

Major Questions Concerning Actual Results for Year Ended March 2016 and Forecast for Year Ending March 2017

June 28, 2016

SEGA SAMMY HOLDINGS INC.

Actual Results for the Year Ended March 2016

■ General Matters

Q: What factors led to a decrease in sales and increase in income compared to the previous fiscal year (fiscal year ended March 2015)?

A: Sales fell below the actual results of the previous fiscal year mainly due to pachislot machines with the exception of mainstay titles experiencing weak sales as a result of the change in regulations as well as other factors during the period, and the weak performance of the digital game software field as some titles were not received as favourably as expected. On the other hand, increase in income was achieved by promoting measures to improve the profit ratio in the Pachislot and Pachinko Machines Business and by improving profitability mainly in the Entertainment Contents Business as a result of the cost structure review conducted in the fiscal year ended March 2015.

■ Pachislot and Pachinko Machines Business

Q: What factors led the unit sales of pachislot machines to fall below the actual result of the fiscal year ended March 2015?

A: Although the sales of machines for series with good track records such as “**Pachislot Hokuto No Ken Tomo**” and “**Pachislot Onimusha3 Jikuu Tenshou**” performed well, the change in regulations among other factors impacted unit sales for non-mainstay titles, leading to weak sales of pachislot machines and an overall decrease in unit sales.

■ Entertainment Contents Business

Q: What factors led to posting a loss for the digital game software field?

A: Mainstay titles remained solid. However, a loss was posted due to the launch of new online games targeting South Korea; asset value reassessment of titles including some for smart devices that struggled to gain market attention; and increased advertising costs.

Q: What factors led to the improvement in overall performance for the Entertainment Contents Business?

A: Income increased with overall improvement in segment profitability, a result of cost reduction through withdrawal from, and reduction of unprofitable businesses, etc. executed in the fiscal year ended March 2015 in fields other than digital game software.

Forecast for the Year Ending March 2017

■ General Matters

Q: What factors led to the forecast of increased sales and income compared to the previous fiscal year (fiscal year ended March 2016)?

A: In the Pachislot and Pachinko Machines Business, increased sales is projected centering on pachislot machines of which unit sales is scheduled to be increased through the release of several titles including mainstay titles. As for income, increased income is projected as profitability of the digital game software field in the Entertainment Contents Business is expected to improve through further focus on existing domestic titles.

■ Pachislot and Pachinko Machines Business

Q: What factors led to the forecast of decreased income compared to the previous fiscal year (fiscal year ended March 2016)?

A: Decrease in income is projected for the Pachislot and Pachinko Machines Business because there will be a period where anticipating cost improvement from reuse, etc. will be difficult, and as it falls under the period when new frames and new parts are to be diffused.

Q: What are the scheduled number of unit sales and titles for the fiscal year ending March 2017?

A: As for pachislot machines, “**Pachislot CODE GEASS Lelouch of the Rebellion R2**” is the most recent release. We project an increase in unit sales compared to the previous fiscal year (fiscal year ended March 2016) through the launch of several titles including mainstay titles. As for pachinko machines, unit sales are projected to decline due to the impact of a new “agreement” concerning addiction countermeasures, etc.

■ Entertainment Contents Business

Q: What factors led to the forecast of increased sales and income compared to the previous fiscal year (fiscal year ended March 2016)?

A: Sales are projected to increase through the launch of several mainstay titles in the packaged game software field and the amusement machine sales field as well as the development of business for platform games targeting Southeast Asia in the digital game software field. As for income, increased income is projected as efforts to improve profitability will progress with effective distribution of resources focused on making existing mainstay title “**PHANTASY STAR ONLINE 2**” compatible with PlayStation 4, and updating “**CHAIN CHRONICLE – Kizuna no Shintairiku**” and “**Hortensia SAGA**” for smart devices in the digital game software field, while costs including those for R&D will increase due to the increase in the number of new mainstay titles in the packaged game software field, the amusement machine sales field, etc.

■ Resort Business

Q: What factors led to the forecast of increased loss compared to the previous fiscal year (fiscal year ended March 2016)?

A: Increase in loss is projected as the burden of amortization expenses for “**Phoenix Seagaia Resort**” and will increase due to the large-scale renovation work on hotel guest rooms scheduled to be completed this summer while expenses such as prior investments in the IR (Integrated Resorts) business will be incurred.

Structure Reform

■ Matters Concerning Structure Reform

Q: What efforts for structure reform were made during the fiscal year ended March 2016?

A: Regarding efforts for structure reform during the fiscal year ended March 2016, progression was achieved by finalizing decisions on whether to invest or withdraw and through review of the business portfolio in an aim to pursue efficiency. By classifying businesses, we have established a clear path to return to growth.

Q: What activities were involved in the classification of businesses?

A: We classified businesses into “Growth Business,” “Stable Revenue/Maintain Business” and “Withdraw/Downsize Business” based on the standards of “market growth potential,” “profitability” and “competitive advantage.” We classified “Digital Games,” “IR (Integrated Resorts)” and “Other New Businesses” as growth businesses and “Pachislot and Pachinko Machines,” “Packaged Games,” “Amusement Machine Sales,” “Amusement Center Operations” and “Animation” as businesses with stable revenue/business to be maintained. We will review the business classifications as needed.

Q: What is your goal on a medium to long-term perspective?

A: We’ve positioned operating income margin and ROA as SEGA SAMMY Group’s management policies to be emphasized going forward.

The Group has set a target of achieving consolidated operating income margin of 15% and consolidated ROA of 5% by the fiscal year ending March 2020.

As for the Pachislot and Pachinko Machines Business, we will aim to achieve an operating income margin of 30% by the fiscal year ending March 2020 through thorough pursuit of efficiency.

As for the Entertainment Contents Business, we will aim for an operating income of 20 billion yen by the fiscal year ending March 2020 through the growth strategy centered on the digital game software field as well as through the improvement of overall efficiency in other fields.

As for the Resort Business, we will continue to aim for an entry into the IR (Integrated Resort) business as the third pillar.

Furthermore, we will continue discussing development of new business, etc. to seek new pillars of future income.

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

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*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.