

**Actual Results for the Second Quarter of the Year Ending March 2014**

■ **General Matters**

Q: What factors led to the increase in sales and income compared to the same quarter of the previous fiscal year (second quarter of year ended March 2013)?

A: Sales and income significantly increased mainly due to the sale of a major pachislot title in the Pachislot and Pachinko Machines Business and the favorable digital game field in the Consumer Business.

Q: What factors led the sales, operating income and ordinary income to fall below the initial forecast?

A: The sales, operating income and ordinary income fell below the initial forecast mainly due to the policy-based change in the sales period of several titles to the second half of the fiscal year in the Pachislot and Pachinko Machines Business. For net income for the quarter, the results exceeded the initial forecast as tax expenses fell below the forecast.

Q: What is the cost of corrective measures posted in extraordinary loss?

A: The cost of corrective measures caused by malfunctions occurred in part of digital contents services operated by Sega was posted as extraordinary loss.

Q: What factors led to the increase in R&D expense compared to the same quarter of the previous fiscal year?

A: R&D expense increased compared to the same quarter of the previous fiscal year mainly in the Consumer Business and the Pachislot and Pachinko Machines Business.

Q: What factors led to the significant increase in cap-ex compared to the same quarter of the previous fiscal year?

A: Cap-ex increased compared to the same quarter of the previous fiscal year mainly due to the purchase of land for complex development at Centum City, Busan Metropolitan City, South Korea.

Q: What factors led to the increase in depreciation compared to the same quarter of the previous fiscal year?

A: Depreciation increased compared to the same quarter of the previous fiscal year centered on the Pachislot and Pachinko Machine Business mainly due to the start of operations of a new factory and a new distribution center in September 2012.

Q: What factors led to the increase in advertising expense compared to the same quarter of the previous fiscal year?

A: Advertisement expense increased compared to the same quarter of the previous fiscal year mainly due to the sales of mainstay titles in the Pachislot and Pachinko Machines Business.

#### **■Pachislot and Pachinko Machines Business**

Q: What factors led to the increase in sales and income compared to the same quarter of the previous fiscal year (second quarter of year ended March 2013)?

A: Sales and income increased compared to the same quarter of the previous fiscal year due to the increase in number of unit sales of pachislot machines from sales of such as mainstay title “Pachislot Hokuto No Ken Chapter of Resurrection” which was introduced in the first quarter.

Q: What factors led to the decrease in sales and income compared to the initial forecast?

A: Sales and income decreased due to the change in the sales period of several titles planned for the first half of the fiscal year to the second half of the fiscal year.

Q: What is the reason behind the change in sales schedule for some products in the Pachislot and Pachinko Machines Business?

A: The policy-based review of sales schedules for some products to the second half of the fiscal year was made with the aim to maximize the unit sales amount.

#### **■Amusement Machine Sales Business**

Q: What factors led to the decrease in sales and posting of operating loss compared to the same quarter of the previous fiscal year (second quarter of year ended March 2013)?

A: Sales decreased and operating loss was posted despite the sales of mainstay revenue-sharing title “CODE OF JOKER” in the second quarter, as the sales of mainstay sell-off titles are mainly planned for the second half of the fiscal year. However, the results are generally solid compared to the initial forecast.

#### **■Amusement Center Operations Business**

Q: What factors led to the decrease in income compared to the same quarter of the previous fiscal year (second quarter of year ended March 2013)?

A: Income decreased mainly due to same-store sales of domestic facilities struggling to increase compared to the same quarter of the previous fiscal year.

Q: What factors led to the seemingly downward trend in same-store sales?

A: Same-store sales of domestic amusement centers remain at low level due to the decrease in ability to attract customers.

## ■ Consumer Business

Q: What factors led to the increase in sales and return to profit compared to the same quarter of the previous fiscal year (second quarter of year ended March 2013)?

A: Sales increased and returned to profit mainly due to favorable service of “Phantasy Star Online 2” along with the contributions to income from “CHAIN CHRONICLE” a title for smart devices in the digital game field.

Q: What were the major actual results in the digital games field?

A: Service of the mainstay title of the previous fiscal year “Phantasy Star Online 2” continues to be solid, and surpassed cumulative downloads of 3 million when combined with PC and PS Vita versions. The applications for smartphones “Puyopuyo!! Quest” and “CHAIN CHRONICLE” are also showing solid results surpassing 6 million downloads and 1.5 million downloads respectively.

## ■ Other Business

Q: What is the progress of the resort complex development in Incheon?

A: We are currently preparing for the opening in 2017. In addition, a joint venture PARADISE SEGASAMMY has succeeded the operation of Paradise Casino Incheon, which is a casino adjacent to Incheon International Airport operated by the Paradise Group, from July 1, 2013.

Q: What is the purpose of the succession of Index Corporation?

A: Creation of synergies can be expected from the succession since Index owns a number of prominent IPs mainly in home video game software and shares quite a few common business grounds with SEGA SAMMY Group.

## Forecast for the Full-Year Ending March 2014

## ■ General Matters

Q: What is the reason behind not reviewing the full-year forecast?

A: As the revision to the forecast of first-half consolidated operating results is mainly due to the review in sales schedules for some products within the period, there is currently no revision to the forecast of full-year consolidated operating results for the year ending March 2014.

Q: Are there plans to introduce mainstay titles and such considering a heavy weight on the second half of the fiscal year in the full-year forecast?

A: We expect to introduce several mainstay titles in the Pachislot and Pachinko Machines Business and the Consumer Business in the second half of the fiscal year.

## ■ Pachislot and Pachinko Machines Business

Q: What are the major titles to be sold in the second half of the fiscal year?

A: In the Pachislot Machine Business, we plan to sell several major titles including “Pachislot Bakemonogatari,” “Pachislot Eureka Seven 2” and “Pachislot Juoh.” In the Pachinko Machines Business, we plan to sell mainstay titles such as “Pachinko CR SOUTEN-NO-KEN” and “Pachinko CR Hokuto No Ken 5 Hyakuretsu.”

#### ■Amusement Machine Sales Business

Q: What are the major titles to be sold in the second half of the fiscal year?

A: We are planning to introduce CVT kits for several titles in addition to “Hokuto no Ken BATTLE MEDAL” and “The World of Three Kingdoms.”

#### ■Amusement Center Operations Business

Q: What are the plans of SEGA domestic same-store sales for the full-year?

A: We plan 101.8% compared to the same period of previous year.

Q: Is the full-year forecasts for the SEGA same-store sales achievable?

A: We will aim to reinforce our operations capabilities and aim for earnings improvement amidst the challenging market environment.

#### ■Consumer Business

Q: What is the forecast for the full-year considering that operating results of the first half of the fiscal year significantly exceeded the initial forecast?

A: The first half is progressing well, and we are planning sales of major titles in the packaged game software field in the second half of the fiscal year. We will need to track the trends of these titles as well as trends for mainstay titles such as “Phantasy Star Online 2” and smartphone applications “Puyopuyo!! Quest” and “CHAIN CHRONICLE” in the digital games field.

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