

Business Report for the six months ended September 30, 2013

Winter Edition

From April 1, 2013 to September 30, 2013

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To be one of the world's foremost global entertainment companies targeting all generations around the world



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2013 winter **SEGA SAMMY REPORT**



SEGA SAMMY in 2013 Interim

Net sales

First half

¥162.2 billion

Full year (Announced on May 10, 2013)

¥485.0 billion

Operating income

First half

¥12.3 billion

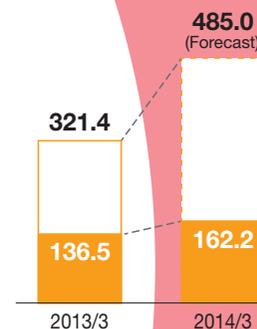
Full year (Announced on May 10, 2013)

¥73.0 billion

During the first half of the fiscal year ending March 31, 2014, major year-on-year increases in sales and earnings were reported. This was due to sales of mainstay pachislot machines in the Pachislot and Pachinko Machine Business segment that contributed substantially to earnings, and strong performance in the digital area that is being positioned as a growth area in the Consumer Business segment. Additionally, the Company made downward adjustments to its first half consolidated results forecast on September 20, 2013. However, as the adjustments were mainly due to reviewing the sales schedule in the Pachislot and Pachinko Machine Business segment for the year, there will be no change at this stage to the full-year consolidated results forecast for the fiscal year ending March 31, 2014.

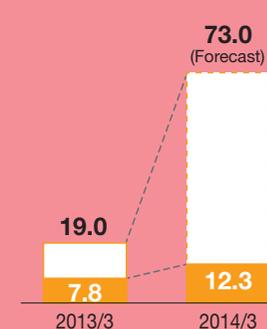
Net Sales (billions of yen)

■ First Half ■ Full Year



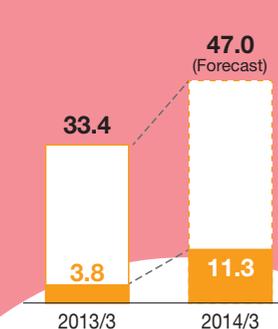
Operating Income (billions of yen)

■ First Half ■ Full Year



Net Income (billions of yen)

■ First Half ■ Full Year



Results of the Digital Area

Among the top class of the industry with

12 titles ranking in the top 50 of sales
(September 2013 results)

With just over a year from the establishment of SEGA Networks Co., Ltd., we are ranking among the top class in the industry with 12 of our titles appearing in the iOS app market's top 50. In the Android app market, six of our titles were also ranked in the charts, attesting the formation of a stable game portfolio.

Consumer Business Operating income

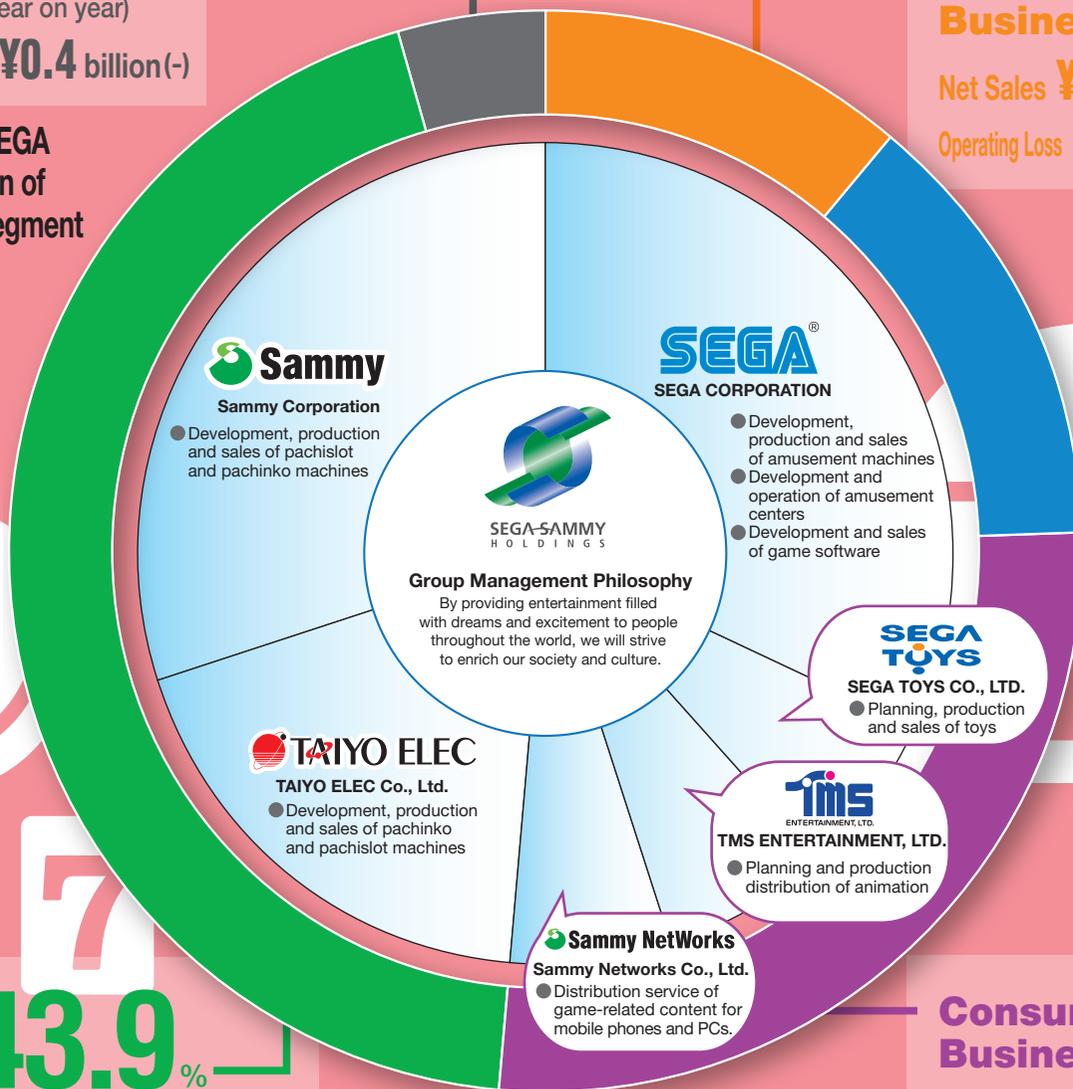
¥(0.7) billion → ¥1.1 billion
(Prior period)

Restructuring of the packaged game software business and a shift in the allocation of management resources to the digital area had the effect of increased sales of packaged game software and rapid growth in earnings in the digital area. A return to profits has been realized.

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

Other Net Sales **¥7.1 billion**
(up 13% year on year)
4.4% Operating Loss **¥0.4 billion(-)**

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



Amusement Machine Sales Business **11.1%**

Net Sales **¥18.0 billion** (down 4% year on year)
Operating Loss **¥0.0 billion(-)**

Amusement Center Operations **13.5%**

Net Sales **¥21.9 billion** (up 1% year on year)
Operating Income **¥0.2 billion** (down 75% year on year)

777
Pachislot and Pachinko Machine Business **43.9%**

Net Sales **¥71.2 billion** (up 31% year on year)
Operating Income **¥15.1 billion** (up 45% year on year)

Consumer Business **27.0%**

Net Sales **¥43.8 billion** (up 24% year on year)
Operating Income **¥1.1 billion(-)**

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,

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 is directing efforts to build a solid management base to accelerate future growth. Looking forward, we aim to expand our businesses by targeting every generation in the world with the goal of “establishing a presence in every business field and becoming one of the world’s foremost comprehensive entertainment companies.” We look forward to your continued support in our endeavors.

December 2013

Q. Please share your thoughts looking back on the first half of the fiscal year ending March 31, 2014.

During the first half of the fiscal year ending March 31, 2014, we had consolidated net sales of ¥162.2 billion, operating income of ¥12.3 billion, ordinary income of ¥14.2 billion, and net income of ¥11.3 billion, an increase in both sales and earnings compared with the same period in the previous fiscal year.

This was due to sales of mainstay pachislot machines in the Pachislot and Pachinko Machine

Business segment that contributed substantially to earnings, and strong performance in the digital area that is being positioned as a growth area in the Consumer Business segment. This term will be a significant turning point as net sales of digital area continue to outpace those of packaged game software area. For details, please see segment information on page 5 and financial statements on page 13.

Q. What is the outlook for the SEGA SAMMY Group?

As always, the medium term target we have set for the SEGA SAMMY Group as a whole is to return operating income to ¥100.0 billion.

Specifically, our expectations are in the range of ¥70.0 billion for the Pachislot and Pachinko Machine Business segment centered on Sammy, ¥20.0 billion for the Amusement Machine Sales, Amusement Center Operations, and Consumer Business segments centered on SEGA, and a total of ¥10.0 billion for other Group companies. Furthermore, we will work proactively with regard to the resort complex business including casinos, which is positioned as a new growth area. If the bill

concerning casinos currently under deliberation in Japan is passed, the Company plans to enter the casino operation business. With this in mind, we have been accumulating development and management know-how regarding resort complexes through the business collaborations with the Paradise Group in Incheon, South Korea, development of a resort complex in Busan, and operation of the Phoenix Seagaia Resort in Miyazaki Prefecture. We consider it necessary first to achieve profit growth steadily in our existing businesses in preparation for investment in the new growth field of the resort complex business.

Q. Please tell us about the measures you are taking toward entering the resort complex business?

As we have already announced, the Company has been pressing ahead with efforts related to resort complexes, such as operation of the Phoenix Seagaia Resort in Miyazaki Prefecture and development of the casino facility in Incheon and the resort complex in Busan, both in South Korea.

In particular, the acquisition of an existing casino facility in Incheon by a local joint venture on July 1, 2013 has allowed us to gain hands-on know-how. Furthermore, a new large-scale resort complex is under development in the Incheon area and is scheduled to begin operations in 2017. Plans for the facility include a casino, hotel, shopping mall, convention center and offices, and, with approximately 700 rooms in the hotel and a floor area of 11,000 square meters in the casino, the facility will be South Korea's largest.

For reference, the aforementioned existing casino we had acquired on July 1, 2013 has a floor area of 1,300 square meters, making the new facility approximately nine times larger. In addition, as a new endeavor, SEGA SAMMY CREATION INC. was established in June of this year. At SEGA SAMMY CREATION, we have begun the development of completely new casino machines,

leveraging the expertise of both SEGA and SAMMY. We expect that we will be able to release our first title in May 2014.

In this way, our efforts to acquire expertise through investments in resort complexes including casinos and to develop original casino machines making full use of existing Company resources will be strength for the Company.

Q. Please give a final word to our shareholders.

Our policy is to realize greater corporate value through growth strategies that generate higher earnings while also implementing a stable dividend payment as a direct return of profits to our shareholders.

With regard to profit return, our policy is to aim for a dividend payout ratio of 20-30% of

post-tax income for the year as a return to shareholders. Balancing this with investment in growth areas, we determine the dividend flexibly from year to year. For the fiscal year ending March 31, 2014, we plan to pay a full-year cash dividend of ¥40, equal to the dividend for the fiscal year ended March 31, 2013.

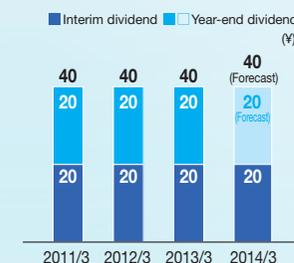
Results Forecasts

Unit: billions of yen	Year ended March 31, 2013 Results	Year ending March 31, 2014 Forecast (announced on May 10, 2013)	Change (%)
Net sales	321.4	485.0	+ 51
Operating income	19.0	73.0	+ 284
Ordinary income	20.9	72.0	+ 244
Net income	33.4	47.0	+ 41

Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on November 1, 2013, to pay an interim dividend for the FY2014.

- **Interim dividend of ¥20 per share** and a year-end dividend of ¥20, for total full-year cash dividends of ¥40, are forecasted.
- **Effective date (payment start date)**
December 2, 2013



Segment Information



Initiatives and results for the first half of the fiscal year ending March 31, 2014

Market Condition

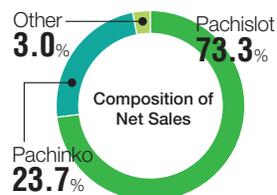
▶ As pachinko parlor operators become increasingly selective about their machines, orders tended to concentrate on some mainstay products. There has been continuing strong replacement demand for new pachislot machines, while replacement demand for new pachinko machines has been rather weak. Development and supply of machines that are supported by end users are needed.

Results

● **Achieved year-on-year increase in sales and earnings due to strong sales of mainstay pachislot machines.**

Primary Factors

- ▶ Replacement demand for new pachislot machines has been strong mainly as a result of the sales of *Pachislot Hokuto No Ken chapter of Resurrection* launched in first quarter and *Pachislot Kajiri 3* launched in second quarter. As a result, overall sales of pachislot machines exceeded the result for the same period in the previous fiscal year, reaching 143 thousand units.
- ▶ Although sales of *Pachinko CR Rookies* launched under the Sammy brand and *CR Gorenger* launched under the Taiyo Elec brand were more or less as planned, overall sales of pachinko machines fell short of the results of the same period in the previous fiscal and of the planned figures due to the rescheduling of the sales of major titles to the second half.



Key Points for the Full Year

Forecast **Net Sales ¥270.0 billion** **Operating Income ¥74.0 billion**

● **Increase in unit sales of both pachislot and pachinko machines. Major year-on-year increases in sales and earnings are planned.**

- ▶ Launch of several mainstay pachislot titles is planned for the second half. Unit sales are forecasted to increase by 270,000 units year on year for a total of 478,000 units for the full year. Recapturing the top share in pachislot machines will be within reach.
- ▶ As for pachinko machines, for which the market environment is expected to remain difficult, several major titles will be launched in the second half in order to seize the top share in the medium term. Unit sales forecasted to increase by 110,000 units year on year to 324,500 units.
- ▶ Going forward, we will work towards improving our development capabilities and brand strength, promoting our multi-brand strategy, and establishing a solid trend of increasing sales and earnings.

In Focus

Warm reception for *Pachislot Hokuto No Ken chapter of Resurrection*

Pachislot Hokuto No Ken chapter of Resurrection was launched on June 2013 to commemorate the 30th anniversary of *Hokuto no Ken*. It 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 casually play the game every day, anywhere. This machine, which has been received warmly by the market, has seen repeat sales into the second quarter and continues to perform strongly.



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Initiatives and results for the first half of the fiscal year ending March 31, 2014

Market Condition

▶ The market performed poorly due to the absence of major market-driving titles, along with the diversification of ways to play on smart devices and other devices. Development and supply of innovative new game machines in line with diversifying customer needs are needed.

Results

● **Results were according to the planned figures at the beginning of the period. Year-on-year decrease in sales and an operating loss were reported.**

Primary Factors

- ▶ Mainstay revenue sharing title *CODE OF JOKER* was launched. Distribution of earnings from revenue sharing title continues to be strong.
- ▶ Net sales for the first half decreased year-on-year due to absence of major sell-off titles.

Key Points for the Full Year

Forecast **Net Sales ¥45.5 billion** **Operating Income ¥2.7 billion**

● **Several mainstay titles will be launched and year-on-year increases in sales and earnings are planned.**

- ▶ Several mainstay titles will be launched including *Hokuto no Ken BATTLE MEDAL* and *The World of Three Kingdoms*.
- ▶ Sales of CVT kits for mainstay titles will be promoted including *WORLD CLUB Champion Football* and *SENGOKU TAISEN*.
- ▶ Continued distribution of earnings from revenue sharing title is expected.
- ▶ Free-to-play business models (pay-for-items) will be introduced at amusement centers as a new business model.
Puyo Puyo!! Quest Arcade will be launched in November.

In Focus

CODE OF JOKER, a thinking-type digital trading card game

CODE OF JOKER is a thinking-type, digital trading card game in which all the cards used are digitalized. The player prepares his/her deck of cards according to his/her strategy and plays out a player-turn-type fight in which the player takes turn playing offence and defense. The player wins by either decimating the opponent's lives or retaining more lives than his/her opponent. *CODE OF JOKER* heralds a new era of trading card games with its cool and stylish concept and speedy game development.



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Amusement Center Operations



Composition of Net Sales **13.5%**

Net Sales
¥21.9 billion
(up 1% year on year)

Operating Income
¥0.2 billion
(down 75% year on year)

Initiatives and results for the first half of the fiscal year ending March 31, 2014

Market Condition

▶ The market performed poorly due to the absence of major market-driving titles, along with the diversification of ways to play on smart devices and other devices. Development and supply of innovative new game machines in line with diversifying customer needs are needed.

Results

● Earnings decreased year on year as a result of struggling existing amusement centers sales.

Primary Factors

- ▶ Despite efforts to reinforce operation capabilities of existing amusement centers, in the absence of industry-driving titles, net sales of domestic existing centers were low at 95% of the same period in the previous year.
- ▶ The number of our domestic amusement centers* as of September 30, 2013 was 202 (three new centers opened and three centers closed during the period).
- ▶ On August 19, SEGA CORPORATION opened a hands-on entertainment park with the theme of "Nature", *Orbi Yokohama*, under a partnership with BBC Worldwide Limited. A month after the opening, *Orbi Yokohama* exceeded 100,000 visitors.

*Starting from the fiscal year ending March 31, 2014, only directly managed amusement centers will be included in the number of amusement centers in Japan.

Key Points for the Full Year

Forecast **Net Sales ¥45.5 billion** **Operating Income ¥0.2 billion**

● Year-on-year increase in sales and decrease in earnings are forecasted

- ▶ Scrap-and-build of domestic amusement centers will continue to be implemented. At the fiscal year-end there will be 197 centers (4 opening, 9 closing).
- ▶ Operation capabilities will continue to be strengthened and the profitability of each centers will be enhanced.

In Focus

Number of visitors to world's first supercharged nature experience museum, *Orbi Yokohama* exceeds 100,000 in one month.

The number of visitors to *Orbi Yokohama*, operated by SEGA CORPORATION, exceeded 100,000 on September 18, 2013, the 31st day from the grand opening on August 19, 2013. *Orbi Yokohama* is grateful to its many visitors and all those who have cooperated with the facility to date, and will continue to provide opportunities to everyone around the world to enjoy and nurture their spirit of inquiry toward nature through *Orbi*.



© SEGA

Consumer Business



Composition of Net Sales **27.0%**

Net Sales
¥43.8 billion
(up 24% year on year)

Operating Income
¥1.1 billion
(-)

Initiatives and results for the first half of the fiscal year ending March 31, 2014

Market Condition

▶ Demand expanded for games for SNS (social networking service) and smart devices in the digital game market, while the market for packaged games performed poorly.

Results

● A year-on year sales increase and a return to profit were achieved due to increased earnings in the digital area and improved earnings in the packaged game software area.

Primary Factors

- ▶ In packaged game software area, sales of *Total War: ROME II* were solid, and the number of units sold surpassed levels of the same period in the previous fiscal year.
- ▶ Mainstay digital title *Phantasy Star Online 2* surpassed 3 million registered IDs, while smartphone apps including *Puyo Puyo!! Quest* (Surpassed 5 million downloads) and *CHAIN CHRONICLE* (Surpassed 1.2 million downloads) also performed strongly.
- ▶ In the toy business, sales of mainstay products such as *Jewelpod Diamond Premium* were strong.
- ▶ In the animation business, distribution income was robust from the film version of *Detective Conan Private Eye in the Distant Sea*, which recorded the highest box-office revenues for the series.

Key Points for the Full Year Forecast **Net Sales ¥109.5 billion** **Operating Income ¥3.9 billion**

● A year-on year sales increase and a return to profit are forecasted due to improved earnings in the digital area.

- ▶ In packaged games, the launch of major and mainstay games will be focused in the second half, which will lead to the creation of a stable income source.
- ▶ The digital area is positioned as a growth area, and increased earnings from titles for smart devices are expected as service for *Phantasy Star Online 2* for smart devices will be launched.
- ▶ In the toy business, activities of core products such as the *Anpanman Series* and *Jewelpod Series* will be strengthened.
- ▶ In the animation business, we will focus on business development centered on new movies and television series, including the film version of *Lupin the 3rd vs. Detective Conan THE MOVIE* and "YOWAMUSHI PEDARU" for television.

In Focus

CHAIN CHRONICLE exceeds 1.2 million downloads

The chain scenario RPG, *CHAIN CHRONICLE* which began service in July 2013, has a game system that has optimized for smart devices RPG that has a profound storyline and worldview comparable to consumer games. The game was well received, and downloads have exceeded 1.2 million as of November. Over 200 characters, each with their own story, have been created by a renowned group of illustrators.

Please look forward to the *CHAIN CHRONICLE* as it continues to evolve and open up new genre.



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Looking Back with a “Key Person” Review of Activities up to the Second Quarter

Aim to capture the “Casino business,” a major business opportunity Casinos and the SEGA SAMMY Group

Viewing the management of resort complexes including casinos as a new earnings opportunity, the SEGA SAMMY Group has expressed its intention to participate in this business area. As a strategic initiative aimed at capturing the business opportunity of the casino business in Japan, the SEGA SAMMY Group is advancing a joint venture with the Paradise Group in the International Business Center area next to Incheon International Airport, South Korea’s gateway to the skies.

The SEGA SAMMY Group is steadily and proactively preparing to seize new earnings opportunities.

The SEGA SAMMY Group began amusement center operations in 1965. As an industry pioneer, we have accumulated experience and expertise, while honing our development capabilities for pachislot and pachinko machines as well as amusement arcade machines in order to become one of the few corporate groups qualified to participate in the casino business in the areas of machine development and supply as well as casino operations. However, the casino business calls for a variety of know-hows that our existing businesses do not have, such as expertise in attracting good customers on a regular basis. In addition, as the scale of investments required is expected to be considerable, our basic approach is to form partnerships with casino operators who have track records overseas and thereby can mitigate investment risk, share know-how, and enable the mutual use of management resources.

Anticipated Business Opportunities for Private-Sector Companies

Development phase	Operational phase
Real estate developers, casino machine manufacturers, peripheral equipment manufacturers, etc.	Operators of casinos, hotels, and commercial facilities, system maintenance companies, security companies, etc.

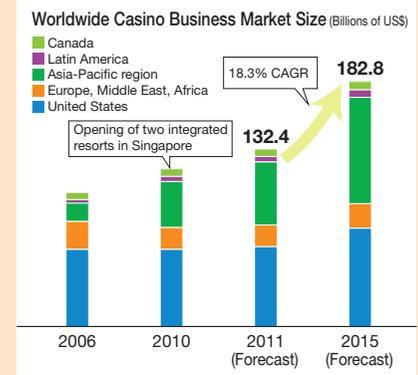
The SEGA SAMMY Group Has Capabilities to Engage in Both Phases

- Know-how accumulated through experience operating amusement centers
- Development capabilities fostered through pachislot and pachinko machine and amusement machines
- Experience accumulated in relation to resort complexes including casinos, mainly based on know-how acquired from Phoenix Resort and casino operations in South Korea

KEY POINT

POINT 1 The world's casino business

There are casinos in more than 120 countries around the world. Casinos are legal in all G8 countries except Japan. Currently, the largest market is Las Vegas, with the United States accounting for roughly half of the world’s market. Meanwhile, the Asia-Pacific region has been increasing its presence rapidly in recent years, led mainly by Macau, which has grown phenomenally, and Singapore, which was first granted a license in 2006 and unveiled two integrated resorts including casinos in 2010. The Asia-Pacific region is expected to become the world’s largest market in 2013, and the casino business worldwide is projected to grow to US\$182.8 billion by 2015.



POINT 2 Developments in Japan

In Japan, the possibility of lifting the country’s ban on casinos has been discussed over more than a decade, with the focus on such related topics as higher international tourism revenues, the invigoration of regional industries, employment creation, stronger international competitiveness, and improved public finances as a result of increased tax revenues. In 2013, deliberations on legislation that would legalize integrated resorts, which will include not only casinos but also convention facilities, accommodation facilities, and a range of leisure facilities, have become more concrete. The basic act, the “Integrated Resort Promotion Act (Designated Integrated Tourism Resort Areas Promotion Act),” may be submitted to an extraordinary Diet session as early as fall 2013.

Deliberations in Japan to date and schedule going forward ● The SEGA SAMMY Group’s initiatives



Strategy of SEGA Networks:

Towards the top of the digital game content market

As devices become more sophisticated and communications infrastructure become even faster, the digital game content market is becoming the stage for fierce competition that transcends industry boundaries. Amid such an environment, SEGA Networks is rapidly heightening its presence and steadily establishing itself as a top runner. Below is an explanation of the drivers of this rapid progress and strategies going forward.

KEY PERSON

Delivering Quality Games to Even More Customers

A word from **Minoru Iwaki**, VP & Corporate Officer, Business Division, SEGA Networks Co., Ltd.

The number of players of *Puyo Puyo!! Quest* (iOS version), distribution of which began in April 2013, increased at an amazing rate and in just 10 days the number of downloads reached 1 million, and together with the Android™ version, surpassed 5 million in November. This is only one example. Since May, we have continually had at least 10 titles in the domestic iOS market's top 50, making us one of the industry's best-performing companies, and we have had an increasing number of high-ranking titles in the Android™ market as well.

SEGA believes that our more than 1,000 development personnel who have garnered experience by working in the amusement machine sales business or the home video game software business and the extensive lineup of intellectual properties honed during its long history are the source of its competitive superiority. Adding to these assets, decision-making speed and practical abilities, as well as our unwavering adherence to a basic management strategy of delivering quality games to even more customers are the reasons why we have been able to heighten our presence so rapidly, despite being just a year since our establishment.

Track Records for September 2013

iOS versions of **12** titles ranked in top 50

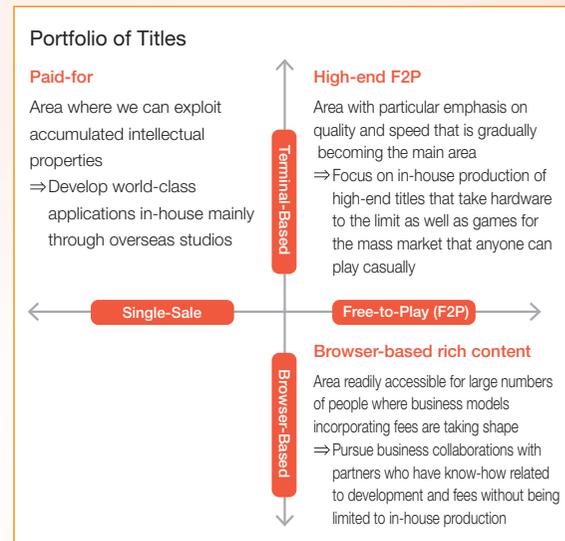
Android™ versions of **6** titles ranked in top 50

Approximately **44%** of games ranked in top 50



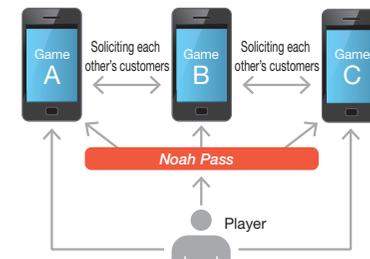
A balanced, quality portfolio

The digital game content market continues to develop in two directions: Internet applications processed by browsers, and native applications processed by devices. Moreover, player preferences are diversifying across a broad range of contents that include not only puzzle games and card battle games but also upmarket game content with high-resolution graphics, so that relying on limited contents could increase risk. The competitive advantage of SEGA Networks is heightened by the operations division's specialists in title lineup composition, promotion, and research working in unison to hammer out the flexible development strategies that will bring its abundant development capabilities and intellectual properties to market most efficiently and to provide quality content for a broad range of genres in a well-balanced manner.



Noah Pass System

Game screens of each company



Establishing a new mutual introduction system

As part of the establishment of a system that will give even more players access to our quality content, SEGA Networks has begun offering the *Noah Pass*, a completely new system for the mutual introduction of players. Already the system has 43 corporate participants and more than 28 million registered users. As corporate participation is free of charge and there are no strategic restrictions, the *Noah Pass*, as a system enabling companies to advertise and promote products effectively, is expected to attract not only game content development companies but also companies in peripheral business areas, such as media web sites, online communities, game-strategy web sites, video web sites, and Internet portals. By providing a beneficial, value-added service, we want to increase the economic scale of the system. And, plans call for monetizing the system in the near future.

Stepping up overseas forays

We intend to increase our presence in South Korea, North America, Europe, and other overseas markets proactively. In North America and Europe, our player base is already expanding steadily. For example, iOS versions of the *Sonic* series have surpassed 48 million downloads on a cumulative basis. A strategic title for the iOS, *GO DANCE*, which will mainly target overseas markets, was released in the fall as our inaugural motion control title. Furthermore, we plan to roll out our marketing support tool, the *Noah Pass* system overseas during 2013. Going forward, our team of specialists will continue adopting optimal strategies in light of thoroughgoing research on each market with regard to playing, communication, and fee environments, and accelerate our overseas forays.





Phantasy Star Online 2 makes cross-platform play a reality

The Windows PC version of *Phantasy Star Online 2* (hereinafter, “PSO2”) was rolled out in July 2012, and the PlayStation® Vita version was launched in February 2013, which makes it possible to share play data across multiple models.

To mark the first anniversary of the launch of PSO2 in July 2013, commemorative events were held and a major update *Episode 2* was released. As a result, we recorded over 107 thousand players, a record number in the history of online RPGs for service in Japan alone. Furthermore, on August 19, the number of registered IDs exceeded 3 million.

On September 4, 2013, express a malfunction occurred that erased part of the data on hard disks not related to PSO2. We express our deepest apologies for the considerable trouble this malfunction caused for everyone. We are serving the customers who suffered problems one by one, and will strive to further reinforce our setup for monitoring and detection of problems in order to ensure that the issue does not recur.



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Nikkei IR Fair 2013: Another Big Success

The Group exhibited for the second consecutive year at the Nikkei IR Fair 2013, an IR event for individual investors that was held on Friday, August 30 and Saturday, August 31,



2013, at Tokyo Big Sight. Many individual investors visited the venue during the event, and the mini-presentations held eight times each day at our booth received overwhelming response and there was people standing for every presentation as there were not enough seats. At the mini-presentations, we explained the outline and growth strategies of the SEGA SAMMY Group in order for the audience to deepen understanding of the Group, and held lively individual Q&A sessions. During the two days, we were able to contact more than 1,000 individual investors, and the event was a valuable chance to exchange views with them. We intend to increase such occasions for direct dialogue with our individual investors in the future.

KEY PERSON

A word from **Satoshi Sakai**, Planning Section I, Online Research and Development Department, No. 3 R&D Division, SEGA Corporation

In-house expectations are high for PSO2, which combines a number of new endeavors, such as cross-platform play on the Windows PC, PlayStation Vita, and smart device versions and the adoption of a business model based on free-to-play. Development took more than three years, but it was worth the time spent, with over 3 million registered IDs in Japan alone, and we were able to make PSO2 one of the biggest online RPGs with over 100 thousand people connected simultaneously. The malfunction in September caused problems for many people; we will improve our system with the aim of safe, secure, and highly satisfying operations as we continue to provide services with even higher goals. Your continued support will be greatly appreciated.



Event Information

Date:	Friday, August 30 to Saturday, August 31, 2013
Place:	Tokyo Big Sight, East Exhibition Hall 1
Number of visitors:	August 30, 2013: 8,690 August 31, 2013: 8,718 (Total: 17,408)
Number of participating companies:	127 companies and organizations

■ “PlayStation” is a registered trademark of Sony Computer Entertainment, Inc.



Two players selected for draft from the SEGA SAMMY Baseball Club!

At the draft conference held on October 24, 2013, Hiroshi Urano was the second round pick of the Hokkaido Nippon-Ham Fighters, and Satoshi Ohyama was the eighth round choice of the Orix Buffaloes. The SEGA SAMMY Group is expecting great performance from both these players in the future.

KEY PERSON

Message from Hiroshi Urano

Although it still does not seem real, but I am really happy to have been picked. I am grateful to everyone who has played baseball with me, and I will do my best to quickly become a useful player for the first team.

KEY PERSON

Message from Satoshi Ohyama

I am truly thrilled to have been selected. This is all thanks to the support of everyone around me which enabled me to put my whole heart and soul into baseball throughout the year and not give up on my dream.



CSR Column, Vol. 5 Great East Japan Earthquake Continuing Volunteer Efforts for Reconstruction after the Disaster

“It may be just play, but not only play”...Rediscovering the power of entertainment

28th Visit to Higashi Matsushima by Group Employee Volunteers

We went to Higashi Matsushima for three days starting July 24, 2013. This was our fourth visit to the Takaki no Mori temporary housing facility in the city. The Group’s employees were able to bring smiles to many faces by performing magic tricks, drawing portraits, and holding a rubber stamp-making workshop. It was raining slightly on the second day when we went to pick debris from the sunflower field that had bloomed from the seeds we had planted in our June-July project. Afterwards, we began making a sign to put up in the field, and on the last day, we helped set up the venue for a community festival and finished the sign.



The SEGA SAMMY Group delivers smiles to many attendees by participating in and supporting the Higashi Matsushima festival



The SEGA SAMMY Group participated in and supported the “Let’s Hold on (*Ganbappe*) Higashi Matsushima Children’s Summer Festival 2013” (held in July, with attendance of 6,000) and the “Let’s Rejoice (Hashagube)! Higa Festival” (held in August, with attendance of 20,000) in Higashi Matsushima, Miyagi Prefecture, by bringing games such as “UFO CATCHER,” “darts,” “Bakugan,” and “Smartball.” At the Higa Festival, we decided to try charging a fee to play the games, and donated ¥59,800, the full amount received as game fees on the day, to the general incorporated foundation Higashi Matsushima Reconstruction Council. We will continue using the Group’s people power, product power, and entertainment power to help rebuild the areas affected by the disaster and to contribute to the region.

KEY PERSON

A word from **Koichi Nakamura**, General Affairs Department, TAIYO ELEC Co., Ltd.

Visiting the site of an elementary school that had been badly damaged by the tsunami and directly hearing the voices of the victims was more shocking than I had imagined. I was struck by the fact that more of the people who lived along the coast survived compared to those who lived inland.



It was their sense of danger that made the difference. The people who live beside the sea were very alert to the danger of tsunami and were able to act quickly, so many of them were saved. Whereas it seems that people living just a little inland went to the shelters and thought they would be safe there. There was little we could do in three days of volunteering, but there is more we can do from now on. I want to keep on relaying the voices of the victims and always keep them in the corner of my mind, in case an opportunity comes up. Participating as a reconstruction volunteer let me understand and feel a lot of things for the first time, things that you cannot experience in the office.



The legitimate successor to "Juoh" has finally arrived!

Launch of Pachislot Juoh – The Return of the King



©Sammy

The machine that will carry on the legend of *Juoh* has finally arrived. Combining game play and power worthy of being called the legitimate successor, the game has returned as a machine equipped with a time assisting function and a specialized top-up system. The Savannah Chance ("SC") feature that is synonymous with *Juoh* has been updated, and a specialized top-up "quartet system" is built in. While in SC, one can aim for the special top-up zone, and once in, collecting ahead of the pack in *Juoh*'s unique style can be enjoyed. *Pachislot Juoh – The Return of the King* is the legitimate successor to the legendary popularity boasted by *Juoh*. Have fun with the significantly ramped up power of this machine.

KEY PERSON

A word from **Kenichi Tokumura**, Creative Officer, PS Research and Development Division, Sammy Corporation



Pachislot Juoh – The Return of the King is the legitimate successor to *Juoh* after a span of approximately 10 years. It comes wrapped in an exclusive "beast model" frame, packed with the flavor of *Juoh*, including the outstanding impact of the Giant Savannah Chance ("SC") lamps and the nostalgic wide 10-inch LCD, and is equipped with a new "SC" which is found only in No. 5 pachislot machines. There is a lot to look forward to in this new born SC with four types of animals: lions, ostriches, gorillas, and elephants. We will continue to introduce strategic models such as *Bakemonogatari* to capture new fans, while also regularly launching successor models for those who have been fans since the No. 4 machines. Please keep an eye on Sammy's pachislot line-up in the future!

Newest installment in the *Ryu ga Gotoku* Series

Ryu ga Gotoku: Ishin! On sale in February 2014



The newest installment "*Ryu ga Gotoku: Ishin!*" in the *Ryu ga Gotoku* series, which has exceeded 6 million in cumulative unit shipments, will be released on February 22, 2014 for two platforms: PlayStation®4 and PlayStation®3. The PlayStation®4 version is a launch title for the PlayStation®4 machine that will be released on the same day.

"*Ryu ga Gotoku: Ishin!*" is the second historical spin-off in the "*Ryu ga Gotoku*" series following "*Ryu ga Gotoku: Kenzan!*" In this installment, set at the end of Japan's Tokugawa Shogunate period, protagonist Kazuma Kiryu acts as his historical figure Ryoma Sakamoto. A never-before-seen take on late *Edo* history unfolds against the backdrop of Kyoto as protagonist Ryoma Sakamoto and many other heroes who actually lived in the tumultuous period make their appearance.

This is the ultimate in entertainment, delivering the highest quality in the series' history on all fronts, including video, story, battles, and additional challenges.



© SEGA

KEY PERSON

A word from **Masayoshi Yokoyama**, Producer, *Ryu ga Gotoku* Studio, Section Manager, Planning Section II, CS (Consumer) No. 1 Development Division, SEGA Corporation

The environment surrounding the market has changed dramatically in the more than 10 years that have passed since development of the first installment, and the number of development projects of major home video game titles has been declining. Fortunately, however, the "*Ryu ga Gotoku*" series has been supported by many users and has now reached its eighth installment. "Always keep your ears open to what the market is saying." "Never let the people down." These things are obvious, but applying them single-mindedly in order to leave some results behind is, I believe, the only social contribution we as creators can make. We are taking on new challenges in this installment by changing the era and the protagonist. I will do my utmost to see that as a result of that challenge this title transcends the game framework and reaches into numerous other fields such as amusement machines. Please look forward to our work.



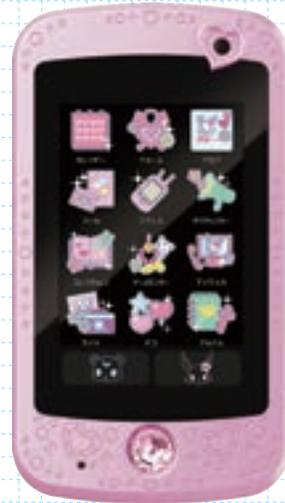
■ "PlayStation" is a registered trademark of Sony Computer Entertainment, Inc.

Hugely popular item for elementary school girls

Cumulative unit sales for Jewelpod series exceeds 1 million mark

(Cumulative figures for the series from November 2010 to October 31, 2013)

Jewelpod, a popular product based on the anime *Jewelpet*, is a smartphone style toy that can be played with by touching and swiping the screen like a smartphone. With operational features that make it seem just like a real smartphone, it has won popularity as a must-have item among elementary school girls who want to feel like grown-ups. The latest model, *Jewelpod Diamond Premium*, is equipped with a 2.8 inch color LCD touch panel and a 300,000 pixel camera on the front and back. It comes with a full range of features that make it even more like playing on a real smartphone, including a touch pen that can be used to touch up the pictures taken, a decoration feature to add frames and stamps, as well as voice recognition, and pinch to zoom in and out. The related product *Jewel Music Pod* allows you to listen to music stored on it. With over 300,000 units sold in the first two months after its launch in late July 2013, it is showing signs of becoming an even bigger hit as we head into the Christmas shopping season, like last year's *Jewelpod Diamond* (cumulative sales of 500,000 units).



©'08, '13 SANRIO / SEGA TOYS S・S / W・TX・JLPC

KEY PERSON

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

In the four years since it was first launched, *Jewelpod* has been repeatedly updated, and this year the series reached 1 million units in cumulative sales. In the development of this product, we have sought features, designs, and amusements that meet children's desires for "the real thing," such as touch and swipe screen operation, camera, decoration features, and mail. Not only are the children highly satisfied with this product, but it has also won support from their parents as a safe communication tool because it is a toy that is not equipped with telecommunication features.



An Amazing Team-up!

Lupin the 3rd vs. Detective Conan THE MOVIE

A dream collaboration bursts onto the screen!

Unrivaled master thief Lupin the 3rd and brilliant detective Conan Edogawa. The second dream collaboration of these well-known, well-loved figures comes to the screen. Four short years have passed since they first teamed up for a television special in 2009 that caused a sensation. Now they will finally appear on the screen in an all-new original story in December 2013. The rivalry ratchets up in the film version, pitting the magnificent thievery of Lupin against the astonishing deductive powers of Conan in a showdown! The decisive first round will be settled here. Of course all the familiar characters from both series are on hand: Daisuke Jigen, Goemon Ishikawa, Fujiko Mine, Inspector Zenigata, along with Ran Mouri, Kogoro Mouri, and Ai Haibara. Enjoy the truly spectacular all-star cast as they vie to show off their talents in this performance.



©2013 MONKEY PUNCH Goshō Aoyama / Production Committee of Lupin the 3rd vs. Detective Conan

●Lupin the 3rd●

First serialized in 1967. The hard-boiled yet comical master thief, created by author Monkey Punch, offered a new style of hero that had never been seen before. His career spanning many years and continuing today has included four animated television series, various television specials, and film version releases, securing him a position matched by no other.

●Detective Conan●

Serial launched in 1994. A television anime adaptation began in January 1996. With the novel and catchy phrase "looks like a child, with the brain of an adult," author Goshō Aoyama produced a new hero. In addition to the television anime series, its film version was released starting in 1997. Recently, the *Detective Conan* series has taken in a record ¥3 billion at the box office for five years running, endowing the serial with a presence well out of the ordinary.

KEY PERSON

A word from **Satoshi Kojima**, Chief Producer, Creative Department, TMS ENTERTAINMENT, LTD.

The second installment of the television special that generated a buzz when it was broadcast in 2009, "*Lupin the 3rd vs. Detective Conan*," will finally be released as a feature film on Saturday, December 7. The theme is "show-down" as Lupin's magnificent thieving skills square off against Conan's deductive powers. The pleasure of this excellent entertainment is not limited to fans of Lupin and Conan – it can be enjoyed by everyone from adults who don't know Conan and to children who have never heard of Lupin. Enjoy the Lupin-Conan story with its detectives, thieves, police, and that mysterious organization, all on a grander scale than ever.



Group Information

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

Factors Affecting Assets

Total assets were ¥529.6 billion, up ¥1.1 billion from the previous fiscal year-end.

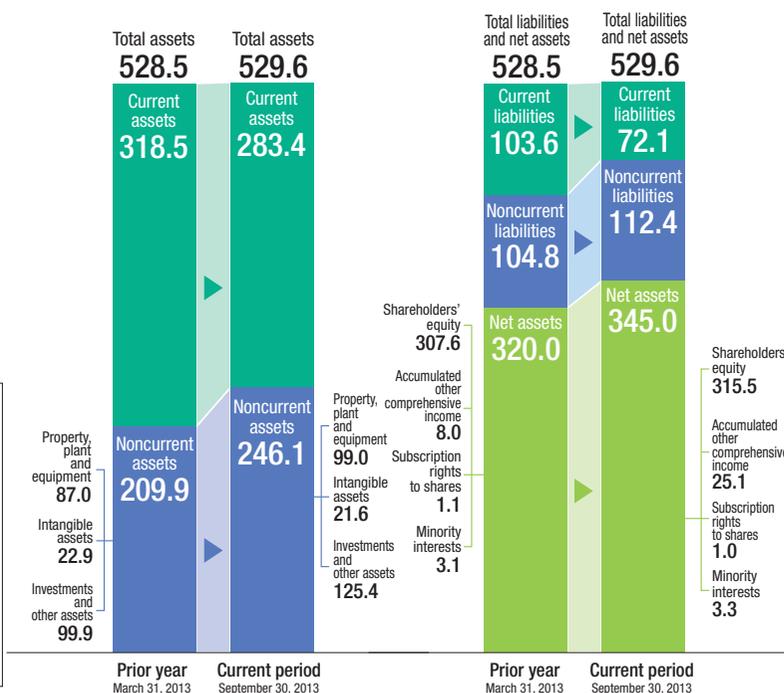
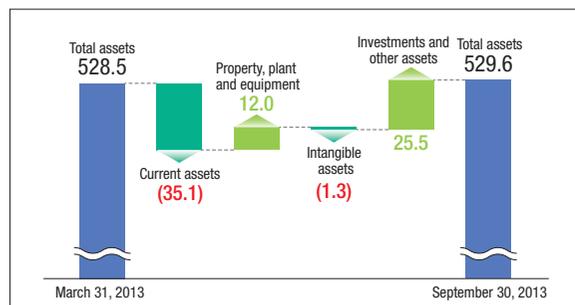
● Current assets decreased by ¥35.1 billion.

Factors ▶ Decreases in cash and deposits, and notes and accounts receivable-trade

● Noncurrent assets increased by ¥36.2 billion.

Factors ▶ Increase in investment securities reflecting factors such as the acquisition of land in Busan, South Korea and a rise in the market value of shares held

Current ratio remained at high levels, standing at 393.1%, up 85.7 percentage points.



Factors Affecting Liabilities and Net Assets

Total liabilities decreased by ¥23.9 billion to ¥184.5 billion from the previous fiscal year-end.

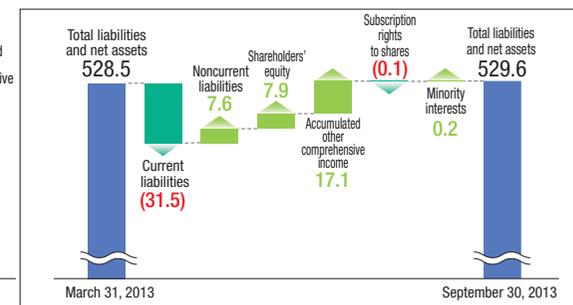
● Current liabilities decreased by ¥31.5 billion.

Factors ▶ Decrease in notes and accounts payable-trade and other factors

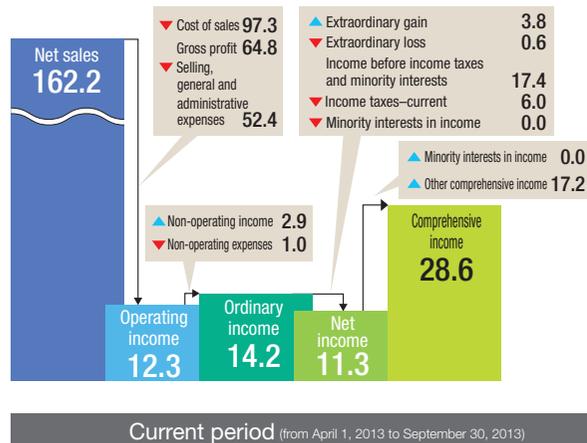
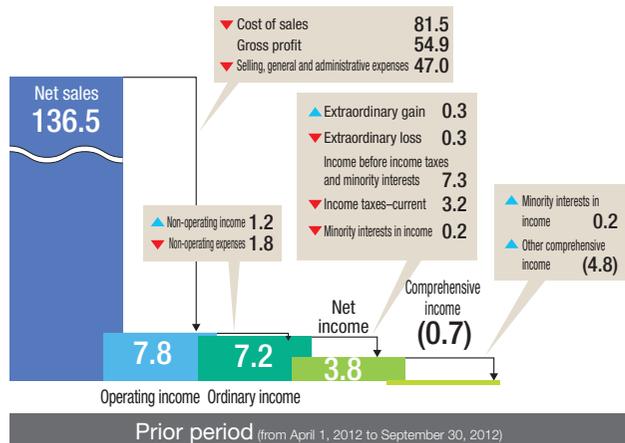
● Noncurrent liabilities increased by ¥7.6 billion.

Factors ▶ Funds raised by issuing corporate bonds and other factors

Equity ratio was 64.3%, up 4.6 percentage points, indicating a sound financial standing.



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



Net income

Net income amounted to ¥11.3 billion, an increase of 197% from the same period of the previous fiscal year.

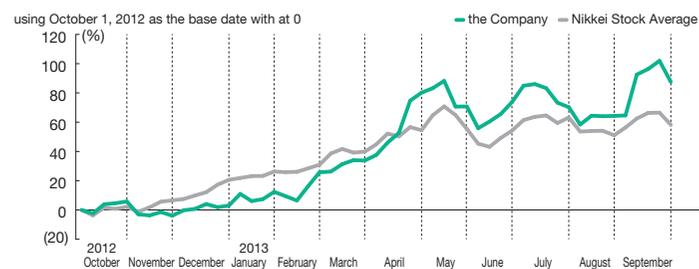
Factors ▶ Increase due to the gain on sales of noncurrent assets and other factors, in addition to the increase in operating income

Consolidated Operating Results and Financial Data

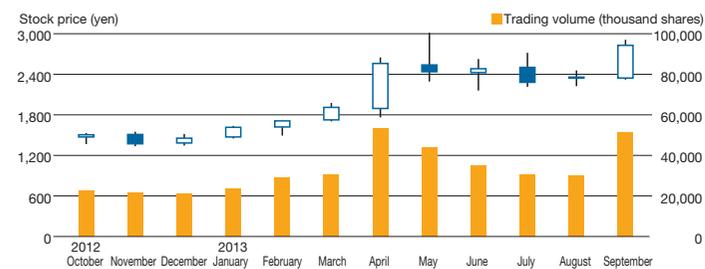
		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Fiscal year ending March 31, 2014	
		First half	Full year	First half	Full year (Forecast)						
Operating results (billions of yen)	Net sales	154.3	384.6	217.8	396.7	152.6	395.5	136.5	321.4	162.2	485.0
	Operating income	(0.3)	36.7	46.8	68.7	15.1	58.3	7.8	19.0	12.3	73.0
	Operating income to net sales (%)	—	9.5	21.5	17.3	9.9	14.7	5.7	5.9	7.6	15.1
	Ordinary income	(0.7)	35.9	46.0	68.1	14.7	58.1	7.2	20.9	14.2	72.0
	Net income	(6.3)	20.2	24.3	41.5	3.9	21.8	3.8	33.4	11.3	47.0
Expenses (billions of yen)	Research and development expenses/ Content production expenses	22.9	41.5	18.6	41.1	19.7	53.3	19.1	45.2	23.0	54.9
	Capital expenditure	6.3	16.1	6.5	19.6	9.4	36.1	21.6	32.8	22.6	32.5
	Depreciation and amortization	7.3	17.1	7.3	15.9	6.4	16.1	7.4	18.1	9.2	23.0
	Advertising expenses	7.8	20.7	7.3	15.1	7.6	17.2	5.6	13.1	7.0	19.5
Financial Data (billions of yen)	Total assets	405.0	423.1	465.6	458.6	460.9	497.4	448.3	528.5	529.6	
	Liabilities	172.3	166.3	184.4	173.1	178.0	201.0	173.1	208.4	184.5	
	Net assets	232.7	256.7	281.1	285.4	282.9	296.3	275.2	320.0	345.0	
	Equity ratio (%)	52.4	55.8	55.8	60.0	60.8	58.9	60.6	59.7	64.3	
Cash Flows (billions of yen)	Cash flows from operating activities	6.2	54.9	55.5	87.6	(8.9)	38.0	2.9	18.6	23.6	
	Cash flows from investing activities	(5.5)	(7.6)	(4.6)	(29.5)	11.4	(59.0)	12.6	6.3	(25.0)	
	Cash flows from financing activities	5.7	(3.4)	(20.4)	(57.1)	11.6	0.9	(9.1)	(1.1)	(4.0)	
	Cash and cash equivalents at end of period	129.5	167.0	196.3	165.9	179.8	146.5	152.3	174.2	170.6	
Per Share Data (yen)	Net income per share	(25.10)	80.46	96.66	163.19	15.79	86.73	15.74	137.14	46.76	194.17
	Net assets per share	841.80	937.80	1,031.45	1,093.23	1,115.46	1,167.59	1,125.09	1,304.44	1,401.90	
	Dividends per share	15	30	20	40	20	40	20	40	20	40

*The corrected figure is shown here as there was an error in the calculation of depreciation and amortization in the initial forecasts announced on May 10, 2013.

Performance of the Company's Stock Price



Changes in the Company's Stock Price and Trading Volume



INFORMATION

Company Profile (As of September 30, 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	7,149 (Consolidated)
Directors and Auditors	Hajime Satomi Chairman of the Board and Chief Executive Officer Keishi Nakayama Director Akira Sugano Director Haruki Satomi Director Naoya Tsurumi Director Hisao Oguchi Director and Chief Creative Officer (CCO) Shigeru Aoki Director Yuji Iwanaga Director Takeshi Natsuno Director Tomio Kazashi Standing Audit & Supervisory Board Member Toshio Hirakawa Audit & Supervisory Board Member Hisashi Miyazaki Audit & Supervisory Board Member Mineo Enomoto Audit & Supervisory Board Member

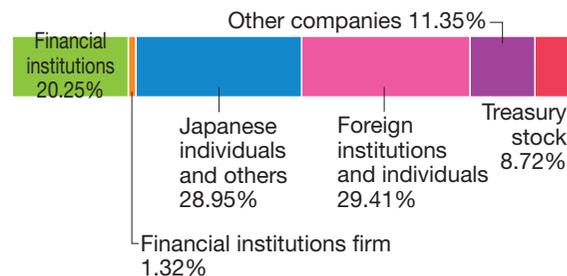
Information on Outstanding Shares (As of September 30, 2013)

Number of shares authorized for issuance	800,000,000 shares
Total number of shares issued and outstanding	266,229,476 shares
Number of Shareholders	82,733 (Odd-lot shareholders: 59,217)

Principal Shareholders

Name of Shareholder	Shares Held	Shareholding Ratio (%)
Hajime Satomi	33,619,338	12.62
SEGA SAMMY HOLDINGS INC.	23,217,515	8.72
Japan Trustee Services Bank, Ltd. (Trustee)	14,857,300	5.58
The Master Trust Bank of Japan, Ltd. (Trustee)	13,130,000	4.93
FSC Co., Ltd.	12,972,840	4.87

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 summer of 2014. We will continue to enhance the contents of our report based on your opinions expressed through the questionnaire.

2014 IR Calendar

Schedule of activities for shareholders and investors

- February ● Announcement of results for the nine months ending December 31, 2013
- May ● Announcement of results for the fiscal year ending March 31, 2014
- June ● Ordinary General Meeting of Shareholders/ Release of the Business Report for the fiscal year ending March 31, 2014



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.