as the yen weakened and stock prices rose in response to the new fiscal stimulus by the new government. However, the Japanese economy remains uncertain in the future due to the slowdown of the global economy and deteriorating relationship between Japan and China.

In this climate, this environment, 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 also fully committed to building a solid management foundation that can accelerate future growth. The Group will invest in growth, while continuing to pay appropriate dividends to its shareholders, in accordance with its profits.

The Group will continue to offer high-quality entertainment to people of all ages around the world. Thus, the Group aims to “establish a presence in every business field, and becoming one of the world’s foremost global entertainment companies.” We look forward to your continued support in our endeavors.

June 2013

Q Please look back and evaluate the fiscal year ended March 31, 2013.

In the fiscal year ended March 31, 2013, the Company postponed the release of mainstay titles in the Pachislot and Pachinko Machine Business segment, resulting in large declines in sales and operating income year on year. **Net sales dropped 18.7% year on year to ¥321.4 billion, operating income dropped 67.4% to ¥19.0 billion, ordinary income dropped 64.0% to ¥20.9 billion and net income increased 53.2% year on year to ¥33.4 billion.** Meanwhile, net income increased approximately 53% year on year due to the reduction in income taxes consequent to the liquidation of some of the Company’s consolidated subsidiaries in the United States.

Below, we will describe the main management measures implemented by the Company in the fiscal year ended March 31, 2013. On May 11, 2012, the Company **announced the development of a resort complex including a casino in Incheon City, South Korea.** On January 4, 2013, it announced **the development of another resort complex in the city of Busan, South Korea.** On January 24, 2013, it **acquired all shares of THQ Canada Inc. (currently Relic Entertainment, Inc. / Headquarter: Canada), and its intellectual property, etc. relating to titles developed by this company. Additionally, the Company acquired treasury stock between June 7, 2012 and July 31, 2012.** As of March 31, 2013, the Company holds approximately 9% of all issued shares as treasury stock.

In the fiscal year ended March 31, 2013, both sales and earnings dropped year on year in the **Pachislot and Pachinko Machine Business segment.** Despite strong sales in the released titles, unit sales of pachislot machines fell year on year due to the postponing of the release of several titles, including the mainstay title *Hokuto No Ken chapter of Resurrection*. Unit sales of pachinko machines also fell year on year. Despite strong sales of the mainstay title *Pachinko CR Hokuto No Ken 5 Hasha* and its high popularity in the market, the pachinko machine market shifted more towards major titles, and lackluster sales of second-tier titles resulted in a year on year decline in units sold.

In the **Amusement Machine Sales Business segment,** sales and earnings fell year on year, due to the lack of sales of major titles. In the **Amusement Center Operations segment,** sales dropped year on year due to lackluster performance at existing centers. However, earnings increased year on year as a change in accounting policies caused a decrease in depreciation and amortization compared to the past. In the **Consumer Business segment,** sales declined and the size of the losses fell year on year. In the packaged game software area, unit sales fell year on year. This was a result of the Company reducing the number of titles, as part of its restructuring efforts in Europe and North America.

Q What is the outlook for the fiscal year ending March 31, 2014?

In the fiscal year ended March 31, 2013, our share in the pachislot machine market fell temporarily. One reason for this was the postponing of the release of some pachislot machines. However, in the fiscal year ending March 31, 2014, we will aim to regain our undisputed position of holding the top share of the pachislot machine market by releasing the major pachislot title *Hokuto No Ken chapter of Resurrection* in addition to our large lineup of mainstay and major titles. As for pachinko machines, sales for the fiscal year ended March 31,

2013 were disappointing as we had been expanding our market share steadily for the past several years. Yet, in February 2013 we began installing *Pachinko CR Hokuto No Ken 5 Hasha*, which became highly popular among both players and pachinko hall operators, and we have received orders for additional machines. We are aiming to win the top market share not only of pachislot machines, but of pachinko machines as well, by releasing high-quality products such as *Pachinko CR Hokuto No Ken 5 Hasha*. Furthermore, we will remain committed to

our multibrand strategy which we have been working on, and under this strategy, we will continue to strengthen each of our brands, and improve our capabilities as a comprehensive entertainment company.

In terms of the **Amusement Machine Sales Business segment**, in the fiscal year ended March 31, 2013, both sales and earnings declined due to the lack of sales of major titles. Thus, in the fiscal year ending March 31, 2014, we are planning to release a new *Hokuto No Ken BATTLE MEDAL*, as well as *CODE OF JOKER*, a new title from the revenue-sharing business model. Moving forward, we will manage our product lineup over the medium term to ensure a stable source of earnings and avoid gaps in our lineup as in the fiscal year ended March 31, 2013. Additionally, we are considering the introduction of a new free-to-play business model, as a follow-on to our existing revenue-sharing business model. Our goal is to leverage such products and business models to ensure stable earnings, while adapting to the market conditions.

As for the **Amusement Center Operations segment**, unfortunately, sales at SEGA's existing amusement centers in the fiscal year ended March 31, 2013 fell sharply compared to the results of the previous fiscal

year. We are committed to increasing our income by improving the operations of our amusement centers, and opening new ones inside shopping centers. At *TOKYO JOYPOLIS*, which reopened after remodeling in July 2012, we have been working to raise recognition through such efforts as stronger advertising campaigns. During the most recent Golden Week holidays in Japan, the park made a good start that exceeded our plans. This summer, we will launch the world's first amusement center using video content from the British Broadcasting Corporation (BBC) in Yokohama's Minatomirai. The theme of the content is "Nature," which is popular among all ages and genders, and we are developing this center as a new business format that can attract multi-generational families—grandchildren, parents, and grandparents alike.

Further, for the **Consumer Business segment**, in the fiscal year ended March 31, 2013, our earnings improved dramatically from the previous fiscal year due to streamlining in our packaged game software area by restructuring efforts in Europe and North America, and the success of *Phantasy Star Online 2* in the digital area. In the fiscal year ending March 31, 2014, we will continue to develop our cross-platform strategy, especially with *Phantasy Star Online 2*. We

will also continue developing our intellectual property and create new earnings opportunities through the horizontal deployment of major intellectual properties. We are considering the deployment of intellectual properties using animation and other content. In the digital area, we are committed to increasing our earnings by improving the quality of our titles and expanding our sales channels.

Results Forecasts

Unit: billions of yen	Year ended March 31, 2013 Results	Year ending March 31, 2014 Forecast	Change (%)
Net sales	321.4	485.0	+50.9
Operating income	19.0	73.0	+284.2
Ordinary income	20.9	72.0	+244.5
Net income	33.4	47.0	+40.7

Q Please tell us about the status of the business collaborations with the Paradise Group.

Back in May 2012, we announced a new resort complex which would include a casino in Incheon City, South Korea. This will be the first-ever casino resort complex in South Korea and is scheduled to open in 2016. Paradise Group currently operates *Paradise Casino Incheon*, which as of July 1, 2013, will be acquired by Paradise Sega

Sammy, a joint venture between the Company and Paradise Group, and the Company's affiliate accounted for by the equity method. Paradise Sega Sammy will be in charge of direct operations of the casino facilities.

In order to fulfill its upcoming role, Paradise Sega Sammy acquired a casino license, which means we

now own an affiliate which operates casinos. Before the opening of the casino resort complex in 2016, we will send employees to our joint venture, which will enable us to directly accumulate knowledge and expertise on the management of a casino.

Q Please give a final word to our shareholders.

Our basic policy is to invest in growth, while paying dividends to shareholders aligned with our level of profits. Our policy is to make effective use of internal reserves to improve our financial standing, strengthen our management foundation, and invest in business growth. For the fiscal year ending March 31, 2014, we plan to pay an

interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, resulting in a full-year cash dividend of ¥40 per share.

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

Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on May 10, 2013, to pay a dividend for the FY2013.

- **Year-end dividend of ¥20 per share**
Interim dividend of ¥20 for total full-year cash dividends of ¥40
- **Effective date (payment start date)**
May 28, 2013





Strengths

- Robust development system underpins product appeal
- Large share of the pachislot machine market
- Multibrand strategy based on four Group companies
- High production capacity realized through operation of new plant

Weakness

- Variability of earnings due to regulatory changes
- Business development restricted to Japan

Threats

- Decline in player numbers
- Financial positions of pachinko hall operators

Opportunities

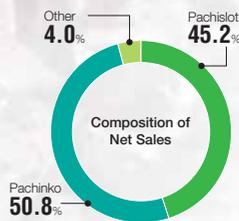
- Expanding shares in pachinko machine market
- Scope for expanding player base by diversifying gameplay

Market condition for the fiscal year ended March 31, 2013

- Although there were signs of recovery in utilization of pachislot machines at pachinko halls and the number of pachislot machines installed, the number of pachinko machines installed continued to decrease.

Initiatives and results for the fiscal year ended March 31, 2013

- ▶ Decrease in sales and earnings year on year
- ▶ In pachislot machines, although *Shin-Onimusha Sairin* and other sales titles performed well overall, results were affected by a revised sales schedule for several mainstay titles including *Pachislot Hokuto No Ken chapter of Resurrection*.
- ▶ In pachinko machines, while *Pachinko CR Hokuto No Ken 5 Hasha* performed strongly based on a high popularity in the market, second-tier titles performed poorly as the market environment shifted more towards major titles.



Outlook for the fiscal year ending March 31, 2014

- ▶ As for pachislot machines, there are plans to sell various titles, including the mainstay title *Pachislot Hokuto No Ken chapter of Resurrection*, which is scheduled to be introduced in June 2013. We aim to significantly increase pachinko unit sales and capture top market share.
- ▶ As for pachinko machines, for which the market environment is expected to remain difficult, we will introduce several mainstay titles in the second half.
- ▶ We will work towards improving our development capabilities and brand strength, implementing a multi-brand strategy, and establishing a solid trend of increasing sales and earnings.

Pachislot and Pachinko Machine Business



Composition of Net Sales **44.2%**

Net Sales **¥142.2 billion**
(down 33.0% year on year)
Operating Income **¥23.5 billion**
(down 66.9% year on year)

Net Sales (billions of yen) Operating Income (billions of yen)



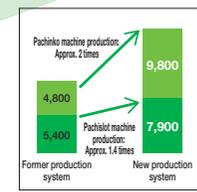
Unit sales of major new titles in the fiscal year ended March 31, 2013

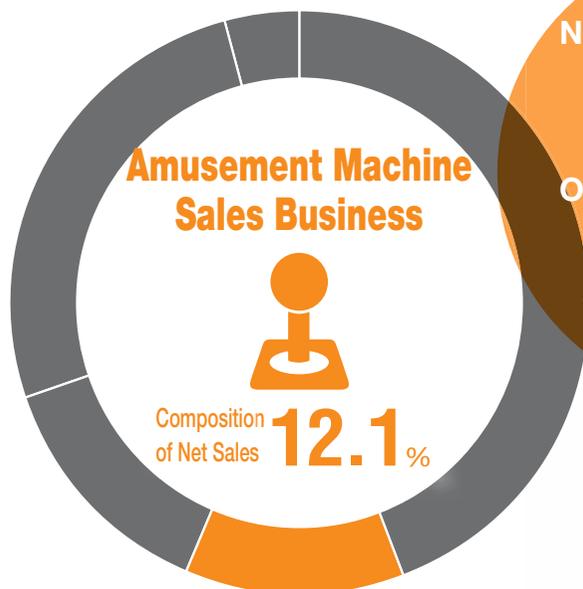
Pachislot	RODEO	<i>Pachislot Shin-Onimusha Sairin</i>	41,060 units
	RODEO	<i>Pachislot Monster Hunter</i>	38,663 units
	Sammy	<i>Pachislot CODE GEASS Lelouch of the Rebellion</i>	31,111 units
	Sammy	<i>Pachislot Ring ni Kakero 1-The Twelve Gods of Greek Series-</i>	25,631 units
	RODEO	<i>Pachislot Sakigake Otokojuku</i>	24,318 units
Pachinko	Sammy	<i>Pachinko CR Hokuto No Ken 5 Hasha</i>	121,830 units
	Sammy	<i>Pachinko CR Shin-Juuh</i>	22,039 units
	Sammy	<i>Pachinko CR SOUTEN-NO-KEN TENJU</i>	20,673 units
	Sammy	<i>Pachinko CR GAOGAOKING</i>	11,446 units
	TAIYO ELEC	<i>CR Chameleon</i>	6,830 units

IN FOCUS

Establishing a production and supply system with the ability to react quickly. Starting up of Sammy Corporation's new plant and distribution center.

Sammy Corporation's new plant and distribution center which started operations in October 2012 boasts a production capacity capable of producing 2,500 units of pachislot machines and 5,000 units of pachinko machines per day. With this development, the Group has achieved a top class scale of production in the market, capable of producing 7,900 pachislot machines and 9,800 pachinko machines per day throughout the entire Group. The Group is capable of addressing initial demand of mainstay titles, truly achieving our goal of creating a production system with the ability to react quickly.





Net Sales
¥39.1 billion

(down 21.6% year on year)

Operating Income
¥1.9 billion

(down 74.3% year on year)



Initiatives and results for the fiscal year ended March 31, 2013

- ▶ Sales and earnings decreased significantly year on year due to the lack of sales of major titles
- ▶ Solid distribution of earnings from the revenue-sharing titles such as the *BORDER BREAK* series and *SEGA NETWORK MAHJONG MJ5 EVOLUTION* continued

Outlook for the fiscal year ending March 31, 2014

- ▶ We expect to increase sales and earnings based on plans to start operations of the new medal game *Hokuto No Ken BATTLE MEDAL* and the new revenue-sharing title *CODE OF JOKER*.
- ▶ As part of our efforts to establish a new business model, we are considering the introduction of the free-to-play model title *Puyo Puyo!! Quest Arcade*.
- ▶ As we establish a business model in response to the market environment, we will aim to stabilize earnings and improve market share through the medium term management of our lineup to ensure that there are no gaps between title sales.

Major titles sold in the fiscal year ended March 31, 2013

<i>WORLD CLUB Champion Football</i> series	(Trading card game)
SENGOKU-TAISEN	(Trading card game)
BORDER BREAK Series	(Video game)
StarHorse3 Season I A NEW LEGEND BEGINS.	(Medal game)
maimai	(Video game)

IN FOCUS

The arrival of the *Hokuto No Ken* medal game!

Hokuto No Ken BATTLE MEDAL, a mass medal pusher game, has newly arrived. With a giant and high-impact Raoh placed in the middle, this game is sure to keep players excited with outstanding actions at sudden wins. With jackpot draws that give players the chance to get tons of medals, huge balls roll right before their eyes and exciting famous scenes are displayed on the monitor. The game features an extreme battle bonus feature where players aim for series of wins, as well as a reach feature where you can aim for yourself, which is a first for the industry.



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Highlights of the Amusement Machine Sales Business

Strengths

- Very competitive products in the high-end market
- Precise identification of market needs through collaboration with Amusement Center Operations

Weakness

- Low profitability of overseas businesses

Threats

- Financial positions of amusement center operators
- Reduction in revenues from the revenue-sharing business model due to a slump in consumer spending

Market condition for the fiscal year ended March 31, 2013

- Performed strongly, driven by prize categories. To further revitalize the market, the development and supply of cutting-edge game machines that respond to the diversifying needs of customers is necessary.

Opportunities

- Growth potential of overseas markets, centered on Asia
- Tie-ins with consumer generated media (CGM)





Net Sales
¥42.7 billion
 (down 4.3% year on year)
Operating Income
¥1.1 billion
 (up 266.7% year on year)

Amusement Center Operations



Composition of Net Sales **13.2%**



Strengths

- Right-sized amusement center portfolio
- Product lineup catering to a broad range of player groups

Weakness

- Low profit margins and capital turnover ratio

Threats

- Market contraction due to a slump in consumer spending
- Decline in player numbers due to an aging society

Opportunities

- Potential growth in the overseas market, mainly in Asia.
- Formation of seniors market
- Expansion into new facilities such as restaurants and sports facilities

Highlights of the Amusement Center Operations

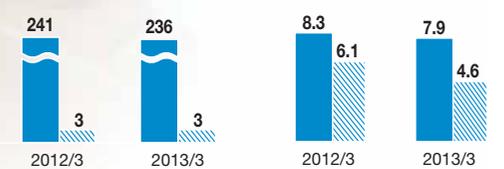
Market condition for the fiscal year ended March 31, 2013

- There were expectations towards the spread of new facilities such as theme park-type amusement centers based on new concepts and the creation of entertainment spaces that transcend the games category.

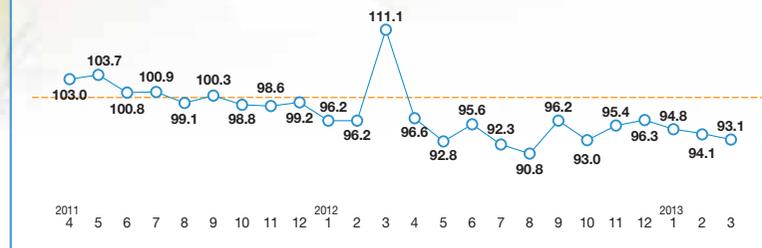
Initiatives and results for the fiscal year ended March 31, 2013

- ▶ Although sales at existing amusement centers suffered, earnings increased mainly as a result of lowered depreciation and amortization achieved through a change in accounting policies.
- ▶ Reopening of TOKYO JOYPOLIS on July 14, 2012
- ▶ SEGA ENTERTAINMENT CO., LTD. established on October 1, 2012

Trends in the Number of Amusement Centers in Japan and Overseas (Centers) **Trends in Capital Expenditure / Depreciation and Amortization (billions of yen)**

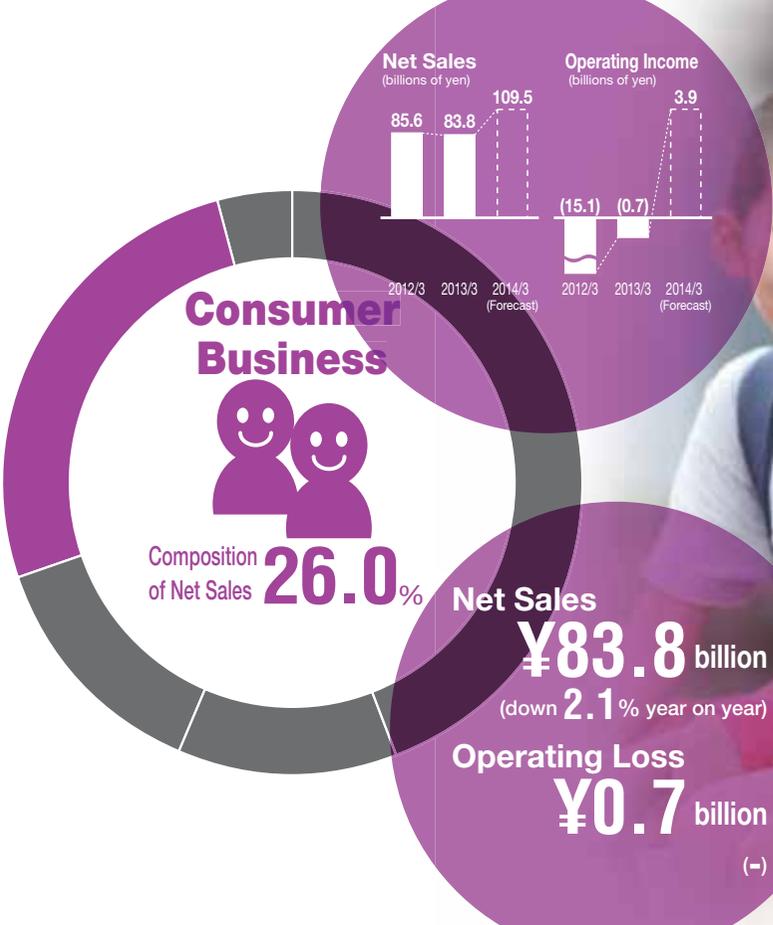


Existing Amusement Center Net Sales Trends (%)



Outlook for the fiscal year ending March 31, 2014

- ▶ We will work towards increased earnings as we strengthen the sales capabilities of amusement centers and open new ones inside shopping centers, while we actively expand into new fields.
- ▶ We will open a hands-on entertainment park in summer of 2013 based on the theme of "Nature", which uses the BBC's video content. This is the first facility of its kind in the world. We will expand our licensing-out business throughout the world.
- ▶ Through the integration of the amusement center operations business within the Group, there will be a change in the centers considered as existing centers from the plan for the year ending March 31, 2014. As the calculation policy for the number of centers has also been changed, the number of centers at the end of March 31, 2014 is expected to be 197.



Segment Information

Strengths

- Brand power in the game content business, accumulation of a powerful range of intellectual properties
- An animation business with some of the best animation assets in Japan

Weakness

- Lackluster packaged game software sales and decline in earning power
- Latency in building operational foundations for SNS and smartphone game markets

Threats

- Contraction of packaged game software market
- Continuous high development costs for packaged game software
- Intensification of competition in the SNS and smartphone content market

Highlights of the Consumer Business

Opportunities

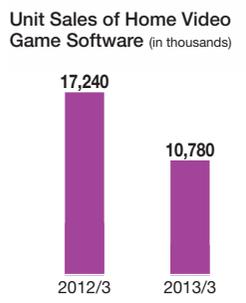
- Rapid growth of content market for SNS and smartphones
- Expansion of the PC network market in Japan and Asia

Market condition for the fiscal year ended March 31, 2013

- Family packaged games performed poorly. The digital game market, including SNS (social networking service) and smartphone games, expanded further.

Initiatives and results for the fiscal year ended March 31, 2013

- As a structural reform measure for Europe and North America in consideration of the difficult market conditions, particularly in those regions, the number of titles was reduced and sales limited to our mainstay titles. Although sales were down as a result, we managed to reduce the size of losses by reducing operating expenses through organizational streamlining.
- Domestically, sales of *Hatsune Miku -Project DIVA- F* and *Ryu ga Gotoku 5: Yume, Kanaeshimono* were strong.
- In the digital area, which is positioned as a growth field, the number of registered IDs for the online role-playing game (RPG) *Phantasy Star Online 2* exceeded 2.5 million, and *Kingdom Conquest*, a title for smartphones, also performed strongly.
- SEGA Networks, Co., Ltd. was established on July 2, 2012 in order to further strengthen our digital business.
- In the toy business, sales were strong for mainstay products such as *Jewelpod Diamond*. In the animation business, distribution income and video distribution was strong for the film version of *ANPANMAN: Revive Banana Island!*



Outlook for the fiscal year ending March 31, 2014

- As a result of improved earnings in the digital area, an increase in both sales and earnings is planned. We will strengthen our cross-platform strategy using leading intellectual properties such as *Phantasy Star Online 2* and games for smartphones and other smart devices. We will work towards continuous improvement of earnings by adapting our framework to changes in the environment.
- In the packaged game software area, we expect to increase the number of units sold by selling 11,660 thousand titles, focusing on sales of titles for which solid earnings can be expected. The THQ Canada Inc. title *Company of Heroes 2* will be released in Europe and North America in June 2013.
- In the toy business, we will strengthen initiative for core products such as the *ANPANMAN* series and *Jewelpod*. In the animation business, we will continue to expand business focused mainly on new movies and television series.

Main items sold in the fiscal year ended March 31, 2013

Game Title	(Sales Region)	Platform	Digital Game Content	Platform
Sonic & All-Stars Racing Transformed	(Europe/US)	PS3, X360, PSV, WiiU, 3DS, PC	Phantasy Star Online 2	PC, PSV
Aliens™: Colonial Marines	(Europe/US)	PS3, X360, PC	Kingdom Conquest series	iOS, Android
Football Manager 2013	(Europe/US)	PC, PSP	Dragon Coins	iOS, Android
London 2012	(Europe/US)	PS3, X360, PC	The Clan Battle of Fate	iOS, Android
Ryu ga Gotoku 5: Yume, Kanaeshimono	(Japan)	PS3		

IN FOCUS

Launch of the *Puyo Puyo!! Quest*, a puzzle RPG game for iOS and Android that lets you enjoy a "Puyo Puyo" moment!

While keeping the same basic rules as the *Puyo Puyo* puzzle game that is popular nationwide, we have released a puzzle RPG game for smartphones called *Puyo Puyo!! Quest*. It is easy to play, just delete the "Puyos" at the bottom of the screen by rubbing them out with your fingers and create a chain of at least four "Puyos" of the same color, either vertically or horizontally, that fall down from above. You can attack your opponent based on the color and number of "Puyos" you delete in these chains. Of course, plenty of cute characters from *Puyo Puyo* appear. You can raise these characters and take them on various quests. Within 10 days of releasing the iOS version in April, there were 1 million downloads, and we have released an Android version in June.



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Looking Back with a “Key Person” Review of Activities in the Fiscal Year Ended March 31, 2013



Strong sales of Pachinko CR Hokuto No Ken 5 Hasha with the excitement over the 30th anniversary of the manga, Hokuto No Ken

Ever since the first title was released in 2002, *Hokuto No Ken* has been a popular series that represents Sammy Corporation. Three years since the previous title *Pachinko CR Hokuto No Ken Raoh*, *Pachinko CR Hokuto No Ken 5 Hasha* began its sale in December 2012 as the fifth title in the series. Over 120,000 units were sold upon initial arrival and performance has remained strong based on a positive reception by the market.

The appearance of the largest number of characters among the series and the powerful 3DCG and 15-inch LCD display offer enjoyment and unfolding of a magnificent story that lets players experience exhilaration and power worthy of the name of *Hasha* (champion).



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KEY PERSON

A word from **Hiroataka Tanaka**, Chief Producer, Creative Officer, Sammy Corporation

Following *Pachinko CR Hokuto No Ken Raoh* and *Pachinko CR Hokuto no Ken Kensiro* in the highly successful *Hokuto No Ken* series, we have developed the next model also amid high expectations. Based on the idea of wanting to make a big impact on the market when the release was first planned, we proceeded with the project with making even more diverse image changes than we have now. In the end, however, we made many adjustments and decided on the optimal amount of changes to make for this release, making it seem like much had changed while keeping some things the same, which is one of the challenges in a series game. Still, when the staff in the field suggested the *ZERO Attacker* idea, we were both hooked in terms of the sales pitch and the attraction that it would have for operations. Going forward, we will continue with the development of attractive products which provide at the same time a sense of newness and a solidness as parts of Sammy Corporation's aim to become number one in the industry by sending out innovative models not available from any other manufacturer.



Sales of Jewelpod Diamond, extremely popular among elementary school girls, exceeded a total of 500,000 units in 8 months!

The popular *Jewelpod* product based on the anime *Jewelpet* is a multi-function electronic toy with a touch panel. The operational features that seem just like a smartphone have been very popular among elementary school girls who want to feel like an adult. Sales of the latest model *Jewelpod Diamond*, equipped with a camera and decorative features, exceeded 500,000 units in the 8 months after it was released in July 2012. It received an Excellence Award in the Girls' Toy Division of the Japan Toy Awards 2012.

In April 2013, a limited pearl white color version and the third dedicated SD software *Emerald Labra Wo Sukue!!*, a highly-anticipated action game, were released.



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KEY PERSON

A word from **Naoko Miyazaki**, General Manager, Girls Dept., Domestic Business Dept., SEGA TOYS CO., LTD.

The *Jewelpod* series respond to the needs of young girls who want a smartphone all for themselves. With this product, we have beaten our competitors in releasing a smartphone-like product and created a smartphone trend in the toy industry. In addition to a camera function and decorative function just like a real smartphone, another element that makes this product so popular is the availability of related products such as cases and separately-sold software. We hope customers also enjoy our *Jewel Music Pod* music player and the smartphone-like toys that we plan to develop further going forward.





Improving our presence in the PC online game market in North America and Europe

In January 2013, SEGA CORPORATION acquired all of the shares of THQ Canada Inc. (currently Relic Entertainment, Inc./Headquarter: Canada; hereinafter “THQ Canada”) and a portion of the intellectual property rights, etc. held by THQ Inc., the parent company of THQ Canada.

Under THQ Canada's predecessor Relic Entertainment studio, it produced a large number of hit products,

mainly in the PC game market in North America and Europe.

With graphics that rival films and highly strategic games which are supported by customers, it holds several leading million-seller titles such as the *Warhammer 40k Dawn of War* series and the *Company of Heroes* series. We will strengthen our PC online game development capabilities by utilizing THQ Canada's high contents development capabilities and the development know-how that it has accumulated.



Company of Heroes 2
©SEGA. Developed by Relic Entertainment Inc. SEGA, the SEGA logo, Relic Entertainment and Company of Heroes are either registered trademarks or trademarks of SEGA Corporation. All rights reserved. All other trademarks, logos and copyrights are property of their respective owners.

KEY PERSON

A word from **Yukio Sugino**, Managing Director, SEGA CORPORATION

On January 24, 2013, we acquired THQ Canada Inc. (currently Relic Entertainment, Inc.). Its *Company of Heroes* series and *Warhammer 40k Dawn of War* series have succeeded as top-class titles with strong sales results in the PC game real-time strategy (RTS) market in North America and Europe. With this acquisition and the acquisition of The Creative Assembly Ltd. (UK) in 2005, the SEGA SAMMY Group now holds two major studios in the PC/RTS genre within the Group. Going forward, the Group will fully utilize its high-profile intellectual properties and further expand its PC online business for which market growth is expected.



Making of Butterfly Corporation, a company that develops pachinko and pachislot hall-style mobile online games, into a subsidiary

Sammy NetWorks Co., Ltd. has made Butterfly Corporation into a subsidiary. Butterfly Corporation deploys a large number of social games, including *Moba7*, which is the only pachinko and pachislot comprehensive portal service under the *Mobage* platform operated by DeNA Co., Ltd. *Moba7* has expanded to over 5 million members, providing pachinko and pachislot machine simulation apps at online virtual halls, as well as the constant addition of new apps and events.

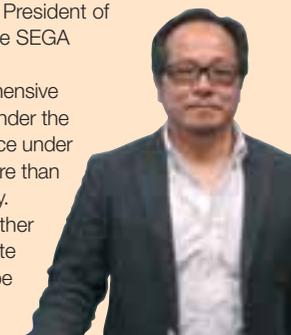
With this partnership, we will progress on maintaining both the strengths of Sammy NetWorks's “services for monthly-fee type core users” and Butterfly Corporation's “services for free and pay-per-use type casual users” and combining them as we aim to provide services for the enjoyment of a broad range of users.

KEY PERSON

A word from **Takayuki Kawagoe**, Representative Director and President, Butterfly Corporation

This is Takayuki Kawagoe, Representative Director and President of Butterfly Corporation. We became a new member of the SEGA SAMMY Group in February of this year.

We operate the *Moba7* pachinko and pachislot comprehensive portal of free and pay-per-use type service for mobiles under the *Mobage* platform and the *Pachi & Slot Town*, a PC service under the *Yahoo!Mobage* platform, which are services with more than 5 million and 1.5 million registered members, respectively. By maximizing synergies with the Group, we plan to further develop these existing services as we strive to contribute to the growth of the Group's network business. We hope for your continued support in these efforts.





A victory in the spring tournament for the first time with outstanding teamwork!

At the Tokyo Corporate Spring Tournament held in March 2013, the SEGA SAMMY Baseball Club continued to beat other powerful teams with excellent teamwork of pitchers and batters, and spectacularly won the tournament for the first time. There are high hopes towards the Club's performance at the 84th Japan Amateur Baseball Championships to be held in July.



KEY PERSON

Pitcher ● **Satoshi Ohyama**

- Despite his small form, he is capable of pitching a killer straight ball in the upper-140 km/h at a good tempo
- Strong pitching style that shows his nerves and guts
- As a valuable ace left-hander, he leads the team with his powerful pitching



KEY PERSON

Pitcher ● **Hiroshi Urano**

- Despite being a rookie last year, he was mentioned as a high-ranking draft prospect for his great performance as the team's ace
- Full-fledged right-hander with straight balls that exceeds 150 km/h at the max as his weapon
- Extraordinary fighting spirit and competitive instinct hidden inside his poker face shown on the mound

CSR Column, Vol.4

Great East Japan Earthquake

Continuing Volunteer Efforts for Reconstruction of the Affected Areas

Heartfelt aspirations towards reconstruction efforts by new employees

Support activities aimed at serving a role in industrial reconstruction were implemented in April as a part of new employee training for 2013. 95 new employees (excluding a portion of new employees) made their first visit to the area affected by the earthquake and assisted with reconstruction support through farm work at Furusato Farm in Ushiami, Higashi Matsushima, Miyagi Prefecture.

Going forward with heartfelt aspirations towards helping out people and society, we will continue to support reconstruction efforts in various ways. SEGA SAMMY Group aims to become a group of employees capable of acting on an understanding of their own role and the importance of social responsibility while understanding and respecting diverse values.



KEY PERSON

A word from **Juyoun Kim**, SEGA SAMMY HOLDINGS INC.

Since 2009, the year I came to Japan, I have been supported by many people both in my day-to-day life and emotionally. The greatest benefit of my coming to Japan has been the realization that people cannot live and be happy all by themselves. When the earthquake occurred on March 11, there were people close to me who were affected by it, and I felt that I wanted to help provide emotional support for them. Although I was concerned about what I could do before visiting the stricken area under this training program, I learned that there was still a need in the help of people. Going forward, I would like to continue doing what I can to support the affected areas.



A word from **Masatoshi Kai**, Sammy Corporation

I can still clearly remember the risk upon my life that I felt when I saw telegraph poles violently shaking on the day of the earthquake. Although much progress had been made in the removal of debris in the stricken area which I first visited under the training program, seeing the vast amount of bare land, I felt that there was still much reconstruction to be done. Also, I have heard that the number of volunteers that come to the area is declining. As an entertainment company, I hope that we are able to bring smiles to the people in these affected areas, for example by playing together with local children and making their parents and other adults in the community smile. By such methods, I believe we should continue on with a SEGA SAMMY-way of support activities in the future.



Latest News Update All kinds of new products and titles yet to come!

Sega-BBC EARTH Joint Project The world's first supercharged nature experience museum Orbi! Opening this summer in Yokohama Minatomirai

SEGA CORPORATION is to open the world's first hands-on entertainment theme park Orbi, based on the theme of "integrating nature with technology," at MARK IS minatomirai in summer of 2013. This project is being conducted with the cooperation of BBC Worldwide Limited (Headquarter: UK), the main commercial division and a wholly-owned subsidiary of the British Broadcasting Corporation (BBC).

BBC EARTH is a collection of nature videos filmed over 50 years by BBC at locations around the world. These world-class video contents are an astonishing form of video art created through cutting-edge innovative filming techniques that truly express the realities and the mysteriousness of the natural world. With the combination of these video contents and SEGA CORPORATION's new expressive methods and project development capabilities, we have a gigantic new entertainment space that spans approximately 4,000 square meters. This breakthrough facility offers the world's first supercharged nature experience that allows people to feel and learn about mother nature first-hand. Orbi can be enjoyed by people of any gender and age group, and as such we hope to provide excitement to all visitors, including three-generation families as well as groups and couples.



©SEGA

"Power in Your Fists!!" Beginning of the Legend of the Savior The latest model in the series, commemorating the 30th anniversary Hokuto No Ken chapter of Resurrection

The popular manga *Hokuto no Ken* will celebrate its 30th anniversary in 2013. To commemorate this special year, we have decided to release *Hokuto No Ken chapter of Resurrection* as the latest model in the series.

This model features many powerful enemies that have not appeared in the pachislot *Hokuto No Ken* series and many new original powerful enemies as well. We present players with a pachislot machine that has fully linked gaming aspects with the story aspects of the original manga as Kenshiro becomes stronger by fighting against powerful enemies. The machine is equipped with two completely new systems consisting of the *Abesystem* that challenges the conventional idea of game count management and the completely new *Shinken Shoubu* continuing system, increasing expectations towards the first win and achieving game elements so that anyone can feel free to play the game every day, anywhere. While newly reproducing the strengths of the first generation *Pachislot Hokuto No Ken* series that we have continued on from, we have also provided attraction on another level as the new legend of *Hokuto* now begins.



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KEY PERSON



A word from **Joseph Peter Schmelzeis, Jr.**, Director, SEGA CORPORATION
Since we entered into a partnership with BBC Worldwide Limited in June 2011, teams in Japan and the UK have been jointly developing the entertainment facility Orbi, and the first Orbi facility will be opening in Yokohama this summer. By blending SEGA's innovative technologies and the videos of all forms of life on Earth and the mysteries of nature filmed under the BBC EARTH project over the past 50 years, we have created a completely new facility that allows people to feel as if they are in the middle of nature while still being in the city. Orbi is based on the universal theme of "Nature" that can be enjoyed by people of any generation, gender or nationality, and there are expectations for expanding Orbi throughout the world under license as a facility package.

KEY PERSON



A word from **Satoshi Sawada**, Chief Producer, Sammy Corporation
Currently, the market is dominated by machines featuring strong gambling elements, with few machines that allow players to play freely. In response to this, we have developed *Pachislot Hokuto No Ken chapter of Resurrection* in an aim for a product that people can feel comfortable playing any time. This product provides the casualness of being able to play every day and start from anywhere, while also providing the hope of being able to keep winning once the player makes a win. In this manner, the concept follows the first generation of the *Pachislot Hokuto No Ken* series. In addition, the product adopts new concepts and gameplay elements, and if these prove to be acceptable to the market, we believe we will be able to provide the second generation *Pachislot Hokuto No Ken*. Going forward, we will continue developing machines that will allow players to play freely and work towards the prosperity of the market.



Group Information

Overview of Consolidated Balance Sheets (Unit: Amounts less than ¥0.1 billion are rounded down)

Factors Affecting Assets

Total assets were ¥528.5 billion, up ¥31.1 billion from the previous fiscal year-end.

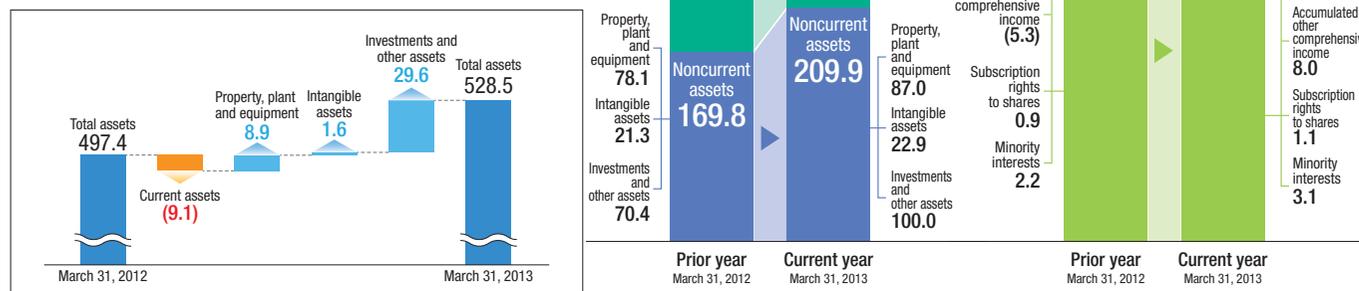
Current assets decreased by ¥9.1 billion.

Factors ▶ Decreases in notes and accounts receivable-trade, investment securities and other factors

Noncurrent assets increased by ¥40.1 billion.

Factors ▶ Increase in investment securities reflecting factors such as a rise in the market value of securities and increased noncurrent assets as a result of the construction of a new plant in the Pachislot and Pachinko Machine Business segment, etc.

Current ratio remained at high levels, standing at 307.4%, up 59.9 percentage points from the previous fiscal year-end.



Factors Affecting Liabilities and Net Assets

Total liabilities increased by ¥7.4 billion to ¥208.4 billion from the previous fiscal year-end.

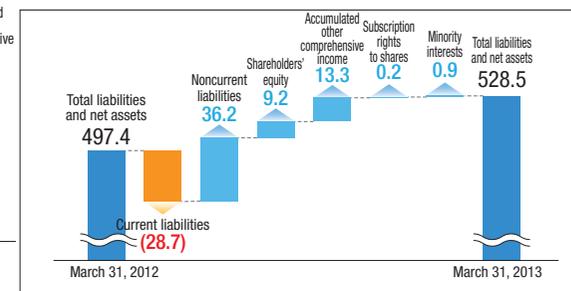
Current liabilities decreased by ¥28.7 billion.

Factors ▶ Redemption of current portion of bonds and other factors

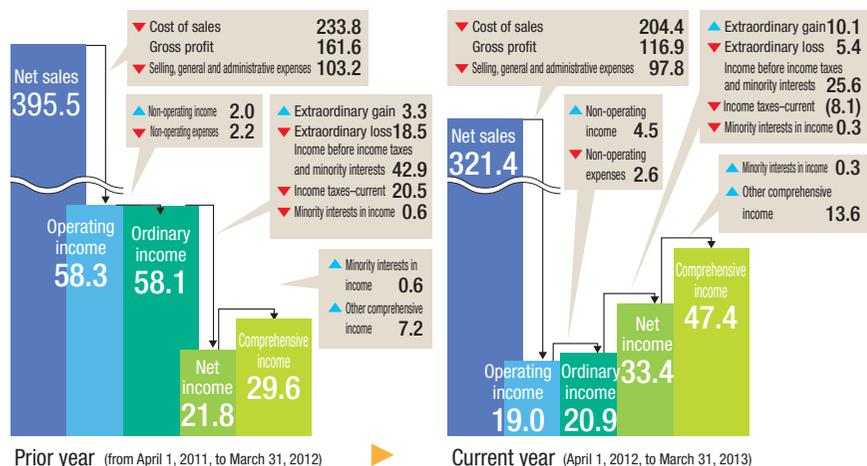
Noncurrent liabilities increased by ¥36.2 billion.

Factors ▶ Newly made loans, funds raised by issuing corporate bonds and other factors

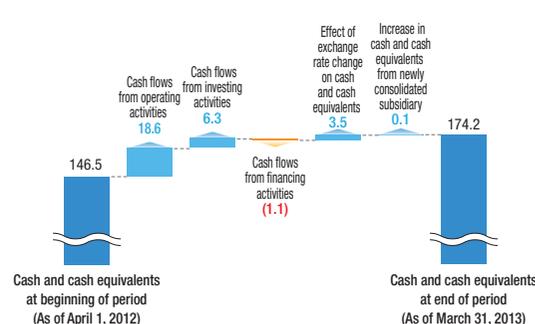
Equity ratio was 59.7%, up 0.8 percentage points from the previous fiscal year-end.



Overview of Consolidated Statements of Income and Comprehensive Income (Unit: Amounts less than ¥0.1 billion are rounded down)



Overview of Consolidated Statements of Cash Flows (Unit: Amounts less than ¥0.1 billion are rounded down)



Factors Affecting Consolidated Statements of Cash Flows

Balance of cash and cash equivalents increased by ¥27.7 billion from the previous fiscal year-end to ¥174.2 billion.

Cash flows from operating activities

Net cash provided by operating activities was ¥18.6 billion. This was mainly attributable to a posting of income before income taxes and minority interests at ¥25.6 billion and depreciation and amortization at ¥18.1 billion, a decrease in notes and accounts receivable-trade of ¥10.8 billion, a decrease in notes and accounts payable-trade of ¥10.1 billion, an increase in inventories of ¥7.5 billion and income taxes paid amounting to ¥16.3 billion.

Cash flows from investing activities

Net cash provided by investing activities was ¥6.3 billion. This was mainly attributable to outflows of ¥21.8 billion, ¥8.0 billion and ¥5.1 billion for the purchase of property, plant and equipment, purchase of intangible assets and purchase of stocks of subsidiaries and affiliates, respectively, despite proceeds from the redemption of securities of ¥42.6 billion.

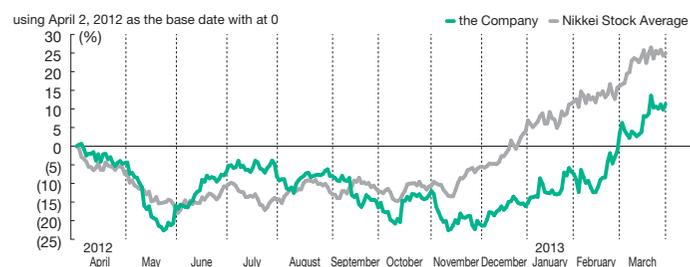
Cash flows from financing activities

Net cash used in financing activities was ¥1.1 billion. This was mainly attributable to proceeds from long-term loans payable of ¥33.0 billion, cash dividends paid (including cash dividends paid to minority shareholders) of ¥9.8 billion, purchase of treasury stock of ¥16.2 billion and repayment of long-term loans payable of ¥10.4 billion.

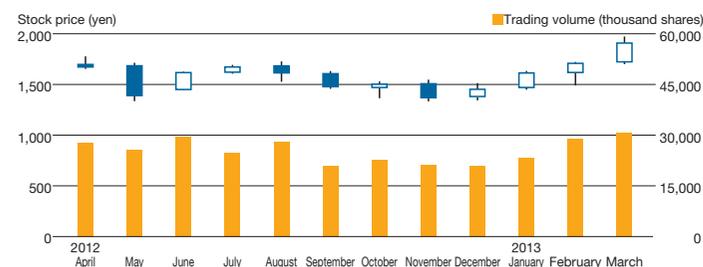
Consolidated Operating Results and Financial Data

	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 ended March 31, 2013	Fiscal year ending March 31, 2014 (Forecast)	
Operating results (billions of yen)	Net sales	429.1	384.6	396.7	395.5	321.4	485.0
	Operating income	8.3	36.7	68.7	58.3	19.0	73.0
	Operating income to net sales (%)	1.9	9.5	17.3	14.7	5.9	15.1
	Ordinary income	6.6	35.9	68.1	58.1	20.9	72.0
	Net income	(22.8)	20.2	41.5	21.8	33.4	47.0
Expenses (billions of yen)	Research and development expenses/Content production expenses	59.6	41.5	41.1	53.3	45.2	54.9
	Capital expenditure	26.6	16.1	19.6	36.1	32.8	32.5
	Depreciation and amortization	26.6	17.1	15.9	16.1	18.1	25.5
	Advertising expenses	20.7	20.7	15.1	17.2	13.1	19.5
Financial Data (billions of yen)	Total assets	423.9	423.1	458.6	497.4	528.5	
	Liabilities	181.4	166.3	173.1	201.0	208.4	
	Net assets	242.5	256.7	285.4	296.3	320.0	
	Equity ratio (%)	52.4	55.8	60.0	58.9	59.7	
Cash Flows (billions of yen)	Cash flows from operating activities	32.1	54.9	87.6	38.0	18.6	
	Cash flows from investing activities	0.9	(7.6)	(29.5)	(59.0)	6.3	
	Cash flows from financing activities	(7.6)	(3.4)	(57.1)	0.9	(1.1)	
	Cash and cash equivalents at end of period	123.3	167.0	165.9	146.5	174.2	
Per Share Data (yen)	Net income per share	(90.83)	80.46	163.19	86.73	137.14	194.17
	Net assets per share	882.47	937.80	1,093.23	1,167.59	1,304.44	
	Dividends per share	30	30	40	40	40	40

Performance of the Company's Stock Price



Changes in the Company's Stock Price and Trading Volume



INFORMATION

Company Profile (As of March 31, 2013)

Company Name	SEGA SAMMY HOLDINGS INC.
URL	http://www.segasammy.co.jp/english/
Established	October 1, 2004
Capital	¥29.9 billion
Number of Employees	7,008 (Consolidated)
Directors and Auditors	Hajime Satomi Chairman of the Board and Chief Executive Officer Keishi Nakayama Executive Vice President and Representative Director Naoya Tsurumi Director Hisao Oguchi Director and Chief Creative Officer (CCO) Haruki Satomi Director Yuji Iwanaga Director Takeshi Natsuno Director Tomio Kazashi Standing Corporate Auditor Toshio Hirakawa Corporate Auditor Hisashi Miyazaki Corporate Auditor Mineo Enomoto Corporate Auditor

Information on Outstanding Shares (As of March 31, 2013)

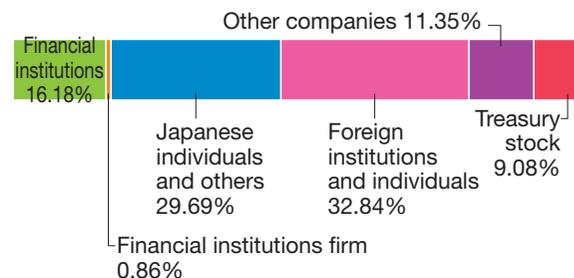
Number of shares authorized for issuance	800,000,000 shares
Total number of shares issued and outstanding	266,229,476 shares
Number of Shareholders	82,682 (Odd-lot shareholders: 58,376)

Principal Shareholders

Name of Shareholder	Shares Held	Shareholding Ratio (%)
Hajime Satomi	33,569,338	13.86
FSC Co., Ltd.	14,172,840	5.85
Mellon Bank N.A. Treaty Clients Omnibus	12,019,000	4.96
Japan Trustee Services Bank, Ltd. (Trustee)	11,271,800	4.65
HS Company	10,000,000	4.13

(Note) Shareholding ratio was calculated excluding treasury stock (24,169,675 shares).

Distribution of Shareholders



Shareholder Memo

Stock Code	6460
Round Unit	100 shares
Fiscal Year	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June
Date of Record for Dividends	March 31 (September 30 for interim periods, if paid) Advance public notice is given when required for other dividend payments.
Method of Public Notice	Electronic public notices
Notification URL	http://www.segasammy.co.jp/japanese/etc/notice If electronic notification is not available due to unavoidable circumstances, the Company will post the notice in the "Nihon Keizai Shimbun."
Transfer Agent Administrative Office of Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan Telephone: +81-3-5683-5111
Agencies	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 you use the storage transfer system for share certificates, etc., please contact the securities company that handles the transactions. (Mitsubishi UFJ Trust and Banking Corporation website) http://www.tr.mufj.jp/daikou/	

Editor's Note

The Company intends to conduct various activities to facilitate a better understanding of the Company by its shareholders and investors. The next Business Report will be released in the winter of 2013.
We will continue to enhance the contents of our report based on your opinions expressed through the questionnaire.

2013 IR Calendar

Schedule of activities for shareholders and investors

June	● Ordinary General Meeting of Shareholders/ Release of the Business Report for the fiscal year ended March 31, 2013
July	● Announcement of results for the three months ending June 30, 2013
October	● Announcement of results for the six months ending September 30, 2013
December	● Release of the Business Report for the six months ending September 30, 2013



Please contact the inquiry desk regarding any questions in relation to stock information, Group information or other 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.



SEGA SAMMY HOLDINGS INC.

Shiodome Sumitomo Building 21F, 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo 105-0021

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.