

SEGA SAMMY in 2015



Average MAU of the digital game area (Domestic)

Average for the October to December period in 2015

6.15 million

Average for the January to March period in 2016

→ 7.66 million

MAU (Monthly Active Users) is utilized as an index that shows the number of users who were active at least once a month, and effectively represents the actual state of use among users. From January to March 2016, the three-month average of MAU once again exceeded 7 million users, reflecting a major update of mainstay titles and the introduction of new titles in games for smartphones, among other factors. Cumulative downloads also exceeded 350 million, showing that our presence in both domestic and overseas markets is steadily increasing.

Operating income margin

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ending March 31, 2017 (Forecast)
4.7%	→ 5.1%	→ 5.3%

In the Pachislot and Pachinko Machines Business, in addition to sales of highly profitable mainstay titles, the effect of cost improvement measures such as reusing components and reducing operating expenses has become apparent. The Entertainment Contents Business also achieved an increase in earnings, and the Resort Business saw a decrease in the amount of loss compared to the previous fiscal year. The cost structure reform being undertaken collectively by the Group is steadily progressing, and the results of improvements in profitability are beginning to appear.

Net sales

¥347.9 billion
(down 5.1% year on year)

Operating income

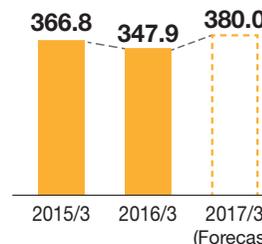
¥17.6 billion
(up 0.7% year on year)

Results for the fiscal year ended March 31, 2016 were down year on year, primarily due to weak sales for pachislot machines other than for mainstay titles owing to the impact of regulatory changes during the fiscal year, and sluggishness in the digital game area where some titles were less well-received than expected due to maturation of the domestic market and other changes in the market environment.

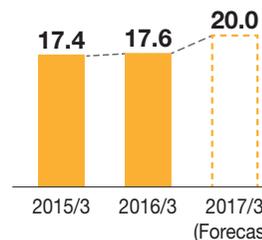
However, even though sales decreased compared to the previous fiscal year's results, earnings increased in terms of operating income and profit attributable to owners of parent as a result of measures to improve profitability implemented in the Pachislot and Pachinko Machines Business, in addition to significant improvement in profitability mainly in the Entertainment Contents Business through the effects of cost reduction measures carried out in the fiscal year ended March 31, 2015.

* In accordance with the application of the revised "Accounting Standards for Business Combinations," "net income" was renamed to "profit attributable to owners of parent."

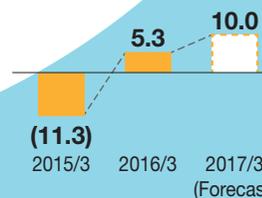
Net Sales (billions of yen)



Operating Income (billions of yen)



Profit Attributable to Owners of Parent (billions of yen)



Business Segments of SEGA SAMMY

The Group's affiliated companies were restructured into three business groups from April 2015. The Company will enhance management efficiency while promoting faster decision-making, improving efficiency in areas with overlapping functions, creating a structure to enable appropriate investment of management resources and responding to changes in the business environment.

Main pillar of the Group's revenue

Pachislot and Pachinko Machines Business

Net Sales
¥132.7 billion (down 13% year on year)

Operating Income
¥21.5 billion (down 16% year on year)

- Description of business
 Development, manufacture and sales of pachislot and pachinko machines



Pachinko CR Shin Hokuto Muso
 ©Buronson & Tetsuo Hara/NSP 1983
 Approved No. KOJ-111
 ©2010-2013 KOEI TECMO GAMES CO., LTD.
 ©Sammy

Pachislot Hokuto No Ken Tamo
 ©Buronson & Tetsuo Hara/NSP 1983,
 ©NSP 2007 Approved No. YFC-128
 ©Sammy

Short- to medium-term growth area

Entertainment Contents Business

Net Sales **¥198.8 billion** (-)

Operating Income **¥3.6 billion** (-)

- Description of business
 Development and sales of digital game software serving as the main axis of segments, development and sales of packaged game software and amusement machines, development and operation of amusement centers, planning, production and sales of animated films, development, manufacture and sales of toys



Phantasy Star Online 2
 ©SEGA

Detective Conan Sunflowers of Inferno
 ©2015 GOSHO AOYAMA / DETECTIVE CONAN COMMITTEE All Rights Reserved

Jewel watch
 ©'08, '15 SANRIO / SEGA TOYS S-S / TX-JLPC

UFO CATCHER9
 ©SEGA

KidsBee Kohaku Minamo
 ©SEGA ENTERTAINMENT Co. Ltd.

Medium- to long-term growth area

Resort Business

Net Sales
¥16.3 billion (up 9% year on year)

Operating Loss
¥1.8 billion (-)

- Description of business
 Development and operation of hotels and theme parks and the integrated resorts business



TOKYO JOYPOLIS
 ©SEGA

Phoenix Seagaia Resort
 ©PHOENIX RESORT CO.,LTD.

Conceptual image of PARADISE CITY in Incheon, South Korea when it is complete
 ©WATG

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 Holdings Co., Ltd.

Hajime Satomi

Dear Shareholders,

During the fiscal year ended March 31, 2016, the gradual recovery of the overall Japanese economy continued despite a lackluster performance in certain respects, as evidenced by such developments as improvement of both corporate earnings and the labor market due to the effects monetary and fiscal policies. With regard to individual consumption, in general, consumption levels have not fallen owing to steady improvements in both the employment environment and personal incomes. However, attention should be paid to the risk of downward pressure on the Japanese economy, caused by factors such as a downswing in China's economy and other overseas economies, and fluctuations in financial and capital markets. Thus, a full recovery of the economy will require more time.

In this climate, the 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's basic policy is to invest in growth, while continuing to pay stable dividends to its shareholders.

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 all business fields and becoming the No. 1 comprehensive global entertainment company." We look forward to your continued support in our endeavors.

June 2016



Please look back and evaluate the fiscal year ended March 31, 2016.

A We felt the effects of the measures to improve profitability despite a challenging business environment.

Results for the fiscal year ended March 31, 2016 were down year on year, primarily due to weak sales for pachislot machines other than for mainstay titles owing to the impact of regulatory changes during the fiscal year, and sluggishness in the digital game area where some titles were not as well-received than expected due to changes in the market environment.

However, even though sales decreased compared to the previous fiscal year's results,

earnings increased for operating income and profit attributable to owners of parent as a result of measures to improve profitability implemented in the Pachislot and Pachinko Machines Business, in addition to improvement in profitability mainly in the Entertainment Contents Business overall due to the effects of cost structure reforms including withdrawal and reduction of unprofitable businesses and reductions in personnel carried out in the fiscal year ended March 31, 2015.



Please tell us about the outlook for the fiscal year ending March 31, 2017.

A We forecast increased earnings while moving ahead with improvement in profitability in the digital game area.

Increases in sales and earnings are expected in the full-year forecast for the fiscal year ending March 31, 2017. In the Pachislot and Pachinko Machines Business, we forecast an increase in sales mainly for pachislot machines, for which an increase in unit sales is forecasted with the

introduction of multiple titles including mainstay titles. In the Entertainment Contents Business, earnings are forecasted to increase as improvement in profitability is expected in the digital game area resulting from continued concentration on existing mainstay titles in Japan.

Results Forecasts

Unit: billions of yen	Year ended March 31, 2016 Results	Year ending March 31, 2017 Forecast	Change (%)
Net sales	347.9	380.0	+9
Operating income	17.6	20.0	+14
Ordinary income	16.4	20.0	+22
Profit attributable to owners of parent	5.3	10.0	+89

Q Please tell us about the future efforts of the structure reform.

A We will seek to return to a growth track through the pursuit of structural reform.

For the two terms beginning in the fiscal year ended March 31, 2015, we have been working in phases on cost structure reform aimed at improving profitability and business structural reform for the purpose of revising the business portfolio itself. With regard to the business structural reform in particular, which is conducted for the first time since the establishment of the

Group, businesses are to be divided into categories of “growth,” “stable and maintained earnings,” and “reduction/exit.” We will swiftly implement measures according to the assigned business category, with the aim of returning to a growth track by maximizing earnings power across the entire business portfolio.

Q Please tell us about policy for return to shareholders.

A We will maintain a stable dividend.

Our basic policy is to work on improving profitability and invest in growth, while making a stable distribution of profits to shareholders. 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, 2017, 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 dividend of ¥40 per share.

Q Please give a final word to our shareholders.

With the aim of “emphasizing profit ratio” and “improving capital efficiency,” the Group has set operating income margin and return on assets (ROA) as priority managerial indexes going forward. We will do our utmost to achieve the targets set for each business segment by the fiscal year ending March 31, 2020.

We ask for the continued support of our shareholders in the Company.

Management policies and targets to be emphasized (Fiscal year ending March 31, 2020)

Emphasize profit ratio	Operating income margin: 15%
Improve capital efficiency	Return on assets (ROA): 5%

*ROA(%) = Net income attributable to owners of parent / total assets

Targets for each business segment (Fiscal year ending March 31, 2020)

Pachislot and Pachinko Machines Business	Operating income margin: 30% ⇒See Feature Article on page 7 for details
Entertainment Contents Business	Operating income: ¥20.0 billion
Resort Business	Entry into IR business

Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on May 13, 2016, to pay a dividend for the FY2016.

- **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 27, 2016



We would like to express our deep grief for all those who perished in the 2016 Kumamoto Earthquakes, and extend our heartfelt sympathies to the victims of the disaster, their families and everyone concerned.

The SEGA SAMMY Group as a whole will donate a total of ¥35 million in support funds to the non-profit organization Asia Pacific Alliance Japan to be used for relief of victims of the earthquake and restoration and reconstruction of the disaster-stricken area. In addition, donations are being collected through the game services operated by SEGA SAMMY Group companies, namely SEGA Games Co., Ltd., SEGA Interactive Co., Ltd., and Sammy Networks Co., Ltd. while food and other supplies are being provided by PHOENIX RESORT CO., LTD. We will review our support activities regularly in response to requests from the affected areas.

We pray for a swift recovery for all those in the area affected by the disaster.



Pachislot and Pachinko Machine Business



Net Sales

¥132.7 billion

(down 13% year on year)

Operating Income

¥21.5 billion

(down 16% year on year)



Pachislot Hokuto No Ken Tomo

©Buronson & Tetsuo Hara/NSP 1983, ©NSP 2007 Approved No. YFC-128 ©Sammy

Pachinko CR Shin Hokuto Muso
©Buronson & Tetsuo Hara/NSP 1983, Approved No. KQJ-111 ©2010-2013 KOEI TECMO GAMES CO., LTD. ©Sammy

Initiatives and results for the fiscal year ended March 31, 2016

Market Condition

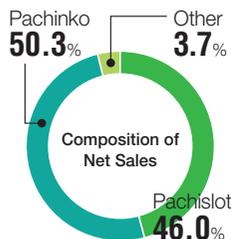
▶ Amid weak replacement demand for new machines in the pachislot machine market overall following the change in the application of the model test procedure of pachislot machines, titles with outstanding performance are arising mainly in some series with successful track records, even for pachislot machines corresponding to the change in the application. Replacement demand for new machines was weak in the pachinko machine market as well, with the exception of some major titles.

Results

● Unit sales of both pachislot and pachinko machines decreased year on year, resulting in the decrease in both sales and earnings.

Primary Topics

- ▶ Pachislot machines saw strong sales for series with successful track records such as *Pachislot Hokuto no Ken Tomo* and *Pachislot Onimusha3 Jikuu Tenshou* and the new title *Pachislot Nisemonogatari*, but sales of other titles were weak, and unit sales declined year on year to 142 thousand units.
- ▶ While pachinko machines recorded firm sales mainly for major titles such as *Pachinko CR Shin Hokuto Muso* and *Pachinko CR Shin-Juuh 2*, the temporary impact of structural reforms and a reactionary decline from the *Pachinko CR Hokuto No Ken 6* series sold in previous year led to a decrease in unit sales to 199 thousand units.



Key Points for the Fiscal Year Ending March 31, 2017

Forecast Net Sales ¥157.0 billion Operating Income ¥19.0 billion

- Unit sales of pachislot machines are expected to increase, although a temporary drop in operating income margin is expected as the fiscal year ending March 31, 2017 corresponds to the penetration period of new frames and new materials.
- ▶ Unit sales of pachislot machines are expected to reach 230 thousand units (an increase of 88 thousand units from the previous fiscal year), due to the introduction of multiple titles including mainstay titles such as *Pachislot CODE GEASS Lelouch of the Rebellion R2*. Unit sales of pachinko machines are forecasted to be 182 thousand units (a decrease of 17 thousand from the previous fiscal year), reflecting temporary market instability expected in response to the impact of the new voluntary agreement on measures to prevent players from becoming too immersed in playing.

Resort Business



Net Sales

¥16.3 billion

(up 9% year on year)

Operating Loss

¥1.8 billion

(-)



Initiatives and results for the fiscal year ended March 31, 2016

Market Condition

- ▶ Thanks to a continuous increase in the number of foreign visitors to Japan, an upward trend in the hotel occupancy rate is still evident and revenues of amusement parks and theme parks continue to exceed the previous year's level.
- ▶ With a view to establishing Japan as a popular tourist destination, a bill concerning the promotion of the establishment of specified integrated resort areas (Integrated Resort Promotion Bill) was submitted to the Diet.

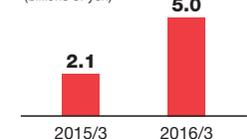
Results

● Sales increased and losses were reduced year on year.

Primary Topics

- ▶ Sales grew due to an increase in the number of visitors to indoor theme park *TOKYO JOYPOLIS* and the opening of *QINGDAO JOYPOLIS*, among other factors. Although the number of visitors to *Phoenix Seagaia Resort* decreased due to the closing of the *Sun Hotel Phoenix*, efforts to attract individual guests with high spending per customer during the peak season showed strong results, and losses were reduced.

Trends in Capital Expenditure (billions of yen)



Key Points for the Fiscal Year Ending March 31, 2017

Forecast Net Sales ¥16.0 billion Operating Loss ¥2.5 billion

- We endeavor to accumulate expertise through developing and operating theme parks and resort facilities as well as operating casino facilities overseas, and carried out prior investment for realizing integrated resorts businesses.
- ▶ At *Phoenix Seagaia Resort*, the largest hotel renovations since the start of operations will be completed in August this year, and a grand opening is scheduled.
- ▶ To mark the 20th anniversary of its opening, *TOKYO JOYPOLIS* will introduce new attractions and plans to hold events including collaborative events with artists and products that will also be celebrating their 20th anniversaries, such as *Detective Conan*.
- ▶ *Orbi Yokohama* supported a community event featuring *Shaun the Sheep* during Golden Week (spring holidays in Japan), and plans to introduce a new theater program in the summer season.

Entertainment Contents Business



Hortensia Saga
©SEGA / 14samurai



Ryu ga Gotoku KIWAMI
©SEGA



THE MEDAL TOWER OF BABEL
©SEGA



Detective Conan Sunflowers of Inferno
©2015 GOSHO AOYAMA / DETECTIVE CONAN COMMITTEE All Rights Reserved



Disney Character Magical Pod
©Disney
©Disney Based on the "Winnie the Pooh" works by A.A.Milne and E.H.Shepard.



Net Sales

¥198.8 billion

(-)

Operating Income

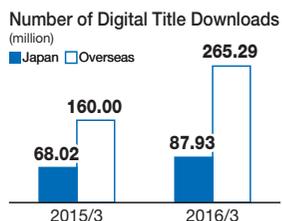
¥3.6 billion

(-)

Initiatives and results for the fiscal year ended March 31, 2016

Market Condition

- ▶ In the digital game market, provision of higher-quality content is expected as the domestic market matures, resulting in a continuing trend of longer development times and higher operating costs than ever before.
- ▶ In the packaged games market, expectations are rising for market expansion in line with the penetration of next generation hardware of home video game consoles.
- ▶ While the trend towards contraction of the amusement centers and machines market continues, efforts are being made to expand the user base with a view to market recovery.



Primary Topics

- ▶ In the digital game area, sales remained robust for major titles including PHANTASY STAR ONLINE 2, which launched over three years ago. However, with regard to certain titles for smart devices and the South Korea expansion of Football Manager Online, a new online game for the Asian market, costs including advertising expenses increased due to a review of the value of assets relating to the titles that were less well-received, in addition to an increased number of new titles.
- ▶ In the packaged game area, while unit sales declined from the previous year as a result of narrowing down the number of titles, sales remained firm for major titles such as Ryu ga Gotoku KIWAMI and SHIN MEGAMI TENSEI IV FINAL in Japan and Football Manager 2016 overseas. Profitability improved as a result of focusing on the sales of major titles.
- ▶ In the amusement machine area, CVT kit sales for mainstay titles were strong, and sales were favorable for CHUNITHM, a new music game in which users can enjoy a new sense of play.
- ▶ In the amusement center operations area, sales were robust, increasing from the previous fiscal year at existing centers as a result of efforts to strengthen operations including enhancement of prizes. New initiatives got underway as well, including the opening of KidsBee, which is a new store in the new format. (Kohoku Minamo, LaLaport Tachikawa Tachih)
- ▶ In the animation area, Detective Conan Sunflowers of Inferno recorded the highest-ever box-office revenue for the series.
- ▶ In the toy area, the product lineup was narrowed, and sales were focused on the Anpanman series and Disney Character Magical Pod, bringing results into the black on a single-year basis.

Results

- Profitability deteriorated in the digital game area due to the impact of factors including a review of asset value for some titles and an increase in advertising expenses.
- Profitability improved for the segment as a whole thanks to cost reduction measures carried out in the packaged game area, amusement machines and amusement center operations area, and animation and toy area.

Key Points for the Fiscal Year Ending March 31, 2017

Forecast Net Sales ¥207.0 billion Operating Income ¥9.0 billion

- In the digital game area, an increase in sales is planned due to the introduction of new games for PCs and expansion of a gaming platform business for Southeast Asia. We will improve profitability by focusing efforts on existing major titles and carrying out major updates.
- ▶ In the digital game area, we will launch service for the PlayStation®4 edition of PHANTASY STAR ONLINE 2 and sequentially carry out major updates for existing major titles such as CHAIN CHRONICLE – Kizuna no Shintairiku, Puyopuyo!! Quest, and Hortensia Saga, in addition to promoting the expansion of the advertising business in Noah Pass and the launch of the overseas-oriented gaming platform goPlay business focused on Southeast Asia.
- ▶ In the packaged game area, new titles focusing on mainstay IP titles such as Persona5 and Ryu ga Gotoku6 are scheduled for introduction in Japan, and Total War: WARHAMMER for introduction overseas.
- ▶ In the amusement machines area, we plan to introduce new products for a wide variety of users and markets including the new titles for Kancolle Arcade and the trading card game Sangokushi Taisen.
- ▶ In the amusement center operations area, operating rates of amusement centers are expected to rise from June 2016 onwards, after the revised Act on Control and Improvement of Amusement Business comes into effect. In addition to continuing efforts to strengthen operations such as enhancement of prizes, we will advance the introduction of electronic money as part of strengthening of operations.
- ▶ In the animation area, we premiered Detective Conan The Darkest Nightmare. Initial response has even surpassed that of the previous film, which had the highest-ever box-office revenue for the series.
- ▶ In the toy area, we will mainly develop the character Rilu Rilu Fairilu series, the second joint development with Sanrio Corporation, as well as classic and mainstay products and services.



Major
measures



Targets for the Fiscal year ending March 31, 2020

Operating income margin

30%

Pachislot and Pachinko Machines Business Segment Targets

While moving ahead with structural reform of the Pachislot and Pachinko Machines Business, we will implement these four measures in order to overcome a challenging business environment with the aim of generating stable earnings.

1
Enforce collaboration
with other companies
in the same
business

2
Review
multi-brand
strategy

3
Narrow down
the number
of titles

4
Promote
reuse



POINT Establishment of joint venture with Universal Entertainment Corporation

Sammy Corporation has established ZEEG Co. Ltd. as a joint venture together with Universal Entertainment Corporation.

The purpose of ZEEG is to maximize the expertise in hardware area of the two companies, with a view to creating platforms for amusement machine units and parts, and to promote lasting cooperation. The products supplied by ZEEG will also enable standardization through highly secure and general-purpose units and parts. In addition, the technological alliance should facilitate an entry into the market for new entertainment applications that overturn fixed stereotypes.

ZEEG should provide synergistic effects such as the creation of an efficient earnings structure that achieves strong entertainment characteristics stemming from technological innovation, as well as solid cost performance. Universal Entertainment and Sammy have already decided to employ products supplied by ZEEG, and to promote and supply the products to other customers for expanding business opportunity of the joint venture.

株式会社 **ZEEG**™

Name	ZEEG Co. Ltd.
Main business	Supply, manufacture, development, and marketing of pachinko, pachislot, arranged-ball, and jankyu machines, and related parts and equipment
Established	March 22, 2016
Head Office	Sun Shine 60, 3-1-1 Higashiikebukuro, Toshima-ku, Tokyo
Representative	Yuichi Amari, Representative Director and President
Capital	¥25 million
Fiscal year-end	March 31
Investment ratio	Universal Entertainment Corporation: 50% Sammy Corporation: 50%

Greeting from the new president, Haruki Satomi, Representative Director, President and COO of Sammy Corporation

I am Haruki Satomi, the new Representative Director, President and COO of Sammy Corporation. Upon taking office, I would like to extend this formal greeting to you all.

The business environment surrounding us today is facing some very severe situations, including social structure, diversification of entertainment, and regulatory changes. Amidst these severe environmental changes, we declare our mission at Sammy to be continuing to create “Moving Experiences,” and so we will push forward with all our strength to be a company that continues to be expected by everyone and needed by the society.

In the past, based on the development policy of “Sammy...the wellspring of new ideas,” we have sent out to the world innovative game machines that truly led our industry. The driving force behind this was the spirit of “Active Progress” stated as our company policy since our founding. Moving forward, each and every employee shall be a free thinker with strong curiosity, so we can continue to face new challenges unfettered by preconceived notions, and as an “industry innovator,” we will continue delivering the best entertainment that can exceed our customers’ expectations.

In order to be a company that continues to meet all of our stakeholders’ expectations, I believe it is important for us to continue creating sustained and stable earnings. While market conditions come and go at great pace, we will quickly grasp the needs of the market and strive to swiftly resolve any issues.

We will continue to push even further under the beliefs of “Creating Moving Experiences” and “Always Proactive, Always Pioneering,” so that pachinko and pachislot can continue to be familiar and easy forms of entertainment that everyone enjoys from the heart. Furthermore, we will aim to be a company that contributes to the sustained development and invigoration of not only the pachislot and pachinko machine industry, but the society as a whole, and be trusted and respected by the society.

Representative Director,
President and COO of Sammy Corporation

Haruki Satomi



Looking Back with a “Key Person” Review of Activities



We'll show you the Hokuto like you've never seen before
Pachinko CR Shin Hokuto Muso
 launches operation from March 7th!

Pachinko CR Shin Hokuto Muso is a tie-up with the *Fist of the North Star: Ken's Rage* action game, a product of collaboration between the popular manga *Hokuto no Ken* and the WARRIORS series of games developed by KOEI TECMO GAMES CO.,LTD.

To create the world of *Shin Hokuto Muso*, this machine was developed with the theme of “de-Hokutoing.” It employs the new frame “Toshin” and the immensely impactful “Crash Vision,” allowing players to experience elusive and more powerful video effects. Battle effects features the four Hokuto brothers as the protagonists, waging dream matches such as team battles with the four brothers, and players can enjoy a new *Shin Hokuto Muso* world that was thought of as impossible in the original manga.



Pachinko CR Shin Hokuto Muso
 ©Buronson & Tetsuo Hara/NSP 1983
 Approved No.KOUJ-111
 ©2010-2013 KOEI TECMO GAMES CO., LTD.
 ©Sammy

KEY PERSON



A word from **Hirotaka Tanaka**, Senior Executive Officer and Creative Officer, Sammy Corporation

While developing this machine, I always kept the idea in mind that it is not *Hokuto no Ken*, but rather *Shin Hokuto Muso*. I dared to avoid using special effects such as “Kaiso Giji-ren” and “Countdown Giji-Ren” that are typical of *Hokuto no Ken*, and included combination battles and original scenarios which the *Hokuto no Ken* could not realize and which were impossible in the original manga storyline, thereby bringing out the individuality of *Shin Hokuto Muso*. Additionally, by differentiating the specs and LCD device, I aimed to make a pachinko that is similar to *Hokuto* without actually being *Hokuto*. I hope that on the market, everyone will also experience this brand new *Shin Hokuto Muso*.



First in the world! The new nail sticker printer *Nailpuri* is here!!
 Turn pictures into nail stickers with the smartphone app!

Nailpuri is the world's first nail sticker printer that lets users instantly print out nail stickers they have designed themselves on the spot. It has been deployed in amusement centers across Japan since November 19, 2015.

These nail stickers are of high quality, while having a reasonable price range compared to commercial nail stickers. What's more, by using the free smartphone app, users can easily make designs out of pictures taken on the spot, or their favorite saved images, then print nail stickers immediately from the printer.

Nailpuri is a product of a long-term research stemming from the desire to “put smiles on women's faces” and “let women enjoy nail fashion easily”, and is designed to address every woman's demands and needs in nail fashion.



Nailpuri
 ©SEGA

KEY PERSON

A word from **Naoki Arikawa**, Product Research & Development Department, Creative Development Section, SEGA Interactive Co., Ltd.

Nailpuri was developed with the concept of “putting smiles on women's faces.” One-of-a-kind designs using pictures and stamps are popular without a doubt, plus original nail stickers made in collaboration with popular characters, manicurist, and sports teams from pro baseball and J League are also in demand. We have installed the machines in shopping centers, theme parks, apparel shops, pro baseball and J League official goods shops and more, actively deploying them to advance into new markets. We are always adding new designs to match the season, so keep an eye out for much more.





The next evolution of popular series Major updates to *Puyopuyo!! Quest* and *Hortensia Saga*

At SEGA Games, we actively conduct updates after a game's release so that we can continue to meet players' needs.

Puyopuyo!! Quest is a long selling title that is still popular even 3 years after its release in April 2013. As a puzzle RPG which fuses the puzzle elements of *Puyopuyo* with RPG elements, it has reached 15 million downloads. In October 2015, we conducted major updates to enable multiplayer with other players.

For the war story RPG *Hortensia Saga*, which was released in April 2015, we conducted a major update in February 2016, adding new stories and implementing additional features. The game topped 4 million downloads by March 2016. A year has passed since its release, but we aim to make it a more enjoyable game than ever.

In the future, we will continue to update various titles for players to enjoy.



Puyopuyo!! Quest
©SEGA



Hortensia Saga
©SEGA / f4samurai

Received the Award for Excellence at Nikkei Annual Report Awards 2015

The Annual Report 2015 issued by SEGASAMMY HOLDINGS received an Award for Excellence from the Awards Screening category of the Nikkei Annual Report Awards 2015 hosted by Nikkei Inc.

We will continue to strive to disclose appropriate information toward realization of constructive dialogue, to help shareholders, investors and other stakeholders further deepen their understanding of the Company.



Aiming for higher quality resort life Grand opening of the "New Seagaia" in August

Since *Phoenix Seagaia Resort* joined the Group in 2012, we have worked on renewal of its facilities, starting with upgrades to the golf environment, such as complete renovation of the *Tom Watson Golf Course* and opening a night game golf business, as well as the large-scale renovation of the flagship hotel *Sheraton Grande Ocean Resort* which started last spring. At the same time, we made a new statement of "Days for adults to relax. Days for adults to play." and have strived to improve "experience value" with creation of diverse contents.

At long last in August of this year, the construction of guest rooms will be complete, including the *Club Floor* which provides a stay experience that is a cut above the rest. *Phoenix Seagaia Resort* will be reborn into an enjoyable resort made possible by the rich natural environment of Miyazaki and *Seagaia*, with new restaurants, enhanced public spaces, a new bridal venue on the 42nd floor, and a renovated convention facility.



KEY PERSON

A word from **Toru Kuroki**, Club Floor Manager, *Sheraton Grande Ocean Resort*

In line with the upcoming grand opening, all kinds of efforts have been undertaken on the *Club Floor* which will open on the upper floors of the *Sheraton Grande Ocean Resort* in order for the guests to enjoy their stay even better.

The guest rooms with the theme of "aroma" of Miyazaki have large custom-built rotating sofas for enjoying the magnificent scenery while relaxing. The dedicated lounge *Sheraton CLUB* offers a space for enjoying fine days at the resort, from high quality breakfast centered on ingredients from Miyazaki, to tea time, and even bar time. We have also prepared a variety of services for the guests to fully enjoy resort life, including a pillow fitting service.

Finally, our greatest pride is the "Miyazaki Smile" on our staff's faces. We have built a system for greeting guests, in a bid to become Japan's top club floor. We look forward to the day we see you there.



Review of Activities



SEGA SAMMY Baseball Club Four new players have joined the club!

The team has new additions to its lineup, and the players will be working together and giving everything they've got as a team. We look forward to your continued support!



(From the left, Kazuki Inoue (pitcher), Akihisa Shimazu (pitcher), Kohtaro Negishi (infielder), Shunsuke Kaiho (outfielder))

Congratulations to Takeshi Matsuda on his upcoming appearance at the Rio Olympics!!

Takeshi Matsuda of SEGA SAMMY has been selected as a member of the national team in the 800 meter freestyle relay swimming event at the Rio de Janeiro Olympics to be held this year. Please support Takeshi Matsuda as he goes for the gold!

<Comment from Takeshi Matsuda>

This will be my fourth appearance at the Olympic Games. I think the relay members chosen this time have a good chance at winning medals, so I will give every ounce of strength I've got and do my best to bring home a medal. Thank you for your support.



CSR Column, Vol. 10

We will keep putting smiles on children in Asia with the power of entertainment!

Activities to Deliver Picture Books

As part of our International contribution activities, we have supported the Shanti Volunteer Association's "Activities to Deliver Picture Books*," collecting unneeded goods from Group employees, participating in activities to convert these to cash to purchase picture books, and place stickers with the local language on them. Since 2011, we have also started a system that lets employees donate ¥10 every time they purchase a beverage at a company vending machine (currently conducted in 6 companies).

Year 8
As of the end of FY2016
Picture books sent:
1,208



* Shanti Volunteer Association "Activities to Deliver Picture Books": Hoping to bring comfort and happiness of children who face anxiety and sadness due to poverty and civil wars, this activity delivers Japanese picture books with local language stickers to Cambodia, Laos, refugee camps in Myanmar (Burma), and Afghanistan, where there are hardly any published books for children to read.

Great East Japan Earthquake Reconstruction Assistance Program — Toward true reconstruction, doing what can be done with the power of entertainment and our employees —

"Shichigahama Lifelong Learning Festival" — Here comes the SEGA SAMMY Group! —

On February 27, we held our 5th support event in Shichigahama, Miyagi Prefecture. Children who have nowhere to play that can be reached on foot or bicycle formed a long line waiting before the event even opened.

Nearly 600 children and their family members who had looked forward to this annual event were in attendance. Their cheerful laughter echoed throughout the venue.



Over 200 messages to the SEGA SAMMY Group from children visiting the event

SEGA SAMMY Group "Baseball Lesson" with Shinya Miyamoto

With the hope of contributing to the development of children through the familiarity and fun of sports, we held a baseball lesson in Iitate, Fukushima Prefecture on October 4. SEGA SAMMY Group employees (SEGA SAMMY Baseball Team veterans) came with former Tokyo Yakult Swallows player Shinya Miyamoto who was invited as a special instructor and taught baseball techniques to 35 junior high school students in the locale.



Children playing with Smartball



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

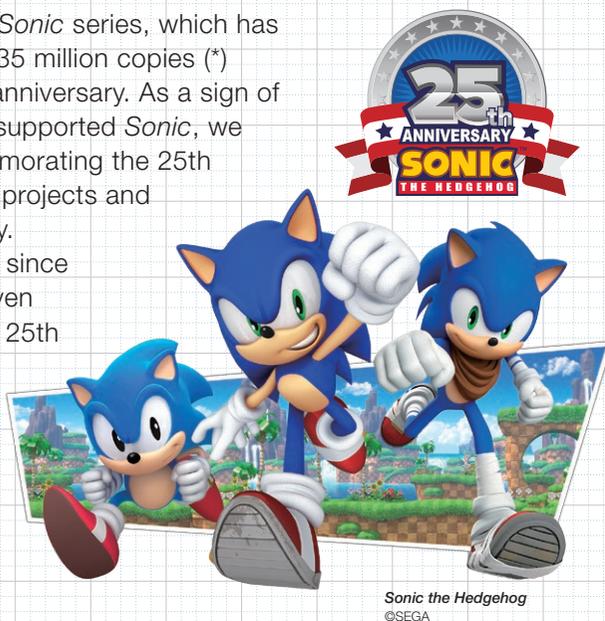
25th anniversary of Sonic the Hedgehog

Since its launch in 1991, the *Sonic* series, which has recorded a total sales of over 335 million copies (*) worldwide, celebrates its 25th anniversary. As a sign of gratitude to everyone who has supported *Sonic*, we have built a special site commemorating the 25th anniversary, and will implement projects and events that many fans can enjoy.

Sonic, who has been running since his first appearance, will gain even more speed for this memorable 25th anniversary.

Expect to see a lot more from the all-popular *Sonic*!

(*As of October 2015. Includes downloads.)



20th Anniversary of TOKYO JOYPOLIS

TOKYO JOYPOLIS, one of Japan's largest indoor theme parks which has long provided guests with extraordinary experiences, will celebrate its 20th anniversary on July 12, 2016.

The theme of this year, the 20th anniversary, is "The challenge to deliver even bigger surprises and emotions," and we are developing initiatives based on the number corresponding to the 20th anniversary, including introducing new attractions, as well as collaborations with artists and franchises to celebrating their 20th anniversaries too!

We have arranged exciting experiences worthy of JOYPOLIS, and are ready to bring the excitement for this anniversary year.



Pachislot CODE GEASS Lelouch of the Rebellion R2 debuted on May 29

4 years have passed since the previous title *Pachislot CODE GEASS Lelouch of the Rebellion*, and A+ART of the Rebellion has reappeared in pachislot halls as its successor.

Just as in the previous title, the video software of *Pachislot CODE GEASS Lelouch of the Rebellion R2* is developed and supervised by BANDAI NAMCO Entertainment Inc., boosting the volume for the whole game.

The specs keep the gameplay of the previous title intact, while ART, in addition to the set number management in the previous title, offers a new sense of battle in "GEASS BATTLE," in which continuation of bonus rounds can be expected by players' skill, and the easily experienced high continuation ART "ZERO REQUIEM." "GEASS Specialized Housing" was introduced for machine housing, perfectly recreating the world of *CODE GEASS*.

CODE GEASS Lelouch of the Rebellion R2 was on-air for total of 25 episodes from April to September 2008 as the 2nd series of the TV anime *CODE GEASS Lelouch of the Rebellion* which was on-air from October 2006 to March 2007. It is a science fiction robot animation still currently being developed as a media mix with movies and games.

Pachislot fans and anime fans alike can enjoy this new game machine!



Pachislot CODE GEASS Lelouch of the Rebellion R2
©SUNRISE/PROJECT GEASS Character Design©2006 CLAMP-ST ©SUNRISE/PROJECT GEASS Character Design
©2006-2008 CLAMP-ST ©BANDAI NAMCO Entertainment Inc. ©Sammy



Group Information

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

Factors Affecting Assets

Total assets were ¥532.9 billion, up ¥4.3 billion from the previous fiscal year-end.

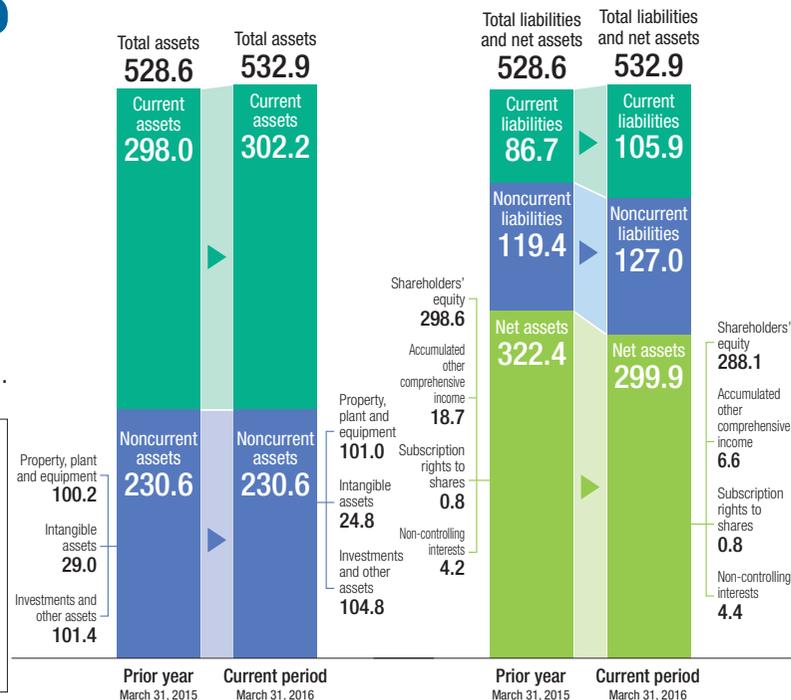
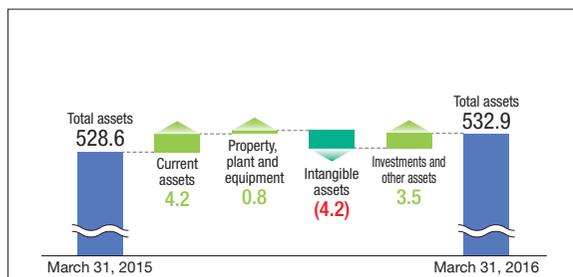
Current assets increased by ¥4.2 billion.

Factors ▶ Increase in cash and deposits, and notes and accounts receivable-trade due to sales of mainstay titles during fiscal year ended March 31, 2016

Noncurrent assets increased slightly.

Factors ▶ Increase in investment securities while intangible assets decreased

Although current ratio fell by 58.5 percentage points, the ratio continued to remain at high levels, standing at 285.2%.



Factors Affecting Liabilities and Net Assets

Total liabilities increased by ¥26.8 billion to ¥233.0 billion from the previous fiscal year-end.

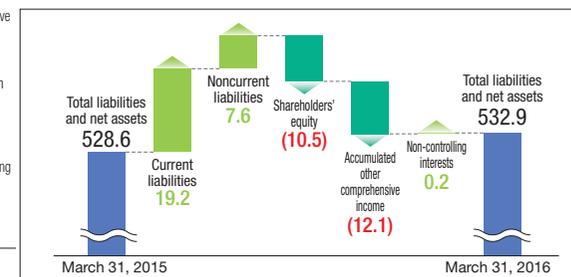
Current liabilities increased by ¥19.2 billion.

Factors ▶ Increase in notes and accounts payable-trade, and current portion of bonds

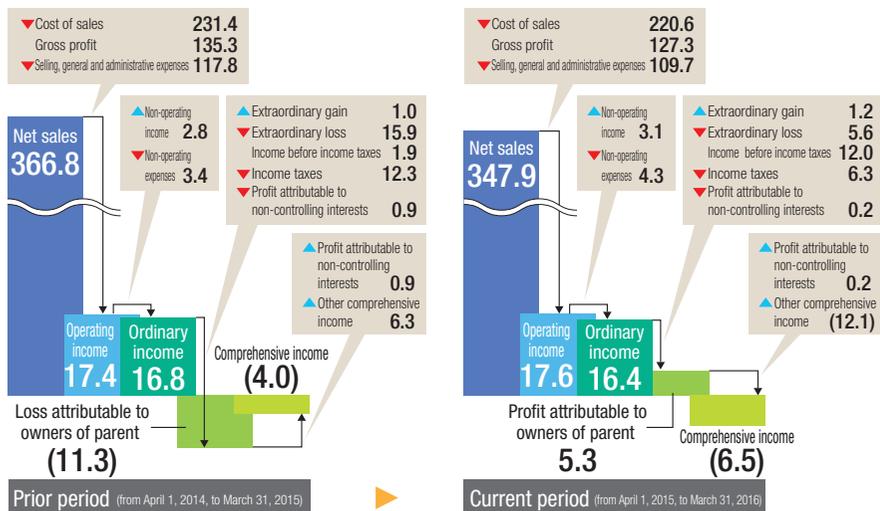
Noncurrent liabilities increased by ¥7.6 billion.

Factors ▶ Increase in long-term debt

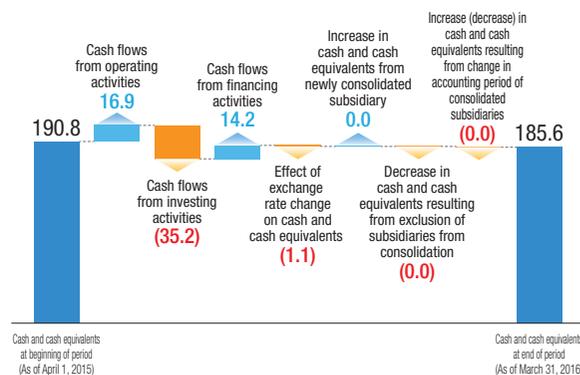
Equity ratio was 55.3%, down 4.7 percentage points, indicating a continuing sound financial standing.



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 decreased by ¥5.2 billion from the previous fiscal year-end to ¥185.6 billion.

Cash flows from operating activities

Net cash provided by operating activities was ¥16.9 billion. This was mainly attributable to posting of income before income taxes of ¥12.0 billion, and depreciation and amortization of ¥21.0 billion, increase in notes and accounts payable-trade of ¥6.9 billion, increase in notes and accounts receivable-trade of ¥17.6 billion and increase in inventories of ¥5.1 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥35.2 billion. This was mainly attributable to outflows of ¥14.4 billion, ¥14.2 billion and ¥10.9 billion for the acquisition of securities, acquisition of property, plant and equipment, and acquisition of shares of subsidiaries and associates respectively.

Cash flows from financing activities

Net cash provided by financing activities was ¥14.2 billion. This was mainly attributable to repayment of long-term debt of ¥13.3 billion, cash dividends paid of ¥9.4 billion and proceeds from long-term loans payable of ¥29.8 billion.

Consolidated Operating Results and Financial Data

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015 ^{*2}	Fiscal year ended March 31, 2016	Fiscal year ending March 31, 2017 (Forecast)	
Operating results (billions of yen)	Net sales ^{*1}	395.5	321.4	378.0	366.8	347.9	380.0
	Operating income	58.3	19.0	38.5	17.4	17.6	20.0
	Operating income to net sales (%)	14.7	5.9	10.2	4.7	5.1	5.3
	Ordinary income	58.1	20.9	40.5	16.8	16.4	20.0
	Profit attributable to owners of parent ^{*3}	21.8	33.4	30.7	(11.3)	5.3	10.0
Expenses (billions of yen)	Research and development expenses/Content production expenses ^{*4}	53.3	45.2	59.2	67.6	58.0	67.1
	Capital expenditure	36.1	32.8	38.1	28.7	28.0	27.7
	Depreciation and amortization ^{*5}	16.1	18.1	16.1	17.6	16.6	15.6
	Advertising expenses ^{*6}	17.2	13.1	16.0	19.1	17.9	19.8
Financial Data (billions of yen)	Total assets	497.4	528.5	542.9	528.6	532.9	
	Liabilities	201.0	208.4	194.6	206.2	233.0	
	Net assets	296.3	320.0	348.2	322.4	299.9	
	Equity ratio (%)	58.9	59.7	63.2	60.0	55.3	
Cash Flows (billions of yen)	Cash flows from operating activities	38.0	18.6	75.2	37.0	16.9	
	Cash flows from investing activities	(59.0)	6.3	(38.5)	(37.7)	(35.2)	
	Cash flows from financing activities	0.9	(1.1)	(11.5)	(15.0)	14.2	
	Cash and cash equivalents at end of period	146.5	174.2	202.7	190.8	185.6	
Per Share Data (yen)	Net income per share	86.73	137.14	126.42	(46.70)	22.90	42.66
	Net assets per share	1,167.59	1,304.44	1,409.27	1,336.54	1,257.43	—
	Dividends per share	40	40	40	40	40	40

*1 From fiscal year ended March 31, 2016, net sales indicate total amounts

*2 In accordance with changes implemented in the accounting method, these changes have been retrospectively applied to data from the fiscal year ended March 31, 2015.

*3 In accordance with the application of the revised "Accounting Standard for Business Combinations," "net income" has been renamed "profit attributable to owners of parent."

*4 From fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses (until fiscal year ended March 31, 2013, amortization cost of digital titles was included in depreciation and amortization).

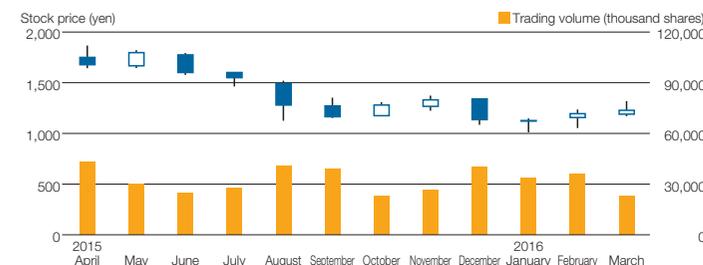
*5 From fiscal year ended March 31, 2014, amortization cost of digital titles is not included in depreciation and amortization (from fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses content production expenses.)

*6 From fiscal year ended March 31, 2014, advertising expenses recorded as cost of sales are included (until fiscal year ended March 31, 2013, only selling, general and administrative expenses were included).

Performance of the Company's Stock Price



Changes in the Company's Stock Price and Trading Volume



INFORMATION

Company Profile (As of March 31, 2016)

Company Name	SEGA SAMMY HOLDINGS INC.
URL	http://www.segasammy.co.jp/english/
Established	October 1, 2004
Capital	¥29.9 billion
Number of Employees	7,606 (Consolidated)
Directors and Auditors	Hajime Satomi Chairman of the Board and Chief Executive Officer
	Naoya Tsurumi Senior Managing Director and Representative Director
	Koichi Fukazawa Director
	Haruki Satomi Director
	Shigeru Aoki Director
	Hideki Okamura Director
	Hisao Oguchi Director, CCO (Chief Creative Officer)
	Yuji Iwanaga Outside Director
	Takeshi Natsuno Outside Director
	Tomio Kazashi* Standing Audit and Supervisory Board Member
	Toshio Hirakawa* Audit and Supervisory Board Member
	Yukito Sakaue Audit and Supervisory Board Member
	Mineo Enomoto* Audit and Supervisory Board Member

*Outside Audit and Supervisory Board Member

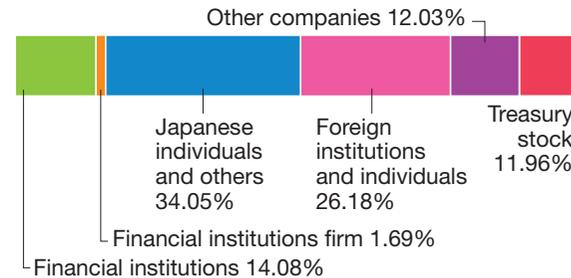
Information on Outstanding Shares (As of March 31, 2016)

Number of shares authorized for issuance	800,000,000 shares
Total number of shares issued and outstanding	266,229,476 shares
Number of Shareholders	90,768 (Odd-lot shareholders: 69,956)

Principal Shareholders

Name of Shareholder	Shares Held	Shareholding Ratio (%)
Hajime Satomi	31,869,338	11.97
SEGA SAMMY HOLDINGS INC.	31,834,807	11.96
FSC Co., Ltd.	12,972,840	4.87
HS Company	11,750,000	4.41
Japan Trustee Services Bank, Ltd.	6,904,000	2.59

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	Mitsubishi UFJ Trust and Banking Corporation
Administrative Office of Transfer Agent	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.mufg.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 2016. We will continue to enhance the contents of our report based on your opinions expressed through the questionnaire.

2016 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, 2016
- August ● Announcement of results for the three months ending June 30, 2016
- November ● Announcement of results for the six months ending September 30, 2016
- December ● Release of Business Report for the six months ending September 30, 2016



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
HigashiShimbashi, 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"), 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.