

Summary of Full Year Results FY Ended March 2013

May 21, 2013

SEGA SAMMY HOLDINGS INC.

(1) Fiscal Year Ended March 2013 Full Year Results

■ Consolidated Income Statements

Consolidated net sales for the fiscal year ended March 2013 were **down 18.7%** year-on-year to **321.4 billion yen**, operating income was **down 67.4%** to **19 billion yen** and ordinary income was down **64.0%** to **20.9 billion yen**.

Extraordinary gain of **10.1 billion yen** for gain on transfer of benefit obligation relating to employees' pension fund was posted, while there was extraordinary loss of **5.4 billion yen** for loss on liquidation of affiliated companies and impairment loss of goodwill.

In addition, net income increased by **53.2%** year-on-year to **33.4 billion yen** due to a decrease in total income taxes resulting from the completion of liquidation of some consolidated subsidiaries in the U.S.

■ Cost and Expenses

• R&D Expense /Content Production Expense

Decreased by 15.2% compared to the results of the previous fiscal year mainly due to the decrease in number of packaged game titles as a measure for the structural reform in the Consumer Business

• Cap-ex

Decreased by 9.1% compared to the results of the previous fiscal year mainly due to the reactionary loss from investments in establishing a new plant for the Pachislot and Pachinko Machines Business in fiscal year ended March 2012

• Depreciation

Increased by 12.4% compared to the results of the previous fiscal year mainly due to the increase in the digital game titles in the Consumer Business and the commencement of operation of the new plant for the Pachislot and Pachinko Machines Business

• Advertising

Decreased by 23.8% compared to the results of the previous fiscal year mainly due to the decrease in number of sales titles in the Pachislot and Pachinko Machines Business and the Consumer Business

■ Consolidated Balance Sheet

Current assets decreased **9.1 billion yen** due to a decrease in notes and accounts receivable-trade and short-term investment securities. Meanwhile, non current assets increased **40.1 billion yen** due to the factors including increase in investment securities (Increase of market value from the share price of Sanrio etc.) and the construction of Sammy's new plant.

As a result, total assets as of the end of the current fiscal year increased **31.1 billion yen** from the end of the previous fiscal year, to **528.5 billion yen**.

Net Assets increased **23.7 billion yen** to **320 billion yen**.

Equity ratio came to **59.7%**, as we continue to maintain a sound level.

Consolidated Cash Flows

Cash flow from operating activities was **plus 18.6 billion yen** as accounts payable decreased **10.1 billion yen** while we posted income before income taxes and minority interests of **25.6 billion yen**.

Cash flow from investing activities was **plus 6.3 billion yen** due to proceeds of redemption of **42.6 billion yen** short-term investment and payment of **21.8 billion yen** for acquisition of property, plant and equipment.

Cash flow from financing activities was **minus 1.1 billion yen**, due to payments of **23.5 billion yen** in redemption of bonds while we had financing of **33.0 billion yen** through long-term debt.

As a result, the balance of cash and cash equivalents at the end of this fiscal year increased **27.7 billion yen** from the previous fiscal year end to **174.2 billion yen**

Pachislot and Pachinko Machines

In the results of Pachislot and Pachinko Machines Business for the fiscal year ended March 2013, net sales were **down 33.0%** year-on-year to **142.2 billion yen** and operating income was **down 66.9%** to **23.5 billion yen**.

Pachislot unit sales **decreased** by approximately **100,000 units** year-on-year to approximately **202,000 units** due to revising the sales schedule for several titles, including the mainstay title “**Pachislot Hokuto No Ken**” despite the solid sales of launched titles.

Pachinko unit sales **decreased** by approximately **110,000 units** year-on-year to **216,000 units** due to weak sales of several other mid-level titles impacted by the market environment overemphasizing the major titles, despite the robust sales of the mainstay title “**Pachinko CR Hokuto No Ken 5 Hasha**” and its high evaluation in the market.

Amusement Machine Sales

In the results of Amusement Machine Sales Business for the fiscal year ended March 2013, net sales were **down 21.6%** year-on-year to **39.1 billion yen** and operating income was **down 74.3%** to **1.9 billion yen** due to there being no launch of major titles.

Amusement Center Operations

Net sales for the fiscal year ended March 2013 were **down 4.3%** year-on-year to **42.7 billion yen**, but the operating income **increased** approximately **266.7%** year-on-year to **1.1 billion yen** due to decrease of depreciation from the change of accounting policies.

Consumer Business

Net sales for the fiscal year ended March 2013 were **down 2.1%** year-on-year to **83.8 billion yen** and operating loss was **700 million yen**, resulting in reduction of operating loss from the previous fiscal year.

In the Packaged Game Business, unit sales decreased year-on-year due to a narrowing down of the number of titles as a measure for the structural reform in Europe and the U.S.

In addition, in Digital Games field, which the Company positions as a growing field, the service of “**Phantasy Star Online 2**” continues to be robust, and “**Kingdom Conquest**” series was solid.

In the Toy Business, sales of mainstay products such as “**Jewelpod Diamond**” were solid, and in the Animation Business, distribution revenue and film distribution for the movie “**ANPANMAN**” was robust.

(2) Fiscal Year Ending March 2014 Full Year Forecasts

Consolidated Income Statements

Consolidated net sales for the fiscal year ending March 2014 are forecast to **increase 50.9%** year-on-year to **485 billion yen**, operating income is forecast to **increase 284.2%** to **73 billion yen**, ordinary income is forecast to **increase 244.5%** to **72 billion yen**, and net income is forecast to **increase 40.7%** to **47 billion yen**.

Concerning dividend forecasts, the interim and year-end dividends are projected to be **20 yen** per share and the annual dividend is projected to be **40 yen** per share.

Pachislot and Pachinko Machines

Net sales and operating income for the fiscal year ending March 2014 are forecast to be **270 billion yen** and **74 billion yen**, respectively.

Pachislot unit sales are forecast to significantly increase due mainly to the launch in June of the Sammy brand “**Pachislot Hokuto no Ken Chapter of Resurrection**,” the mainstay title of this fiscal year.

The market environment for pachinko machines is forecast to continue to be severe, but unit sales are forecast to increase primarily by introducing several mainstay titles in the second half of the fiscal year.

Amusement Machine Sales

Sales and profit are forecast to increase with net sales and operating income for the fiscal year ending March 2014 forecast at **45.5 billion yen** and **2.7 billion yen**, respectively, due to scheduled launch of the new “**Hokuto no Ken**” medal game and launch of the service for a new title “**CODE OF JOKER**” utilizing the revenue sharing model.

Amusement Center Operations

Domestic same store sales for the fiscal year ending March 2014, are forecast to exceed the results of the previous fiscal year at **101.8%** by strengthening management capabilities and opening facilities in shopping centers. Net Sales for the fiscal year ending March 2014 is forecast to increase by **6.6%** to **45.5 billion yen** and operating income for the fiscal year ending March 2014 is forecast to decrease by **81.8%** to **200 million yen**.

The stores targeted as same stores have been changed from the forecast for the fiscal year ending March 2014 as a result of integration of center operation business within the Group. As a result, the number of stores as of the end of the fiscal year ending March 2014 is expected to be **197**.

In addition, a nature themed experience-based entertainment park, developed between Sega Corporation and the British Broadcasting Corporation (BBC), is planned for opening in late July.

■Consumer Business

Net sales for the fiscal year ending March 2014 are forecast to **increase 30.7%** year-on-year to **109.5 billion yen**, and operating income and loss is forecast to **turn to operating income of 3.9 billion yen**.

In Packaged Games field, titles that can expect to bring solid operating results are expected to be mainly released which is same as the previous fiscal year. Unit sales overall are forecast to be **11.66 million** partly due to expected sales of “**Company of Heroes 2**,” a title by THQ Canada which was acquired in the previous fiscal year.

In addition, in Digital Games field, which the Company positions as a growing field, the service of “**Phantasy Star Online 2**” continues to be robust, and “**Kingdom Conquest**” series was solid.

In the Toy Business, sales of mainstay products such as “**Jewelpod Diamond**” were solid, and in the Animation Business, distribution revenue and film distribution for the movie “**ANPANMAN**” was robust.

(3) Future Activities

■Pachislot and Pachinko Machines

Firstly, we will explain the activities in Pachislot and Pachinko Machines Business for this fiscal year.

The fiscal year ended March 2013 resulted in a temporary drop in shares due to the delay of sales schedule in Pachislot, however, we are preparing several mainstay titles and major titles for the fiscal year ending March 2014 in addition to firstly introducing a major title “**Hokuto No Ken**” in Pachislot”, and we will aim to capture the leading position once again.

Pachinko machine unit sales saw unfortunate results in the previous fiscal year even amidst regular expansion of market share, but “**Pachinko CR Hokuto No Ken 5 Hasha**,” which was introduced in February, is evaluated very highly by users and pachinko halls leading to additional orders which exceeded the initial forecast.

We will aim to capture the leading position not only in the pachislot machine market, but also in the pachinko machine market by introducing high quality products such as “**Pachiko CR Hokuto No Ken 5**”.

In addition, as for the multi-brand strategy which the Company has been conducting, we will improve the Group’s comprehensive strength by continuing activities to strengthen each brand.

■Amusement Machine Sales

Despite sales and profits decreasing due to there being no sales of major titles in the fiscal year ended March 2013, we plan to newly introduce “**Hokuto No Ken**” medal game machine and a new title “**CODE OF JOKER**” under revenue sharing models.

Going forward, we will create stable earnings through medium-term lineup management and removing the periods when product lineups are not released as seen in the previous fiscal year.

Furthermore, we will progress investigation into introducing the free-to-play model, which will be a new business model, in addition to our ongoing activities in the revenue sharing models.

We will seek to generate stable profits by adapting to the market environment through such products and business models.

■Amusement Center Operations

We will explain our activities for the Amusement Center Operations Business for the fiscal year ending March 2014.

In the fiscal year ended March 2013, Amusement Center Operations Business saw unfortunate results, as the SEGA same store sales decreased significantly year-on-year.

Going forward, we will aim to expand earnings by improving store management capabilities and strengthening opening of facilities in shopping centers.

As for “**Tokyo JOYPOLIS**,” which was reopened following renewal in July 2012, we are working to increase its recognition by strengthening advertisement activities, etc., and it is off to a robust start exceeding the initial forecast for the recent Golden Week holidays.

Furthermore, this summer, we will open in Minato Mirai, Yokohama the world’s first facility that will utilize visual content from the British Broadcasting Corporation (BBC).

We will develop it as a new business structure that can attract three generations of family through nature and content in which gender and age do not matter.

■Consumer Business

We will explain the future activities in the Consumer Business.

Earnings for the fiscal year ended March 2013 significantly improved year-on-year due to improvements in Packaged Game field resulting from measures for structural reform in Europe and the U.S. in addition to the success of “**Phantasy Star Online 2**”.

In the fiscal year ending March 2014, we will further develop the cross-platform strategy including “**Phantasy Star Online 2**”.

We will also aim for further growth through horizontal development of strong IPs and by securing new earning opportunities.

As a plan for the future, we are investigating on development of IPs utilizing Animation, etc.

In the Digital Games field, we will aim to further expand earnings by improving quality of titles and expanding sales channels.

■Resort Complex Business

We will explain the progress of the resort complex business, which we regard as a future pillar for earnings.

First, as for the progress of the resort complex including a casino in Incheon City, South Korea, which was announced in May 2012, the resort complex is scheduled to open in 2016, and it is forecast that this will be the first resort complex casino in South Korea.

Furthermore, Paradise Sega Sammy, which is a joint venture between Paradise Group, which is the business partner of this resort complex business, and the Company and which is the associates accounted for using equity method, plans to acquire Paradise Casio Incheon, which is currently operated by Paradise Group, on July 1, 2013 and plans to directly operate the casino facility.

In accordance with this, the Company will have the status of owning an affiliated company that holds

casino license and operates casinos. It will also be possible for the Company to send personnel to the joint venture company and directly build up the know-how of casino operations prior to the opening of the resort complex in 2016.

Furthermore, regarding the resort complex development in Busan City, as announced in January 2013, we established a local subsidiary SEGA SAMMY BUSAN INC. in April, and have already concluded a transaction agreement concerning the related land. We aim to open the resort complex in 2016 the same as the project in Incheon.

In addition, regarding the resort complex operation in Japan, we made PHOENIX SEAGAIA RESORT a wholly owned subsidiary in 2012, and we are acquiring the operational know-how by sending personnel to the company.

Regarding PHOENIX SEAGAIA RESORT, we will review and improve the existing facilities and strive to improve customer attraction.

Currently, there is a rumor about a movement to legalize casinos in Japan, and we are actively thinking about how to engage in the market if and when this happens. Furthermore, we think that the operational know-how and the operating results of the resort complexes in Japan and overseas will be the Company's strength when entering the market.

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*The contents of this material and comments made during the questions and answers etc. of this briefing session are the judgment and projections of the Company's management based on currently available information. The contents involve risk and uncertainty and the actual results may differ materially from these contents / comments.