

Meeting Material



December 18, 2015

Forecast of this fiscal year

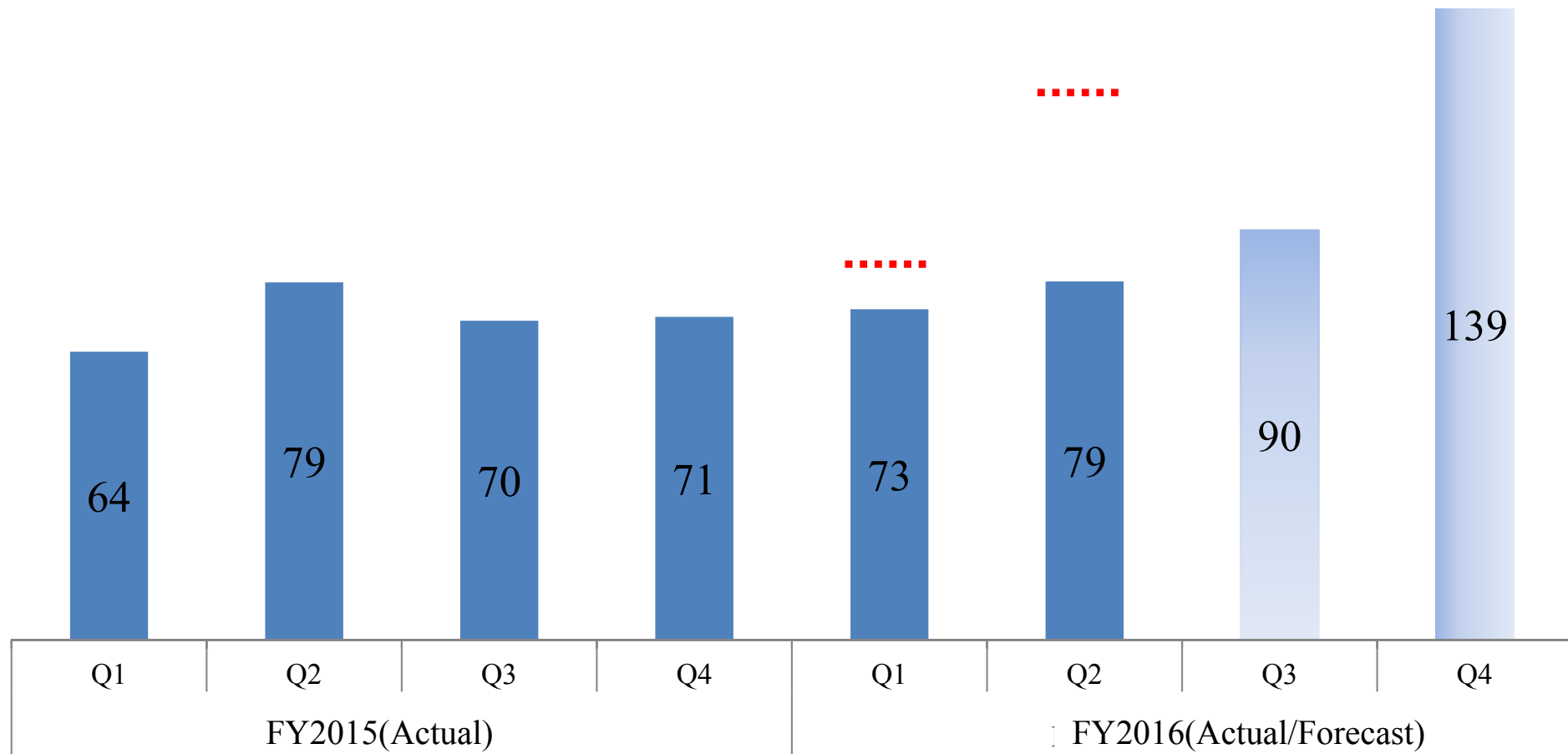
Overall Results/Forecasts: Q-Q Gross Sales (SGN Gross Sales)

In the fiscal year ending March 2016, gross sales are expected to realize 34% growth compared to the previous fiscal year although they are 27% below the initial forecast

FY2016

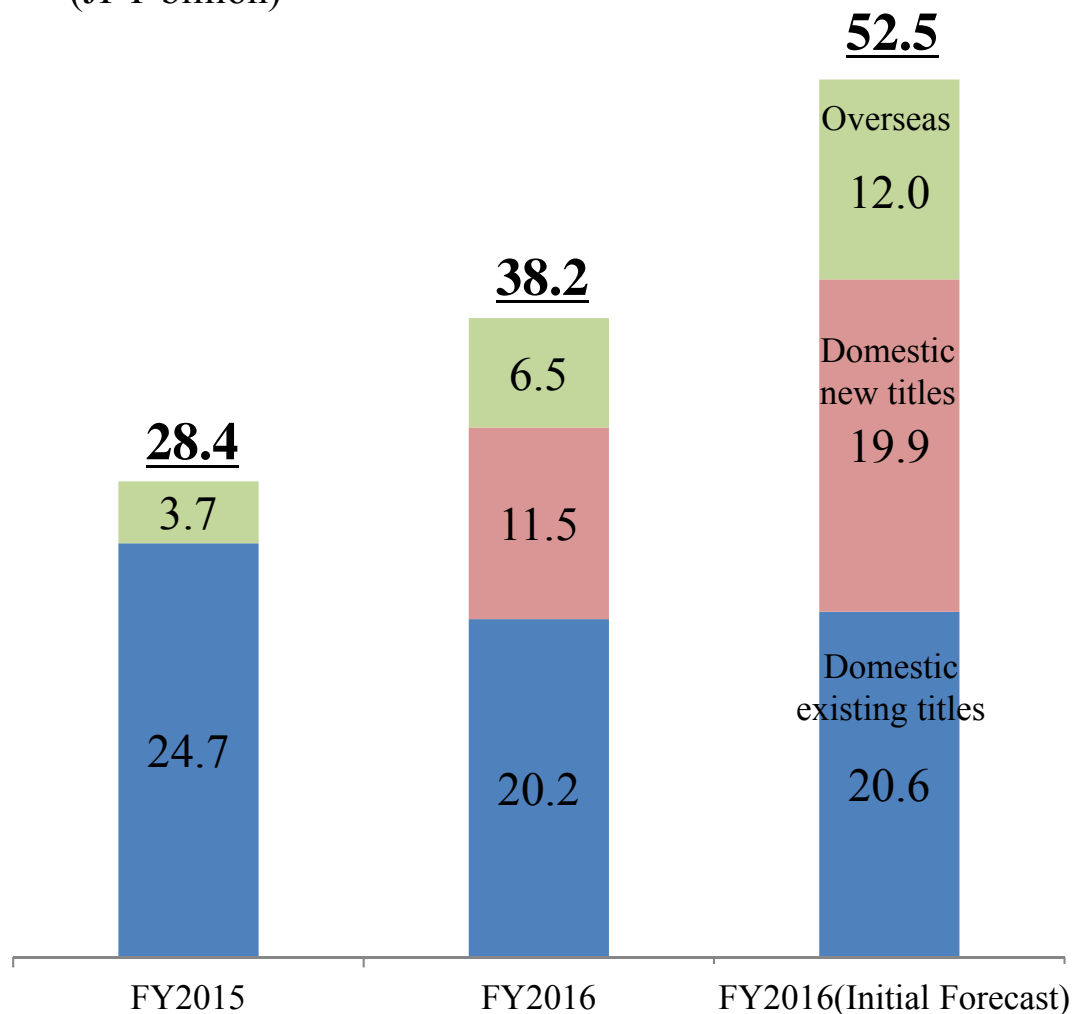
(JPY billion)

YoY Change +34%
Compared to Forecast $\triangle 27\%$



- Overseas and new titles except existing titles struggled
- Although sales grew, was unable to reach the forecast

Sales
(JPY billion)



Domestic

- Gradual decrease of existing titles was mostly as expected.
- Although steady gain was made with new titles and growth was realized, it fell short of the initial forecast.

Overseas

- Asia, Europe and the U.S. saw continuous growth, but were not able to reach the initial forecasts.

Realize sales growth in 4Q through the following measures

Sales
(JPY billion)



Major initiatives

(Asia)

- Release of major IP titles
- Release of several localized titles
- Growth of Hortensia SAGA

(Europe and the U.S.)

- Growth of Sonic Dash Boom and Puzzle&Glory
- Release of localized titles

(New)

- Release of 5 new titles (plan)
 - Liberasion of azure *
 - “With Sanrio” project title
 - Fortisia SEGA × LINE *
 - Puyopuyo!! TOUCH
 - Major IP title

*Not Official English Title

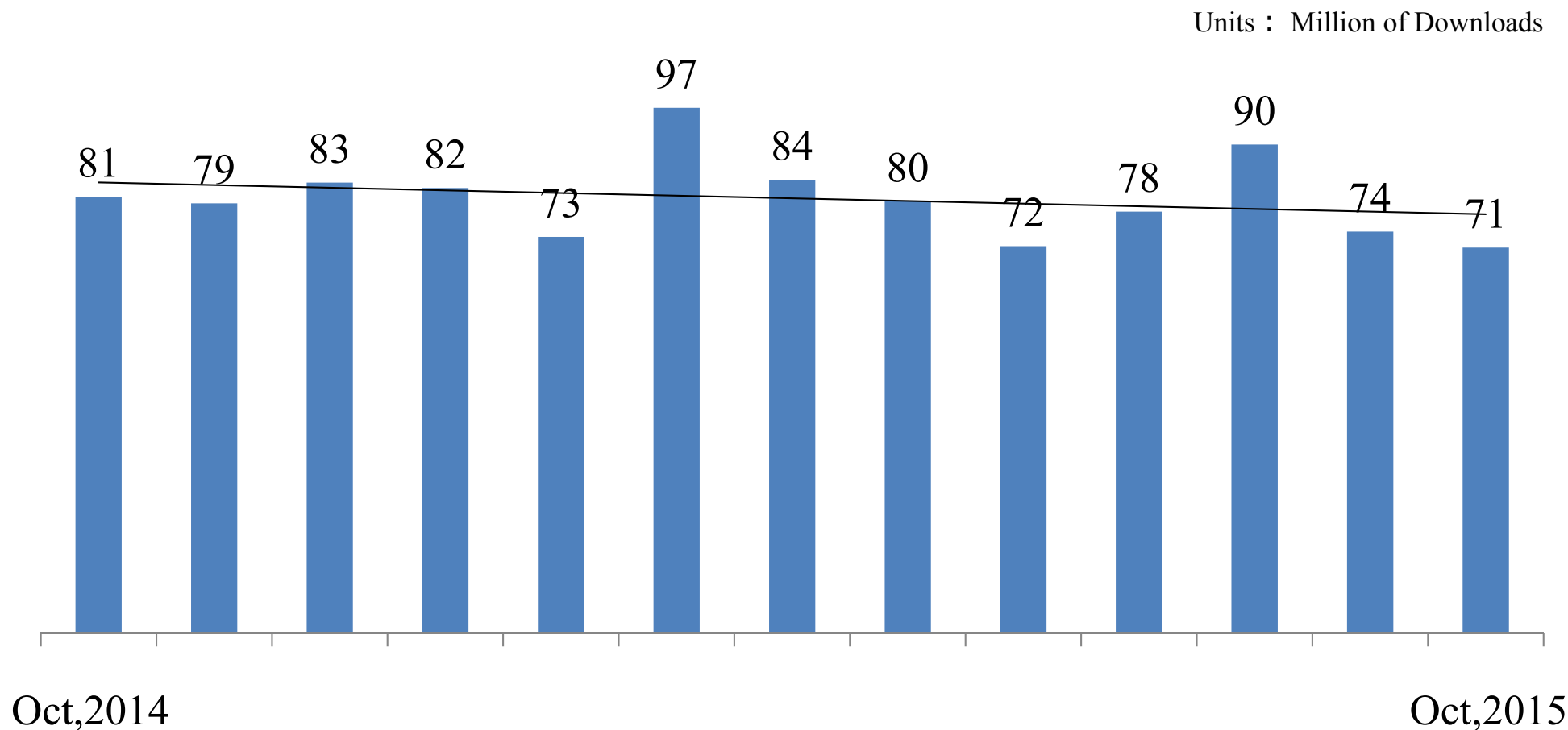
(Existing)

- Implementation of major update for all mainstay titles
 - *See separate pages for details
 - *Including initiatives taken in 3Q

Domestic Market

Domestic Market Environment (1) Number of Downloads

- The number of downloads continues to be on a slight downward trend
- Market-share competition has started as the domestic market matured



Source data : GameStyle Lab

- The sales level of top ranked titles continues to rise
- If we cannot constantly release titles that can make top 50, risk of being eliminated from the market becomes higher

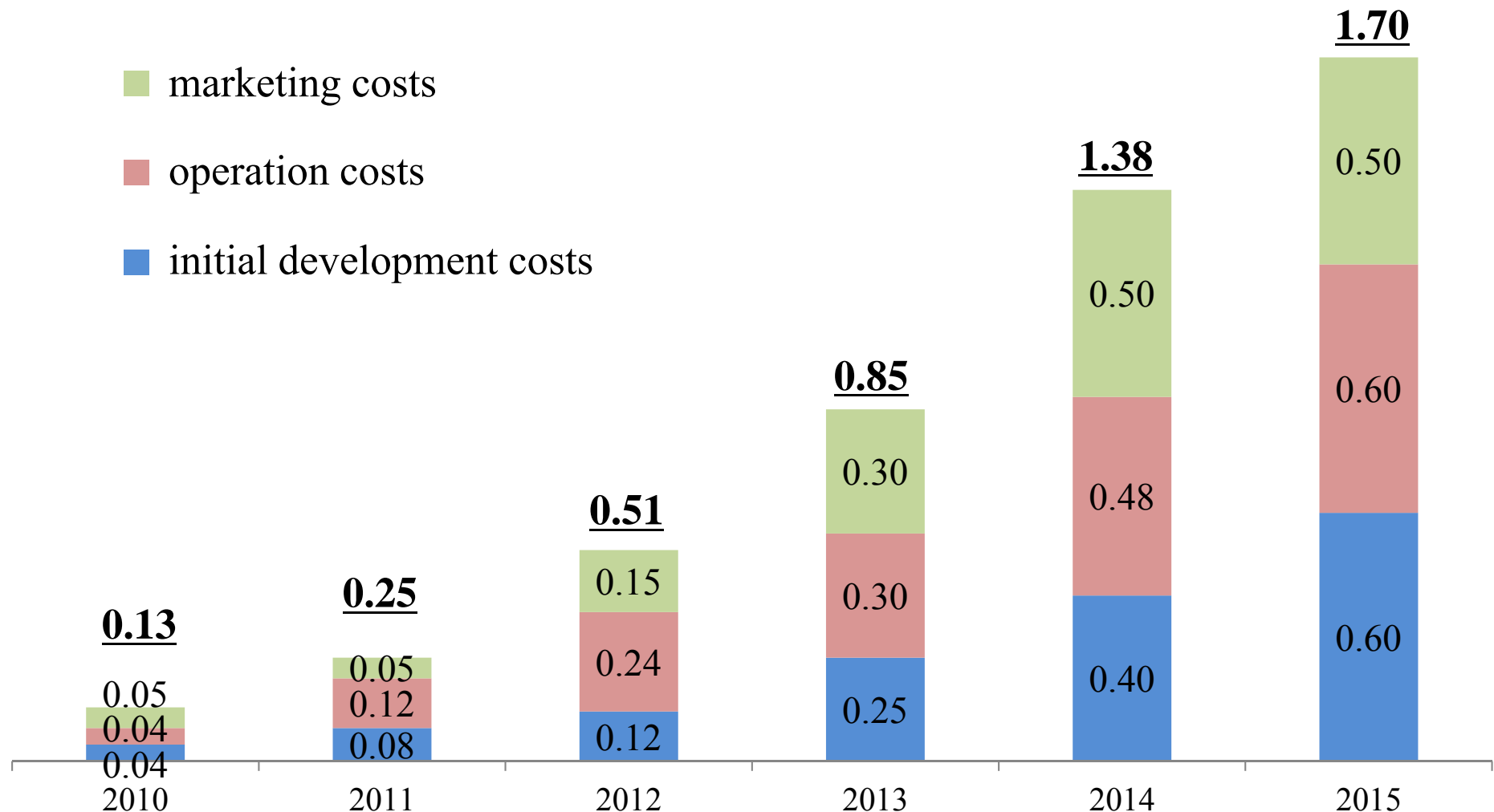
	2012	2013	2014	2015
Sales Ranking 1st -5th	50 million ~ 100 million yen	200 million ~ 1 billion yen	1 billion yen ~	2 billion yen ~
Sales Ranking 6th -10th	30 million ~ 40 million yen	100 million ~ 300 million yen	300 million ~ 500 million yen	600 million ~ 1 billion yen
Sales Ranking 11th -20th	10 million ~ 20 million yen	80 million ~ 100 million yen	100 million ~ 300 million yen	400 million ~ 600 million yen
Sales Ranking 21st -30th	~10 million yen	60 million ~ 80 million yen	80 million ~ 100 million yen	300 million ~ 400 million yen

Source data: **metaps**®

Domestic Market Environment (3) Changes in Domestic Initial Investment

- Over 1.5 billion yen initial investment solely in Japan when initial fiscal year's operation and marketing costs are added
- Increasing risks for aiming for permanent investment recovery only in Japan

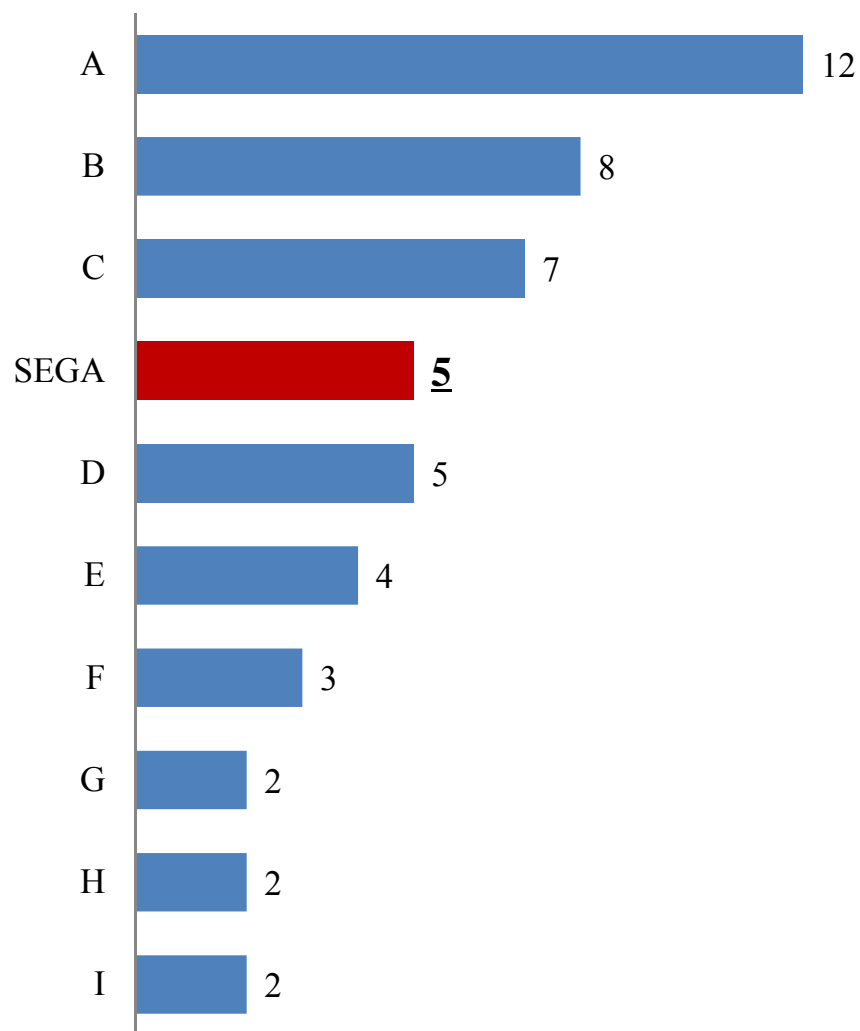
(Units :JPY billion)



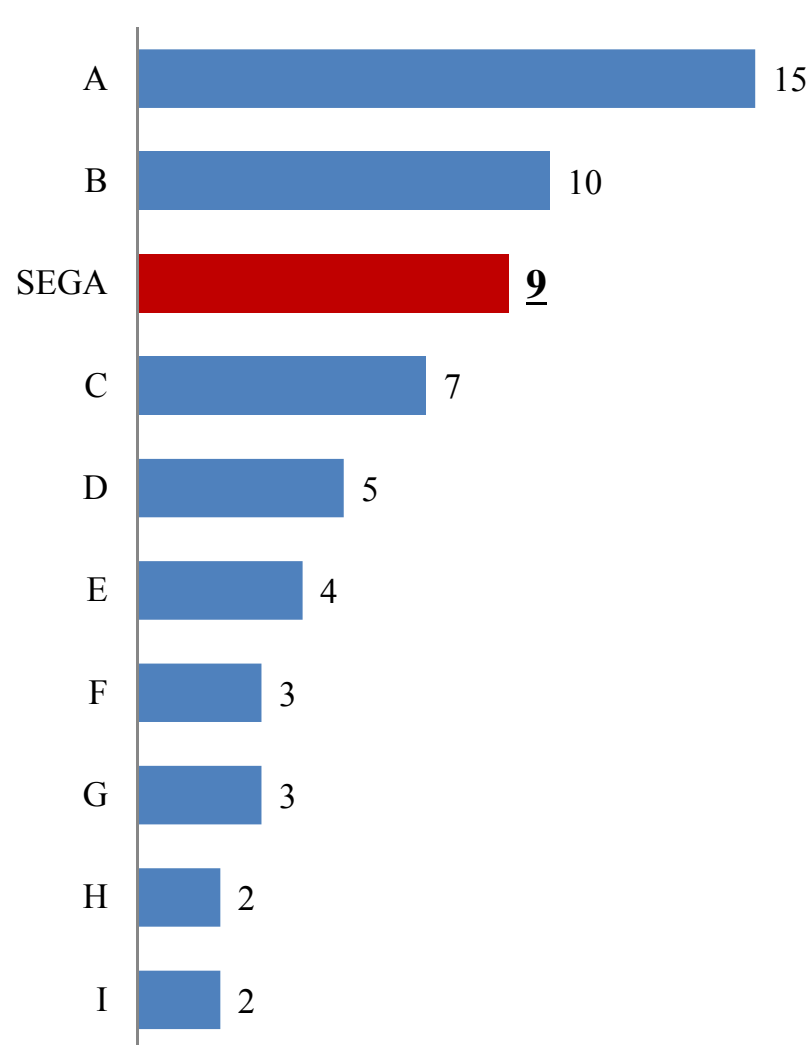
Source: SEGA Networks' assumption

Have been able to release hit titles continuously in the market with intensifying competition

Google play












App store



Source: App Annie

New releases of more hit titles. Maintained solidified portfolio and laid groundwork

		Existing Titles	New Titles
Success	Big hits (Over 500 million yen/month)	  	 
	Hits (Over 100 million yen/month)	  	
	Likely to be hits (Over 50 million yen/month)	 	
Failure	Stalling titles (Over 30 million yen/month)	  	

Implement a number of large-scale updates for mainstay titles in November onward

Improved sales of existing titles in addition to contribution from sales of new titles are forecast in 4Q



CHAIN CHRONICLE – Kizuna no Shintairiku

- Enter Climax Chapters with large-scale update
December: Nendaikinotairiku-hen, February: Shokanoichizoku-hen, April: Final chapter
- Announce the production of Part III



Puyopuyo!! Quest

- Add multi-player function
- Surpass 14 million DL and restart broadcasting TV commercials from December



Hortensia SAGA

- Release of Part II in February has been decided
- Large-scale update with addition of many new features



MONSTER GEAR

- Large-scale update on December 15 as MONSTER GEAR BURST renewing the title
- Holding of “GAME PARTY JAPAN,” a game competition with cash prize (hosted by: e-sports distribution organization) has been decided



Sen-no-kaizoku

- Add a new feature of a mighty naval battle
- Furthermore, large-scale updates including the addition of features to Guild and the release of new chapters are scheduled.

From next fiscal year onwards, further solidify titles with IP and collaborative titles while aiming for super hits in the higher rank

□ “With Sanrio” project title



- Take advantage of Sanrio characters which are powerful IP
- Although games will be the core, promotional activities beyond games, such as Noah Pass, Sanrio shops, official websites and SNS, are planned capitalizing on strength of each.

□ Fortisia SEGA×LINE *Not Official English Title



- Launched on December 8, 2015
- The first collaborative title with LINE Corporation
- Aim for revitalization of the for-smart-device game market after the success in collaborative work with LINE

□ PUYOPUYO!! TOUCH



- Launched on November 26, 2015
- New app of the “Puyopuyo” series boasting an excellent track record
- Aim to acquire new users on top of “Puyopuyo” users by providing “new gaming experience”

□ Liberasion of azure *Not Official English Title



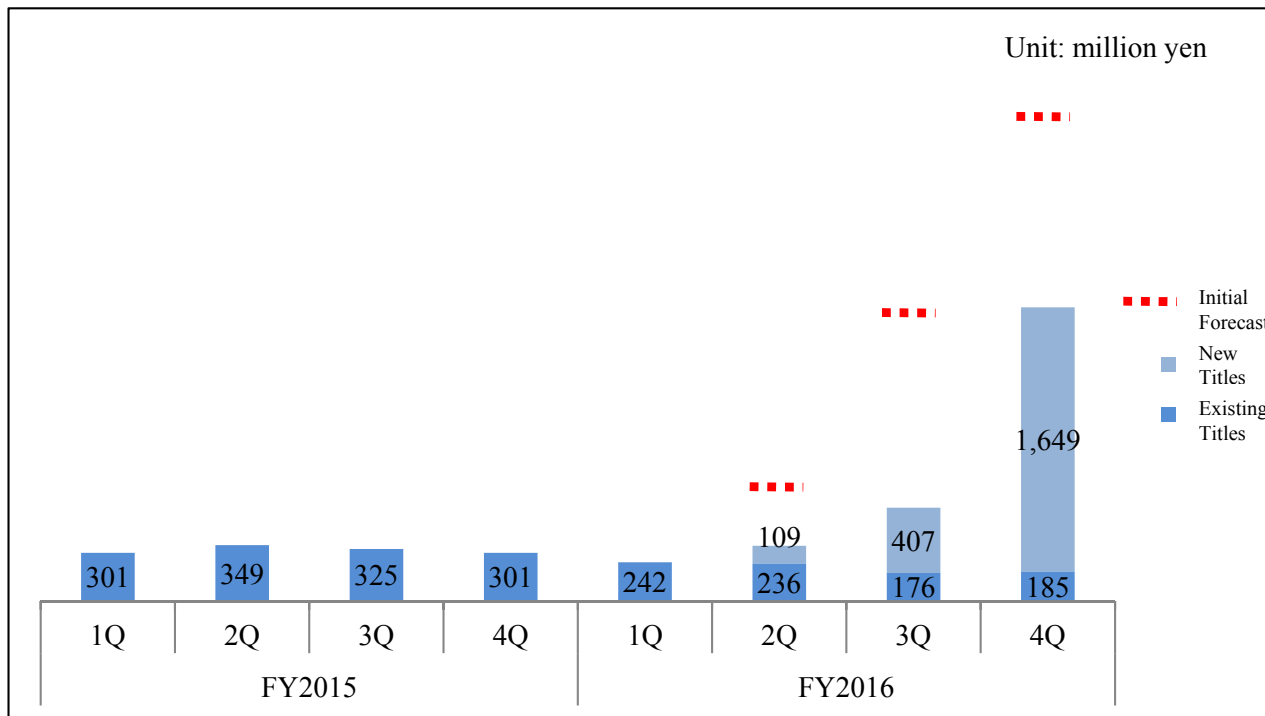
- Scheduled to be launched this winter
- Title jointly developed with PLAY HEART, with which SEGA Networks signed a capital and business partnership agreement

©'79,'96,'05,'13,'15 SANRIO APPR.NO.S564170 ©SEGA

Overseas Market

Although the forecast was not reached due to delays in releasing of titles, the released titles showed assuring results

Accelerate towards the next fiscal year



▪ Status of Release of Titles

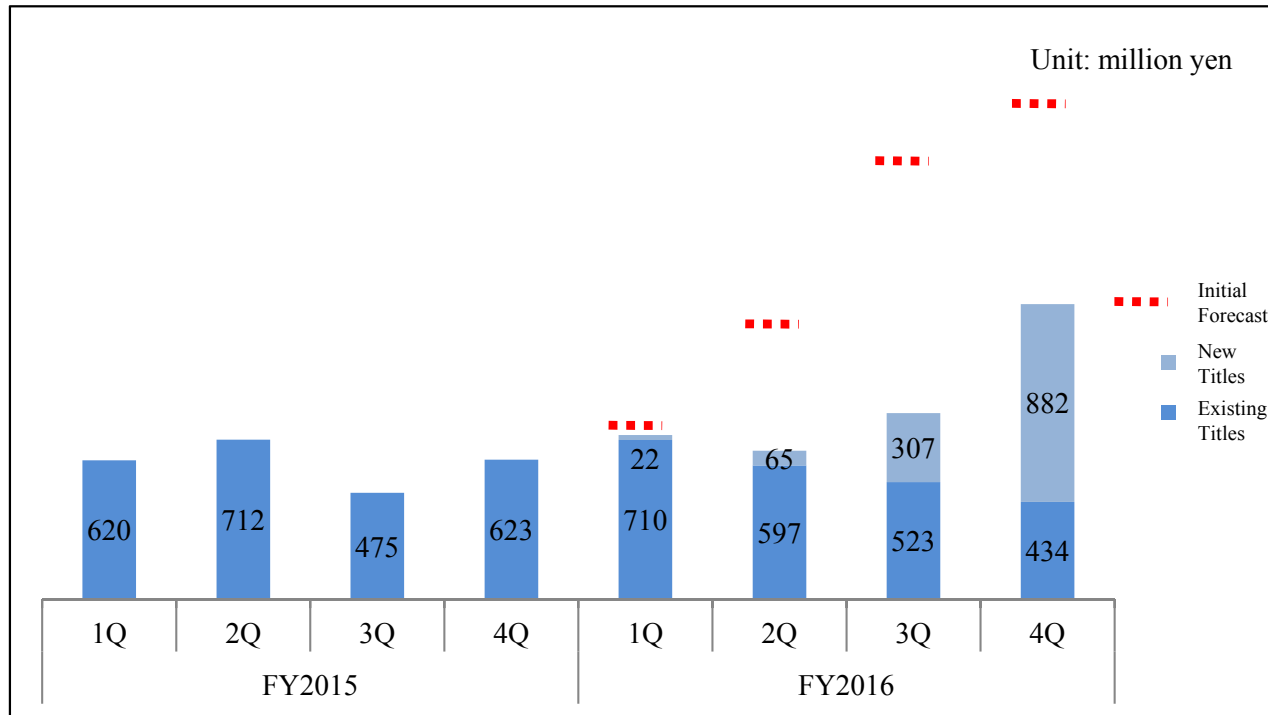
	Initial Forecast	Results (outlook)
New	1 title	1 title
Existing	7 titles	7 titles
Localized	10 titles	4 titles

- Delay in releasing of new/localized titles
- However, released titles such as Hortensia SAGA for regions using traditional Chinese performed strong

Further accelerate release of titles in the market with newly-partnered goGame

- Localization of Japanese titles
- Titles published by goGame
- Plan of releasing major IP titles in 4Q

- Although 4 new titles were released, half of them were a big failure
- Start restructuring the system for next fiscal year as localization has also been delayed



▪ Status of Release of Titles

	Initial Forecast	Results (outlook)
New	7 titles	4 titles
Existing	7 titles	7 titles
Localized	Released as needed	None

- Some existing titles have been ceased
- New titles also remain under difficult situation (Development/release of some titles were discontinued)



Implement restructuring of the strategy, system, etc. in the current fiscal year



□ Sonic Dash 2: Sonic Boom

- Released in October
- Surpassing 6 million downloads, expected to grow further from 4Q onward
- TV broadcasting of the animation has already started centering on the U.S.



□ Puzzle & Glory

- New title from Demiurge Studios
- Released in September 2015
- Currently further improving KPI
- Expected to grow in 4Q with full-fledged marketing



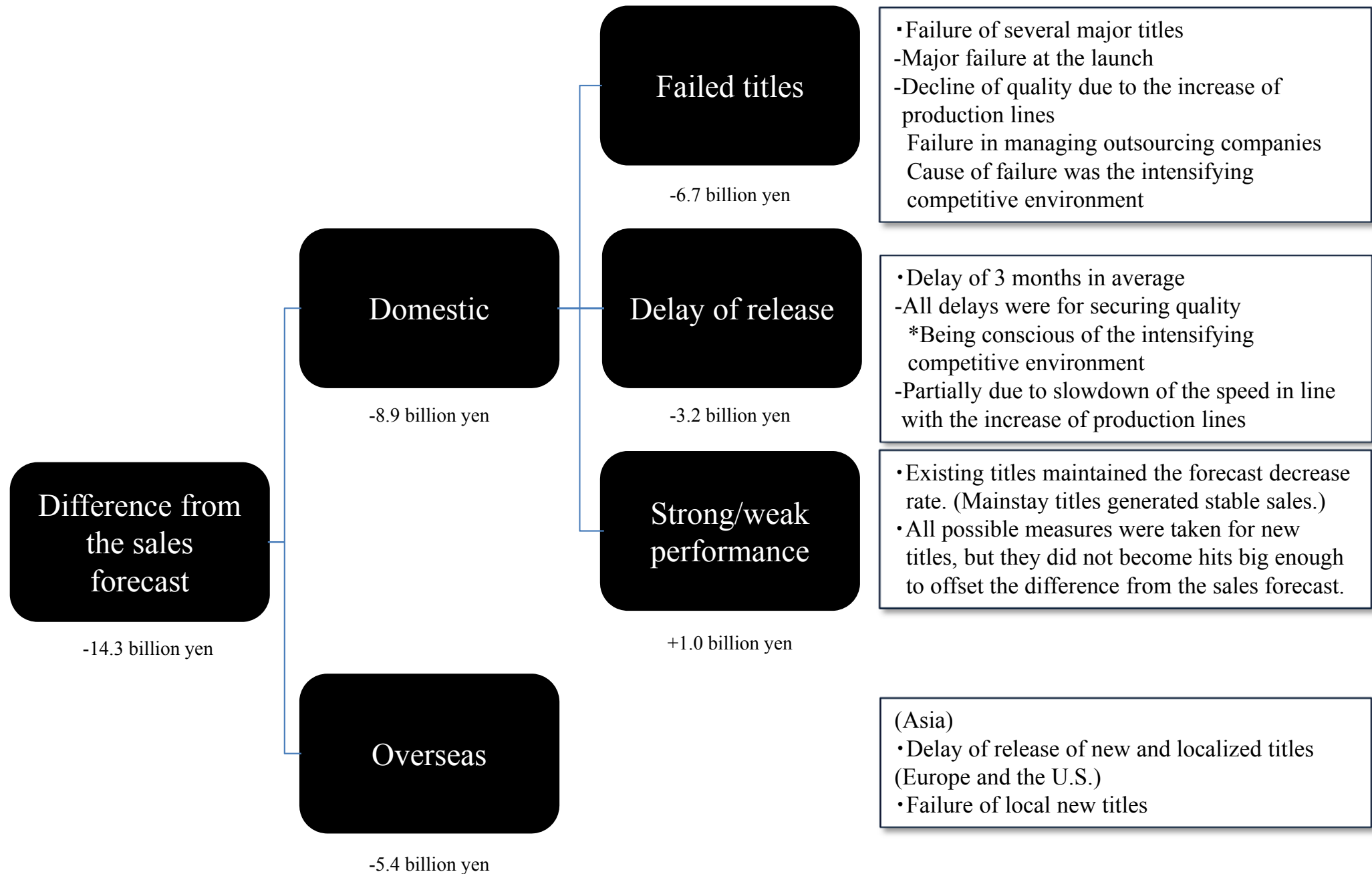
□ Hortensia SAGA

- Operation and marketing by Auer Media & Entertainment Corporation
- Released in September 2015
- Strong performance having been chosen as one of the best games in regions using traditional Chinese, etc.

□ Others

- Release of major IP titles (Asia)
- Release of several localized titles

Summary of Game Business



Shift to management focusing on the following, in order to aim for further growth by adapting to environmental changes such as the intensification of competitive environment (maturing of the domestic market/acceleration of growth in the overseas market) and size of titles becoming larger

- **Narrow down pipelines**

- Concentrate resources on the mainstay titles for the current fiscal year and improve management quality. *Also realize acceleration of overseas development
- Shift resources to major new titles

*Conduct reorganization of resources mainly for using in the secondary market

- **Reorganize and accelerate overseas business**

- Shift to an overseas development structure centering on goGame
- Expand the development area (development of goPlay)
- Improve speed/quality of development
- Restructure businesses in Europe and the U.S.

- **Expand earnings from non-game business**

- Develop PF business overseas
- Increase earnings from advertising business and develop globally
- As a new business pillar, aim to stably contribute profits of billions of yen

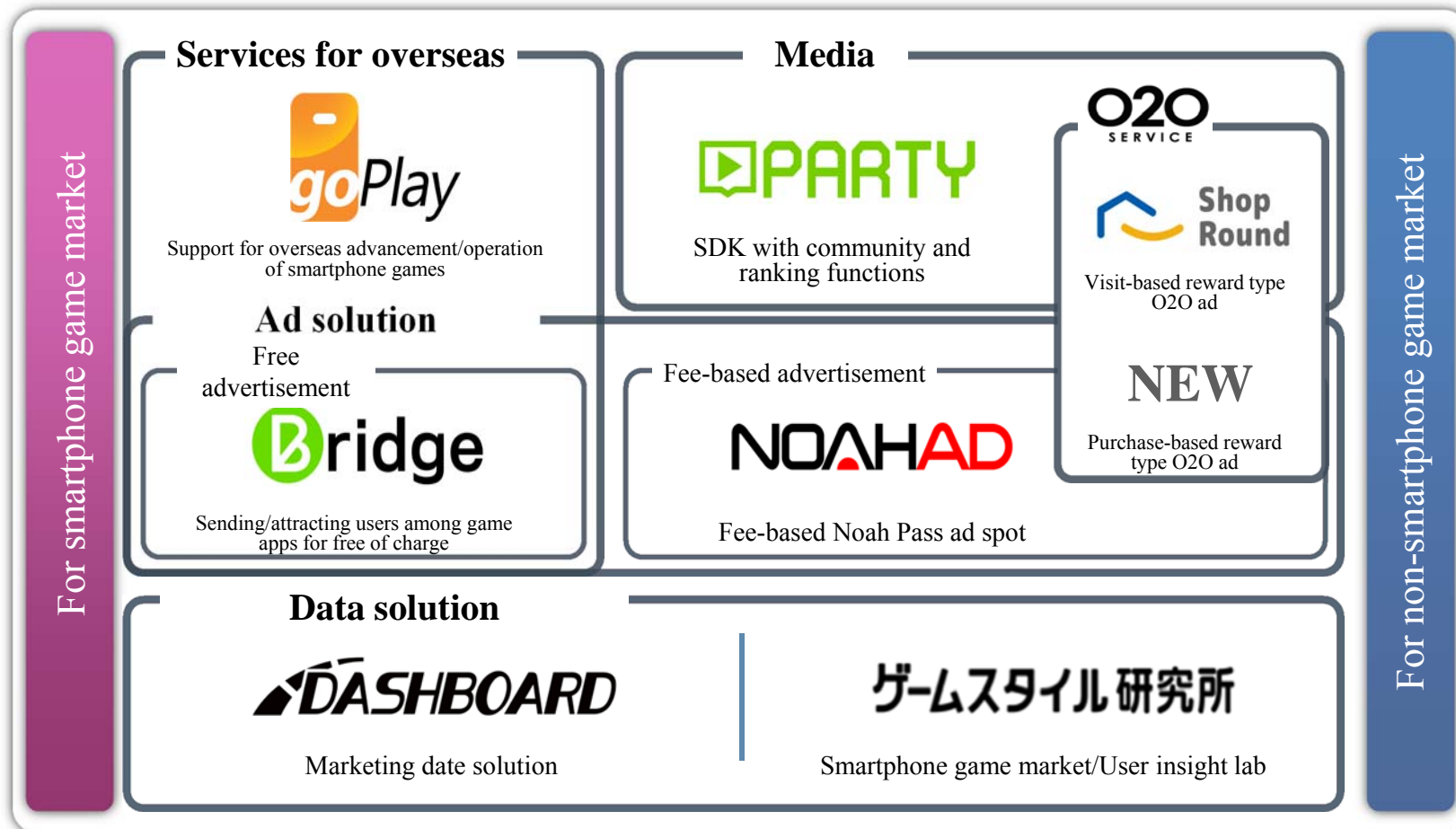
Development of New Market/Promotion of Non-Game Business

- **Advertising business**

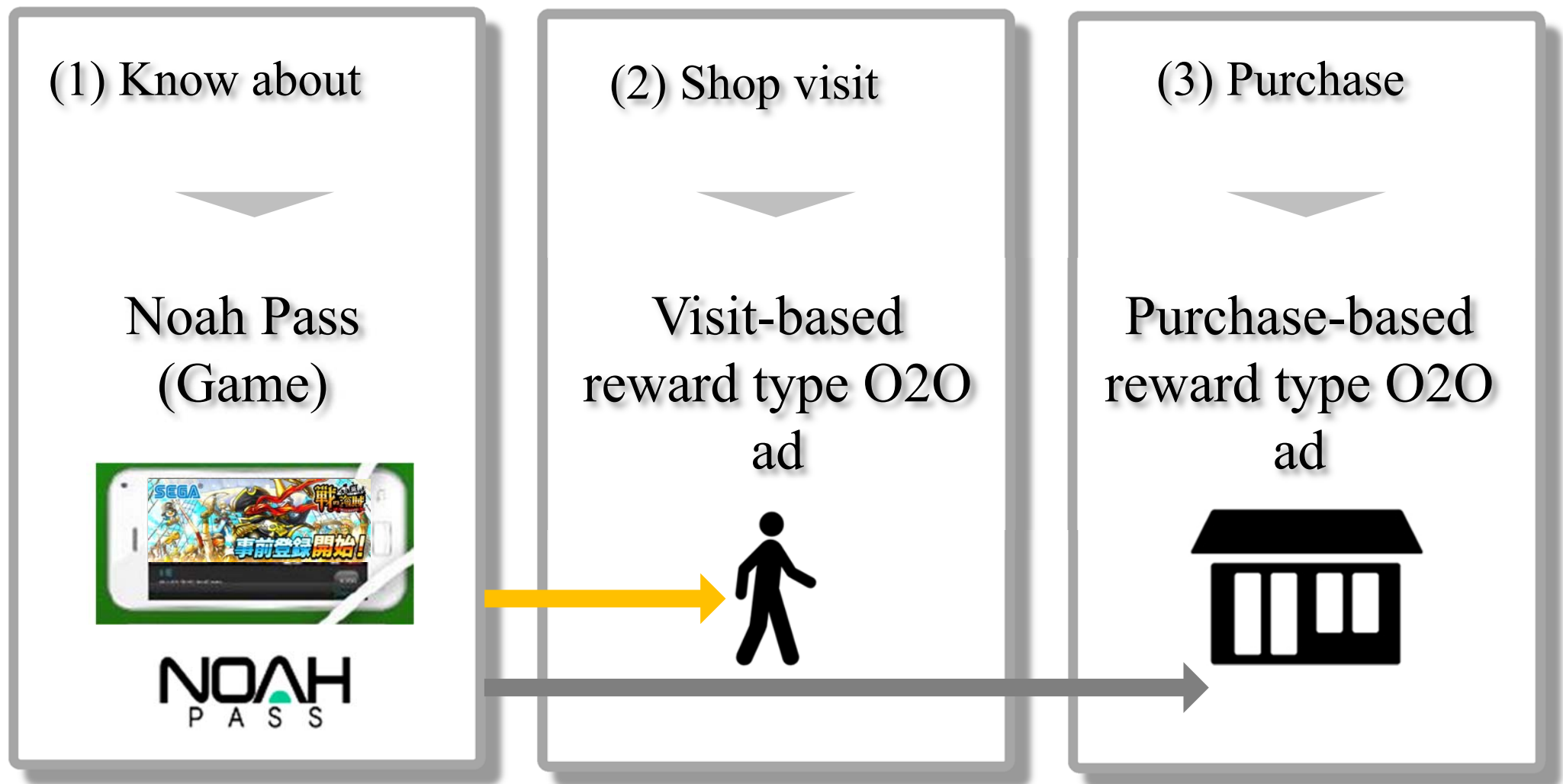
- As preparation for expansion completed, will start earnings contribution from 4Q
- More releases of new products and monetization of data solution business will become concrete from next fiscal year

- **PF business for overseas**

- Acquisition of settlement earnings through development of goPlay and acquisition of dominant titles from outside company
- Proactive overseas development of successful services conducted by Noah Pass in Japan

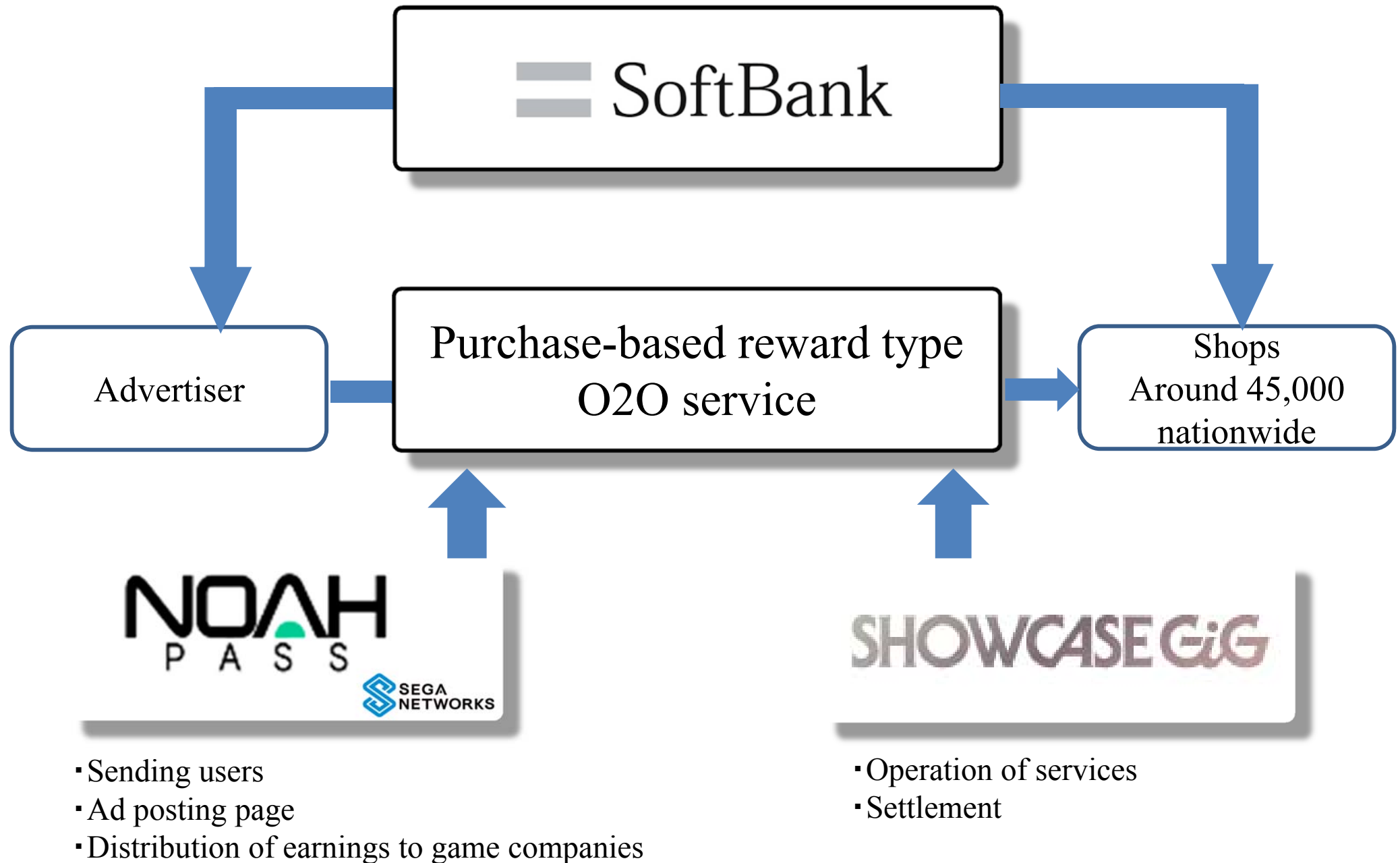


O2O centering on smartphones





Building of reward type O2O service in the first fiscal year





**Official
Partners**

SDK allowing easy implementation of various functions

- GoPay •NoahPass •Customer support
- SNS, community, Wiki •Analysis etc.

Preventing loss of sales opportunities

- Corresponding to settlement methods of tens of companies

Cross promotion and monetization of ads

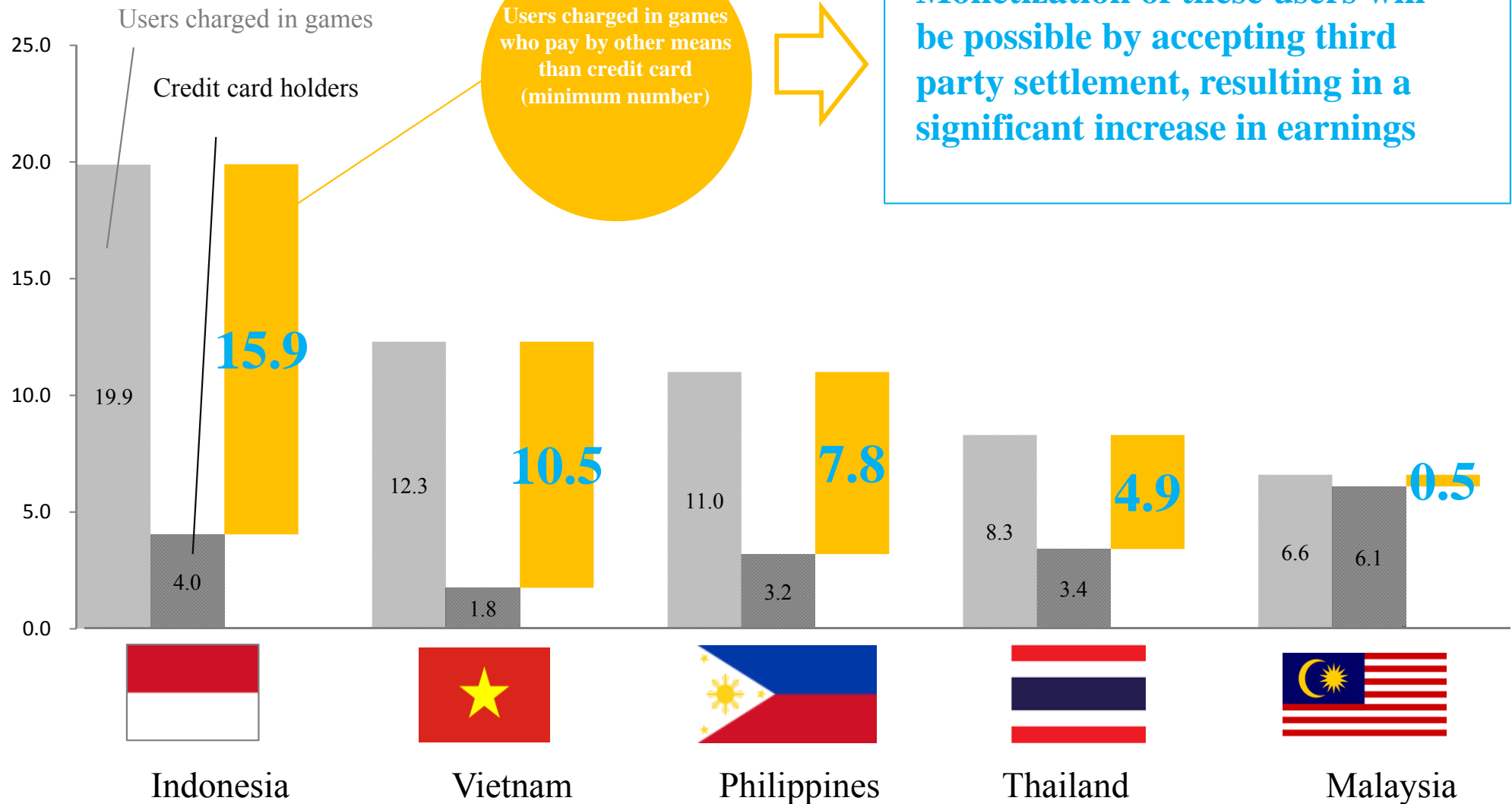
- Introducing Noah points from Japan to overseas
- All titles establishing a customer base in relevant countries

Providing solutions

- Marketing •Customer care •Localization
- Providing plans that cannot be realized by one company alone

The rate of credit card use is low particularly in Southeast Asia for a size of users charged, and other methods of settlement are dominant

(Unit) 1 million users



Recruitment of local managers



David Ng founded Go Game Pte. Ltd. in 2015 after serving as Senior Director of Asia Online section of Electronics Arts, CEO of Gumi Pte. Ltd., etc. He is the founder and the CEO.



David Ng
CEO & Founder
Go Game Pte. Ltd.

Profile of David Ng		
2010 – current	Consultant/Director Asia	Right Scale
2012 - 2015	SVP /CEO	Gumi Inc / Gumi Pte Ltd
2011 - 2012	Executive Director	Tropicana City Management
2010 - 2012	Group Managing Director	Tai Thong Resources Berhad
2010 - 2012	Group Managing Director	Palmgold Corporation Sdn Bhd
2008 - 2011	Investor/Consultant	Garena
2008 - 2010	GM Senior Director Asia Online	Electronic Arts
2007 - 2008	Deputy CEO	Infocomm Asia Holdings Pte Ltd
2003 - 2006	Group General Manager	PT Sari Enesis Indah
1998 - 2003	Regional Director Asia	Linksys



	Silver	Gold	Platinum 50	Platinum +
	Free *Up to accumulated total of \$100,000 *Net 10% for over \$100,000	Net20%	Sales/costs fifty-fifty model (Net 50%) *2	Net 70% (GoGame bears localization, operation and marketing costs) *2
Publishing				
Contents analysis	Simplified	in-Depth	in-Depth	in-Depth
Store application	○	○	○	○
Language localization	Optional	Optional	○	○
Culturization	×	×	○	○
Settlement				
GoPay (third party settlement) *1	○	○	○	○
QA				
β test	×	Optional	○	○
KPI test	×	○	○	○
Multilingual QA	×	○	○	○
Marketing				
Drawing up strategies	△*Prioritizing Gold	Optional	○	○
Digital UA	△*Prioritizing Gold	Optional	○	○
Offline UA	△*Prioritizing Gold	Optional	○	○
Monetizing option	×	○	○	○
Customer care				
CS	\$1/ticket	\$0.8/ticket	\$0.8/ticket	○
VIP chat support	CS agent \$10/person	CS agent \$10/person	CS agent \$10/person	○
Community, forum, installment/operation of Wiki	×	○	○	○
Operation				
Analysis tool	Free for 60 days	○	○	○
24/7 game operation + server hosting	×	Optional	○	○
Stability evaluation by device	×	○	○	○

*1 3% settlement fee will be charged upon using the service.

*2 The number of titles that can be accepted is limited.