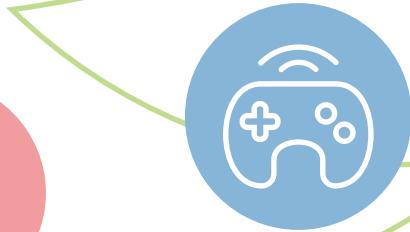
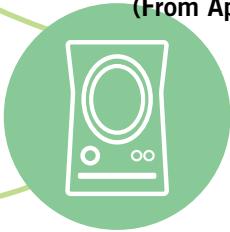




Fiscal 2018
Interim Business Report

(From April 1, 2017 to September 30, 2017)



HEADLINES

► Interim Highlights

Best in series so far



Unveiled *Pachinko CR Hokuto No Ken 7 Resurrection*



Pachinko CR Hokuto No Ken 7 Resurrection
©Burtonson & Tetsuo Hara/NSP 1983,
©NSP 2007 Approved No.YKO-116
©Sammy

Launched in April 2017, *Pachinko CR Hokuto No Ken 7 Resurrection* is the latest installment in Sammy Corporation's highly popular *Hokuto No Ken* series. Featuring an innovative "BATTLE RUSH" mode, the pachinko machine includes the highest-level battle specifications to date. By extensively integrating mold-breaking movable gimmicks with image displays that have even sharper graphics, we are confident that we have created the most complete pachinko machine of the series.

Waterside living that adults can enjoy



Opened *THE LIVING GARDEN*

Next to the *Sheraton Grande Ocean Resort*, we undertook the renewal of a garden area themed on "waterside living that adults can enjoy" and reopened the area as *THE LIVING GARDEN*. Around the garden's pool, we have placed gazebos that can be reserved and also comfortable sofas. As well, we have realized other spots where guests can spend special moments savoring the resort's atmosphere. For example, in an area surrounded by black pine we have created an "open fire living room" where guests can unwind around an open fire. In addition, we have built a glass-walled bar, *KUROBAR*, which has a view across the garden area.



THE LIVING GARDEN
©PHOENIX RESORT CO., LTD.



SONIC MANIA
©SEGA



After 23 years, a new yet nostalgic adventure begins

SONIC MANIA has launched

Hailed by press and fans as one of the best games ever in the *Sonic* series, in August 2017 we began digitally selling *SONIC MANIA*, the 2D latest offering in the game series. The video game adds famous stages specially selected from different eras, including some from the very first game *Sonic the Hedgehog*. While *SONIC MANIA* is nostalgic, it also allows players to enjoy a completely new *Sonic* world. Moreover, November saw the debut of the latest video game in the *Sonic* series, the 3D action game *SONIC FORCES*, which allows fans to play as Modern and Classic *Sonic* as well as create their own custom hero character for the very first time.

Included in *ESG Indices* used by GPIF



SEGA SAMMY HOLDINGS has been included in two of three environmental, social, and governance (ESG) indices that target Japanese listed companies and which the Japanese Government Pension Investment Fund (GPIF) has recently selected for its investment strategy. We have been included in the MSCI Japan ESG Select Leaders Index, an integrated index that takes into consideration overall ESG factors, as well as in the MSCI Japan Empowering Women Index (WIN), which comprises companies that are leading in terms of promoting gender diversity.

Note: MSCI (Morgan Stanley Capital International Inc.) is a financial services company headquartered in the United States.

<https://www.msci.com/msci-japan-empowering-women-index>

► Consolidated Business Highlights

up
15%
year on year

Net sales

¥**194.7** billion

up
75%
year on year

Operating income

¥**26.8** billion

up
4.8 pts.
year on year

Operating income margin

13.8%

(Fiscal 2020 Target: 15%)

► Business Results by Business Segment

Pachislot and Pachinko
Machine Business

Net sales

¥**88.3** billion

up **36%** year on year

Operating income

¥**21.4** billion

up **102%** year on year

Entertainment Contents Business

Net sales

¥**101.5** billion

up **4%** year on year

Operating income

¥**10.1** billion

up **11%** year on year

Resort Business

Net sales

¥**4.7** billion

down **30%** year on year

Operating loss

¥**1.2** billion

— year on year



To ensure the steady implementation of various measures set out in Road to 2020 for the period through fiscal 2020, the SEGA SAMMY Group has established a Mission Pyramid as a framework to motivate and guide all Group employees. Each business will become an innovator in its industry and continue providing *moving experiences* that exceed customers' expectations. Through these efforts, the Group will reach management goals for fiscal 2020, sustain growth in corporate value, and meet shareholders' expectations.

Value (Mindset / DNA)

“Creation is Life” ×

“Always Proactive, Always Pioneering”

Mission

(Raison d'être)

**“Continuing to create
moving experiences”**

— Making life more colorful —

Vision

(Ideal self)

**Pachislot and Pachinko
Machine Business**

Sammy...the wellspring of new ideas as
an innovator in the industry

**Entertainment Contents
Business**

Be a Game Changer

Resort Business

Be an Experiential Innovator

Be a Game Changer

Goal

(Specific target)

Operating income margin: At least 15%

ROA*: At least 5%

Operating income margin:
At least **30%**

Sales: At least **¥300.0** billion
Operating income: At least **¥30.0** billion
Operating income margin: At least **10%**

Succeed in IR businesses
Enhance brand recognition

* ROA = Profit attributable to owners of parent ÷ Total assets

TO OUR SHAREHOLDERS



Hajime Satomi

Chairman and CEO (Representative Director)
SEGA SAMMY HOLDINGS INC.

The SEGA SAMMY Group is steadily implementing the action plans set out in Road to 2020, which covers the period through fiscal 2020 and aims to return the Group to a growth trajectory. We will strengthen earnings foundations and invest in growth fields to increase corporate value continually.

At the present juncture, the outlook for the Pachislot and Pachinko Machine Business is uncertain. From a long-term perspective, however, the Group will concentrate on improving the profitability of the Entertainment Contents Business even further; strengthening the earnings foundations of the Group as a whole; and making the Resort Business, including domestic integrated resorts, a mainstay of the Group.

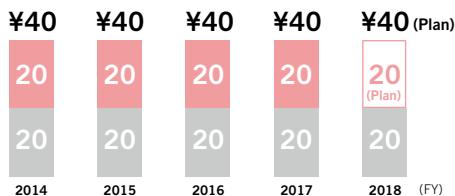
While investing in growth fields to realize the above aims, we intend to maintain our basic policy of providing our shareholders with stable dividends.

In accordance with the Group Mission of “*Continuing to create moving experiences*”—Making life more colorful—the Group will provide *moving experiences* through diverse entertainment genres to enrich society.

In closing, I would like to ask our shareholders and other stakeholders for their continued support.

Notice of Dividends

■ Interim cash dividends ■ Year-end cash dividends



At a meeting of the Board of Directors held on November 2, 2017, the Board decided to pay dividends for fiscal 2018 as shown below.

Interim cash dividends: ¥20.00 per share

Year-end cash dividends: ¥20.00 per share (Plan)

Full-year cash dividends: ¥40.00 per share (Plan)

Effective date (payment start date): December 1, 2017

INTERIM REPORT FROM THE COO



Haruki Satomi

President and COO (Representative Director)
SEGA SAMMY HOLDINGS INC.

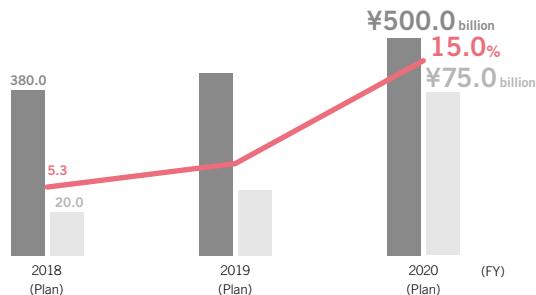
Under Road to 2020, which spans fiscal 2018 through fiscal 2020, the priority tasks are to improve profitability, increase capital efficiency, and optimize management resource allocation. In addition, we will use earnings from core businesses to invest proactively in growth businesses, such as the digital game area and the integrated resort business.

Aiming to realize an operating income margin of 15% and ROA*¹ of 5% as medium-term targets, we will change mind-sets Groupwide by introducing mission pyramids*².

In the interim period, the six months ended September 30, 2017, the SEGA SAMMY Group posted year-on-year increases in net sales, operating income, and ordinary income despite uncertain business conditions. The Pachislot and Pachinko Machine Business recorded year-on-year growth of 36% in net sales and 102% in operating income thanks to steady sales of mainstay titles, including the latest installment in the *Hokuto no Ken* series, *Pachinko CR Hokuto No Ken 7 Resurrection*. In the Entertainment Contents Business, respective business areas performed favorably, particularly the digital game area, which began downloads of *PHANTASY STAR ONLINE 2, EPISODE 5*, and the packaged game area, where shipments of *SONIC MANIA* and other new titles were brisk. As a result, the business segment achieved a 4% rise in net sales and an 11% improvement in operating income year on year. Meanwhile, the Resort Business recorded lower net sales due to the previous fiscal year's sale of some shares of a subsidiary that develops and manages indoor theme park operations. However, this business segment

Road to 2020 Performance Targets

■ Net sales ■ Operating income — Operating income margin



Performance Forecast

Billions of yen	Year ended March 31, 2017 Results	Year ending March 31, 2018 (Plan) (Figures as of May 12, 2017)	Change
Net sales	366.9	380.0	+4%
Operating income	29.5	20.0	-32%
Operating income margin	8.0%	5.3%	-2.7pts.
Ordinary income	28.5	16.0	-44%
Profit attributable to owners of parent	27.6	11.0	-60%
ROA* ¹	5.2%	—	—

has begun full-fledged initiatives focused on ensuring the success of the integrated resort business. These initiatives included the April 2017 opening of South Korea's first integrated resort, *PARADISE CITY*. Further, due to the absence of the previous fiscal year's gain on sales of noncurrent assets, the Group recorded a 27% year-on-year decline in profit attributable to owners of parent, to ¥17.7 billion.

Looking ahead, we believe there is a strong possibility of full-year title launches and unit sales in the Pachislot and Pachinko Machine Business being lower than initially expected due to significant changes in sales schedules stemming from regulatory revisions. On the other hand, continuing to move forward with initiatives to grow earnings,

the Entertainment Contents Business plans to build on a solid first-half performance by marketing multiple new titles.

The SEGA SAMMY Group is approaching a period of transformation. Regardless of the changes in the business conditions we face, we will pursue the Group Mission of continuing to create value that exceeds customers' expectations, in other words *moving experiences*. Through these efforts, we will continue to deliver outstanding entertainment and to help sustain the development and revitalization of society. In this way, the SEGA SAMMY Group will realize sustained corporate value growth.

*1 ROA = Profit attributable to owners of parent ÷ Total assets

*2 For details, please see page 3.

In each era, the SEGA SAMMY Group has provided *moving experiences* that exceed customers' expectations.

Episode 2 of our series focuses on the creation of these experiences and looks behind the scenes at the development of *Pachislot Juoh* (Beast King), launched in 2000, as well as its direct descendant *Pachislot Beast King Oujya no kakusei*, which debuted this spring.

2000

Pachislot Juoh

No history of pachislot machines would be complete without *Pachislot Juoh*, as it ignited the pachislot machine boom in pachislot machines that include AT (assist time) functions. Overturning the existing Savannah Chance concept through innovative gameplay and captivating legions of fans, *Pachislot Juoh* became a blockbuster hit and shipped approximately 140,000 units.



Pachislot Juoh
©Sammy

2017

Pachislot Beast King Oujya no kakusei

For me, *Pachislot Juoh* is special because it inspired me to join Sammy Corporation. I remember the thrill of the pachislot machine's innovativeness, which took gameplay into uncharted territory. I was as elated about becoming responsible for the *Pachislot Juoh* series as I was about being able to join the company.

At Sammy, we have a policy of not creating new versions until we have prepared an environment that enables realization of gameplay befitting the reputation of *Pachislot Juoh*. For the latest title released in April, *Pachislot Beast King Oujya no kakusei*, I insisted that we incorporate new elements. Although making changes was scary, I believe that change is essential to ensure intellectual property's longevity.

As we continue evolving *Juoh* going forward, I want to keep the thrill that the first generation of pachislot machines gave me.



Hidekazu Kouchi

Chief Producer, PS Section 1, PS Research & Development Division,
Research & Development Group Division, Sammy Corporation



Pachislot Beast King Oujya no kakusei
©Sammy

INVESTIGATION 2 Development of a Japan-Friendly Casino

All SEGA SAMMY Group employees work in unison to provide *moving experiences*.

Here, we zoom in on the day-to-day activities of the busy personnel at *PARADISE CITY*, which opened its doors in April 2017.

**Leveraging Wide-Ranging Expertise
in Integrated Resorts**

I joined this project after working for seven years in Shanghai in the China business of the former SEGA CORPORATION. Upon arriving in South Korea, I began acquiring casino-specific know-how. Since *PARADISE CITY* opened the first stage of phase 1 development in April 2017, however, the scope of the know-how that I have been absorbing has broadened to include the integrated resort's casino, hotel, and convention hall. I find the variety of my day-to-day work fulfilling.

Currently, I am engaged in a wide range of duties that range from upstream through to downstream operations. As the managing director,



Shigeki Aoyama

General Manager, Japan Market Planning and Management Department, PARADISE SEGASAMMY Co., Ltd.



I am also the general manager of the Japan Market Planning and Management Department and participate in many different types of meetings. In addition, I am involved in providing hospitality to casino guests.

I will continue busily pursuing my various duties so that Japanese guests find *PARADISE CITY* to be the friendliest casino in the world.

Japan-Friendly Casino

Since cutting the tape on *PARADISE CITY* in April 2017, we have welcomed many guests from Japan. Often, we hear guests comment that just hearing Japanese spoken at our resort releases their anxiety about overseas travel in an instant.

Bearing this in mind, this summer we increased our approachability and familiarity for Japanese guests by having personnel from the SEGA SAMMY Group wear Japanese flag badges. In casinos, Japanese dealers are particularly rare. When they spot the Japanese flag, Japanese guests start conversations with personnel and are often delighted with the hospitable manner in which they perform dealing duties. Some guests even bring souvenirs afterwards as a token of their appreciation.

Our goal is to transplant the success of *PARADISE CITY* to Japan and help the SEGA SAMMY Group achieve great prosperity in the future. With this end in mind, we will continue advancing toward new horizons unflaggingly.

NEWS



Ryu ga Gotoku Studio to Bring Out Three New Titles!

Beginning this winter, *Ryu ga Gotoku* Studio will release three new titles in rapid succession.

Set in the fictional districts of “Kamurocho” in Tokyo and “Sotenbori” in Osaka, *Ryu ga Gotoku Kiwami 2* will fully exploit the unique features of PS4™ to place players in highly realistic scenes. Meanwhile, as the first installment of *Shin Ryu ga Gotoku*, *Ryu ga Gotoku ONLINE* will begin the story of new hero Ichiban Kasuga. Also, in the action adventure game *Hokuto ga Gotoku*, *Ryu ga Gotoku* Studio will evoke the world of the popular *Hokuto no Ken* manga.

Given that they epitomize the *Ryu ga Gotoku* Studio development team’s strong commitment to creation and appetite for taking on ambitious goals, each of the above titles promises to make a big impact.



Ryu ga Gotoku KIWAMI 2 ©SEGA

Hokuto ga Gotoku ©SEGA ©Buranson & Tetsuo Hara/NSP 1983, Approved No.GA-217

Ryu ga Gotoku ONLINE ©SEGA



Full-Fledged Fantasy Battle Game *SOUL REVERSE* Coming Soon!



As part of SEGA’s epic fantasy game series *SOUL REVERSE*, we plan to launch an arcade game version of *SOUL REVERSE* this winter. Enabling competition between teams of up to 10 players, the network-enabled battle action game allows players to experience battles that are exhilarating and compelling. Boasting the highest-ever quality for an arcade game and a finely wrought fantasy world, *SOUL REVERSE* is sure to captivate a wide spectrum of players.



SOUL REVERSE
©SEGA

Snow Activities in *NORTH SNOW LAND in CHITOSE!*



For the past eight winters, *The North Country Golf Club* has opened and operated the *NORTH SNOW LAND in CHITOSE* snow activity center in Chitose, Hokkaido. Offering a site where guests can have fun in the snow only 15 minutes’ drive from New Chitose Airport, the center has become popular with visitors from overseas in recent years. We look forward to welcoming even more guests this winter.



This winter’s business period is from December 29, 2017, to March 6, 2018.

GROUP INFORMATION

Company Profile (As of September 30, 2017)

Company Name	SEGA SAMMY HOLDINGS INC.
URL	http://www.segasammy.co.jp/english/
Established	October 1, 2004
Capital	¥29.9 billion
Number of Employees	7,737 (Consolidated)

Directors and Audit & Supervisory Board Members

Hajime Satomi	Chairman and CEO (Representative Director)
Haruki Satomi	President and COO (Representative Director)
Naoya Tsurumi	Senior Executive Vice President (Director of the Board)
Koichi Fukazawa	Executive Vice President and CFO (Director of the Board)
Hideki Okamura	Executive Vice President (Director of the Board)
Yuji Iwanaga	Director of the Board (External)
Takeshi Natsuno	Director of the Board (External)
Kohei Katsukawa	Director of the Board (External)
Shigeru Aoki	Standing Audit & Supervisory Board Member
Yukito Sakaue	Audit & Supervisory Board Member
Tomio Kazashi	Audit & Supervisory Board Member (External)
Mineo Enomoto	Audit & Supervisory Board Member (External)

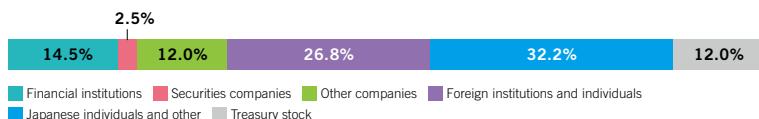
Information on Outstanding Shares (As of September 30, 2017)

Number of Shares Authorized for Issuance	800,000,000 shares
Total Number of Shares Issued and Outstanding	266,229,476 shares
Number of Shareholders	84,172

Principal Shareholders

Name of shareholder	Shares held	Shareholding ratio (%)
Hajime Satomi	31,869,338	11.97
Company's Tr. Stock	31,845,527	11.96
FSC Co., Ltd.	12,972,840	4.87
HS Company	11,750,000	4.41
Japan Trustee Services Bank, Ltd. (Trust account)	9,348,000	3.51

Breakdown of Shareholders



Shareholder Memo (As of September 30, 2017)

Stock Code	6460
Trading 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)
Method of Public Notice	Electronic public notices
Notification URL	http://www.segasammy.co.jp/japanese/etc/notice
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Administrative Office of Transfer Agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation, 1-1, Nikkocho, Fuchu-shi, Tokyo 183-0044, Japan Phone: +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/>

IR INFORMATION

As part of its ongoing enrichment of investor engagement, the SEGA SAMMY Group has responded to shareholder feedback by providing a window on its operations through the *Business Report*.

▶ SEGA SAMMY HOLDINGS INC. IR Information Center

For inquiries about questionnaires, share information, corporate information, and other related information, please contact the phone number below. Further, kindly note that the IR Information Center is closed on Saturdays, Sundays, national holidays, and company holidays.

Phone: **+81-3-6215-9839**

Business hours: Monday through Friday, **9:00 a.m.—6:00 p.m.**

▶ IR Calendar

Schedule of activities for shareholders and investors:

February	Announcement of results for the nine months ending December 31, 2017
May	Announcement of results for the fiscal year ending March 31, 2018
June	Ordinary General Meeting of Shareholders / Release of the <i>Business Report</i> for the fiscal year ending March 31, 2018

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 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 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 undue reliance should not be placed on them.

Also, it should not be assumed 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.



Investor Relations Online

Through our IR website, we disclose consolidated financial statements, press releases, *Integrated Report 2017*, and other statutory disclosure documents as well as actively provide briefings on management strategies.

<http://www.segasammy.co.jp/english/ir>



SEGA SAMMY HOLDINGS INC.

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Minato-ku, Tokyo 105-0021, Japan