

December 7, 2016

SEGA SAMMY HOLDINGS INC.

■ **General Matters**

Q: What factors led to the revision of the forecast of operating results for the fiscal year ending March 2017?

A: Sales are expected to decrease in comparison with the previous forecast due to the decrease in the number of titles and unit sales as a result of the strategic review of the sales line-up mainly in the Pachislot and Pachinko Machines Business. On the other hand, with improvement in profitability due to improvement in cost structure for R&D expense, etc. in addition to cost improvement through the reuse of components, increases in operating income and ordinary income in comparison with the previous forecast are expected.

Furthermore, profit attributable to owners of parent has been revised to 30 billion yen as a result of the transfer of noncurrent assets during the first half of the fiscal year, the share transfer of a subsidiary as announced on October 31, 2016 and other factors.

■ **Pachislot and Pachinko Machines Business**

Q: What is the operational status of “**Pachislot Hokuto No Ken Syura no kuni hen**” and what are the reasons behind it?

A: We recognize that current operations are not at the level necessary to meet the expectations of pachislot halls. The larger number of units introduced in the market than unit sales of “**Pachislot Hokuto No Ken Tomo**” launched last year and continued operation of the Hokuto No Ken series from the past are believed to have impacted the operational status among other reasons.

■ **Entertainment Contents Business**

Q: What is the current status of PC game development companies in Europe and North America?

A: There are four main studios for PC game development in Europe and North America; Amplitude Studios SAS in France, which we acquired in the current fiscal year, Relic Entertainment, Inc. in Canada, and Creative Assembly Ltd. as well as Sports Interactive Ltd., both in the U.K. Creative Assembly Ltd. engages not only in development of its own titles but also in outsourced development which includes “**Halo wars 2.**”

Q: As for the packaged game software field, the amusement machine field and amusement center operations field, what factors led to lower profitability in the second half of the fiscal year compared with the first half?

A: In the packaged game software field, while contribution from new titles with high margin, etc. accounted for a large portion in the first half, sales to be recorded in the second half are expected to be from distribution sales, etc. with relatively low margin.

Q: What is the context for releasing titles linked to arcade games through “Multi Device One Service”?

A: We have announced the release of three titles, “**SOUL REVERSE ZERO**,” “**StarHorse Pocket**” and “**CODE OF JOKER Pocket**.” With this initiative, we will guide more users from smartphone to arcade games.

Q: What measures have been prepared for the Nintendo Switch?

A: Although we cannot provide detailed information at this point, we are working to develop titles as was previously been announced.

#### ■ **Resort Business**

Q: What is the impact of the sales of the JOYPOLIS business on profit and loss?

A: As we have announced, SEGA LIVE CREATION Inc., which operates JOYPOLIS, posted operating loss in the fiscal year ended March 2016. Therefore, sales at this time are expected to improve profitability in the fiscal year ending March 2018. As for the second half of the fiscal year ending March 2017, extraordinary loss of approximately 1.4 billion yen is expected to be recorded.

Q: What is the anticipated business scale of PARADISE CITY scheduled to open in South Korea in April 2018 and its impact on the operating results?

A: PARADISE SEGASAMMY Co., Ltd., the operator of PARADISE CITY, will be an equity method affiliate, and the impact from the above business will be reflected in the operating results of our company as non-operating profit and loss.

#### ■ **Other Business**

Q: What is the purpose of the consolidation of business bases to be implemented in 2018?

A: In addition to expecting a reduction in office rents in line with the consolidation, we also aim to create synergy among business sectors through consolidation of group companies which are currently dispersed. We will also make further efforts to improve productivity by advancing discussion on workstyle reform at the same time.

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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.