

## Summary of 3rd Quarter Results for FY Ending March 2014

February 25, 2014  
SEGA SAMMY HOLDINGS INC.

### **■Results Highlights**

Year-on-year, sales and profits increased.

Sales and profits significantly increased year-on-year mainly due to sales of mainstay titles in the Pachislot and Pachinko Machines Business and robust Digital Games Business in the Consumer Business, etc.

### **■Consolidated Income Statements (Summary)**

Consolidated net sales for the third quarter of the fiscal year ending March 2014 **increased** by **47%** year-on-year to **303.9 billion yen**, operating income **increased** by **564%** to **46.5 billion yen** and ordinary income **increased** by **485%** to **49.1 billion yen**.

Extraordinary gain of **15.5 billion yen** was posted due to gain on sales of investment securities resulting from the sales of shares of Sanrio Co., Ltd., etc., while on the other hand, there was an extraordinary loss of **1 billion yen** due to loss on liquidation of affiliated company resulting from the liquidation of Sega Jinwin (Shanghai) Amusements Co., Ltd., the joint venture company that conducts development, manufacturing and sales of amusement machines in China.

Quarterly net income **increased** by **1,377%** year-on-year to **44.3 billion yen**.

The progression of results up to the third quarter is mostly solid against the full-year forecasts, but in order to achieve the full-year forecasts, there are some management issues left such as the need to release mainstay titles of pachislot and pachinko machines in the fourth quarter, etc. The Company will promptly announce revisions if they are deemed necessary after determining the sales trends and such of individual products, including pachislot and pachinko machines, in the fourth quarter.

### **■Costs and Expenses**

- R&D Expense / Content Production Expense

R&D expense / content production expense for the third quarter results increased year-on-year centering on the Pachislot and Pachinko Machines Business and the Consumer Business.

- Cap-ex

Cap-ex increased year-on-year due to the purchase of land in Busan, South Korea in the first quarter.

- Depreciation

Depreciation increased year-on-year mainly centering on the Pachislot and Pachinko Machines Business, which started operations of a new factory and a new logistics center in September 2012.

- Advertising Expense

Advertising expense increased year-on-year centering on the Pachislot and Pachinko Machines Business and the Consumer Business.

### ■Consolidated Balance Sheet (Summary)

Compared to the end of the previous fiscal year, current assets increased by **23.5 billion yen** due to the decrease of cash and deposits, while on the other hand, securities (short-term fund management) and accounts receivable increased. Noncurrent assets increased by **23.5 billion yen** due to the purchase of land in Busan and emerging of goodwill.

As a result, total assets as of the end of December 2013 increased by **47 billion yen** from the end of the previous fiscal year, to **575.5 billion yen**.

Net assets increased by **38.7 billion yen** to **358.7 billion yen**.

Equity ratio came to **61.5%**, as we continue to maintain a sound level.

### ■Pachislot and Pachinko Machines

Year-on-year, net sales **increased** by **116%** to **160.2 billion yen** and operating income **increased** by **549%** to **50 billion yen**.

Pachislot unit sales increased year-on-year due to the solid sales of “**Pachislot Eureka Seven 2**,” “**Pachislot Juoh**” and “**Pachislot Bakemonogatari**.”

In addition, as for pachinko unit sales, despite the solid sales of Sammy brand mainstay title “**Pachinko CR Hokuto No Ken 5 Hyakuretsu**,” sales of titles other than mainstay titles are sluggish due to a severe market environment.

As for the full-year forecasts, mainstay pachislot titles scheduled for release in the fourth quarter require an appropriate introduction period to be determined, and will be carefully investigated in view of market trends, etc.

### ■Amusement Machine Sales

In the third quarter, Amusement Machine Sales **posted losses** and net sales **decreased** by **8%** year-on-year to **28 billion yen** despite newly releasing “**Hokuto no Ken BATTLE MEDAL**,” due to sales becoming sluggish as a result of the curbing of investment on new titles by amusement facilities operators.

As for the full-year forecasts, mainstay title “**The World of Three Kingdoms**” will be released, but the Company will carefully determine the sales trend as it is forecasted that the market environment will continue to be sluggish.

### **■Amusement Center Operations**

Net sales **increased** by 1% year-on-year to **32.4 billion yen**, but **posted loss** as a result of same store sales struggling to increase.

There were **203 domestic facilities** at the end of the third quarter following **four** openings and **three** closures.

As for the full-year forecasts, although the market environment is expected to continue to be sluggish, we will aim to strengthen the earning capacity of each store by continuing to strengthen the management capabilities, etc.

### **■Consumer Business**

Net sales **increased** by 20% year-on-year to **72.3 billion yen** and operating income **increased** by 440% to **2.7 billion yen** due to the expanded earnings in the Digital Games Business.

In the Packaged Games Business, several new titles were released such as “**Football Manager 2014**” and “**Sonic Lost World**,” but sales were sluggish.

In the Digital Games Business, “**Phantasy Star Online 2**” continues to be robust. The number of SEGA Networks mainstay titles increased to 10 titles, and there are several that can develop into big hits. As a result, the gross revenue of SEGA Networks for the third quarter alone significantly increased from the previous quarter.

In the Toy Business and the Animation Business, mainstay products and titles were solid. In the Toy Business, we conducted sales of mainstay products such as “**Jewelpod Diamond Premium**,” and in the Animation Business, distribution revenue from the movie “**ANPANMAN: Fly! Handkerchief of hope**,” etc. was favorable.

Regarding the full-year forecasts, sales and profits are forecast to increase year-on-year due to improved earnings in the Digital Games Business.

Although the Packaged Games Business is expected to be sluggish, we will aim to expand earnings through developing titles for smartphones to develop into Asia in the Digital Games Business.

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