

Major Questions Concerning Actual Results for Second Quarter of Year Ending March 2016

November 30, 2015
SEGA SAMMY HOLDINGS INC.

Actual Results for the Second Quarter of the Year Ending March 2016

■ General Matters

Q: What factors mainly led to a decrease in sales and an increase in income compared to the same period of the previous fiscal year?

A: Although mainstay titles such as “**Pachislot Hokuto No Ken Tomo**” and “**Pachinko CR Shin-Juoh 2**” were sold, unit sales decreased year-on-year. On the other hand, income increased due to sales of mainstay titles with high profitability, effects from such as reduction of fixed expenses in the Entertainment Contents Business taking place, reduction in development expenses as there were no sales of mainstay titles in the packaged games area and the amusement machines area, etc.

Q: Will the full-year forecast of operating results be revised since both sales and income as of the second quarter have significantly fallen below the forecasts?

A: Since the factor that caused the actual results for the first half to fall below the initial forecast was the change in the sales schedule in the Pachislot and Pachinko Machines Business, the full-year forecast has not been revised as of today. However, since the ongoing market environment for the Pachislot and Pachinko Machines Business is expected to remain weak, sales trend of mainstay titles and other factors in the third quarter and onward should be carefully assessed.

Furthermore, delaying trends in title releases due to lengthening of development period are also seen in the digital games area of the Entertainment Contents Business. On the other hand, not only the release of new titles, but also enhancement of events related to existing mainstay titles and major updating to improve game elements and such are scheduled in the third quarter and onward. We will promptly announce any necessary revision to the forecast of operating results after assessing and examining the sales status, operation status and such of the aforementioned products, services, etc.

Q: What are the purposes and outline of structure reform at TAIYO ELEC?

A: In order to create an organization which can deal with changes in the future business environment, structure reform was implemented in the Pachislot and Pachinko Machines Business centering on streamlining production and development structures.

Also at the same time, as solicitation of voluntary retirement was conducted at a group company TAIYO ELEC Co., Ltd., extraordinary loss of approximately 1.8 billion yen, which includes early extra retirement payments, is recorded. On the other hand, approximately 2 billion yen per year reduction in

fixed expenses can be expected in the next fiscal year and onward, compared to that in the fiscal year ended March 2015.

■ **Pachislot and Pachinko Machines Business**

Q: What factors led to a decrease in sales and an increase in income compared to the same period of the previous fiscal year?

A: Income increased due to sales of mainstay titles with high profitability while sales decreased due to a year-on-year decrease in unit sales.

Q: What is the possibility of achieving the full-year forecast for the fiscal year ending March 2016?

A: Sales of several pachislot machines including mainstay titles such as “**Pachislot Onimusha3 Jikuu Tenshou**” and of several titles including “**CR Hokuto No Ken 6 Tenshou Hyakuretsu**” are scheduled for pachinko machines in the second half of the fiscal year. However, it is possible that sales may be sluggish affected by the market environment. Thus the sales trend and such in the third quarter should be carefully assessed.

Q: What are the future market environment and business outlook?

A: As to the outlook for the pachislot machines market in the second half of the fiscal year, since titles approved under the former standards (before last year’s launch of new prototype testing by Hoan Tsushin Kyokai (Security Communications Association)) are still steadily operated, their replacements with new machines are expected to be generally slow. Also for the pachinko machines market, in line with the application of new agreement reached by Nihon Yugiki Kogyo Kumiai (Union for pachinko machine manufacturers) on measures to prevent “addiction,” replacements of pachinko machines are expected to be slow. These and other factors are likely to bring a severe market environment over a short-term.

■ **Entertainment Contents Business**

Q: What factors led to an increase in income compared to the same period of the previous fiscal year?

A: Income increased due to factors such as the effects of reduction in fixed expenses, etc. strong performance in the amusement center operations area and a decrease in development expenses, etc. from not launching mainstay titles in the packaged games area and the amusement machines area.

Q: What is the possibility of achieving the full-year forecast for the fiscal year ending March 2016?

A: For the second half of the fiscal year, we will conduct measures to further improve revenues through further development of lineup by offering new titles, holding various events related to existing titles, implementing measures such as major updating to enhance game elements, centering on the digital games area. For this, it will be necessary to assess the effects of these measures going forward.

<Matters related to the digital games area>

Q: What factors led to decreases in sales and income compared to the same period of the previous fiscal year?

A: Sales and income decreased as PC online game “**Football Manager Online**” developed poorly in South Korea, some titles failed to gain positive feedback initially expected and advertising and other expenses increased due to an increase in number of new titles, although new mobile games have made a relatively good start.

Q: What are current status and future outlook of existing titles?

A: “**PHANTASY STAR ONLINE 2**” has been performing well since its update in July. Various measures will be also taken going forward, including distribution of “**Reborn: EPISODE4**” and scheduled launch of PlayStation®4 version in 2016 in the second half of the fiscal year.

“**CHAIN CHRONICLE**” and “**Puyopuyo!! Quest**” are into their third year since the start of service, and have maintained a stable operation level. In October, major update such as addition of multiple player function and of sub-attributes was implemented for “**Puyopuyo!! Quest.**” Further growth will be targeted for “**CHAIN CHRONICLE**” as well by conducting ongoing measures such as holding of events, etc.

■ **Resort Business**

Q: What is the status of TOKYO JOYPOLIS?

A: As a result of efforts to improve facility operation centering on collaboration with popular contents such as “**Attack on Titan,**” the number of users and average sale per customer solidly grew to show 19% and 4% year-on-year increase, respectively. We will continue to work to strengthen contents production capability by collaboration with popular contents, like “**Tokyo Ghoul × JOYPOLIS**” and others going forward.

Q: What is the status of Orbi Yokohama?

A: The museum offering supercharged nature experience, **Orbi Yokohama**, showed weak performance with 19% year-on-year decrease in the number of facility users although average sale per customer increased 7% with a launch of a new program “**Roxy’s Island Adventure**” and holding of a summer holiday event, “**MinatomiraiZoo.**” We will continue to work to increase the number of visitors by introducing new video contents, etc.

Q: What is the status of Phoenix Seagaia Resort?

A: The total number of visitors decreased 11% year-on-year due to the closure of “**Sun Hotel Phoenix**” in June 2015. However, average sale per customer increased 15% year-on-year due to the increase in the number of visitors to Sheraton Grande Ocean Resort. In the second half of the fiscal year, sales promotion measures such as golf events, fireworks, etc. will be implemented.

<End>

*The contents of this material are the judgments and projections of the Company's management based on currently available information. These contents include risks and uncertainties and the actual results may differ materially from these contents/comments.