

**(1) Regarding FY Ending March 2015 Interim Results**

**■ Consolidated Income Statements (Summary)**

Consolidated net sales for the first half of the fiscal year ending March 2015 **decreased** by **5%** year-on-year to **154.2 billion yen**, operating income **decreased** by **72%** to **3.4 billion yen** and ordinary income **decreased** by **77%** to **3.3 billion yen**.

The first half net loss was **2.0 billion yen**.

Net loss for due to the revising of sales schedule in line with the **changes made to the prototype testing operational method for pachislot machines** in the Pachislot and Pachinko Machines Business, **downward revision to the full-year forecast was made** on October 31, 2014.

**■ Costs and Expenses**

• R&D expense/content production expense

R&D expense and content production expense increased year-on-year centering on the Consumer Business, which has been reinforcing its Digital Game Area, but were lower than the initial forecasts.

• Cap-ex

Cap-ex decreased compared to the same period in the previous fiscal year in which the acquisition of land in Busan was conducted. By segment, however, cap-ex increased year-on-year due to the increase of mold tools in the Pachislot and Pachinko Machines Business, and holding some assets directly to operate diversified products for wide range of users in the Amusement Machine Sales Business.

• Depreciation

Depreciation is in line with the initial forecasts.

• Advertising expense

Advertising expense increased year-on-year mainly in the Consumer Business due to the increase in titles in the Digital Game Area and the increase of ATLUS titles, which is included in the consolidation starting from this fiscal year. On the other hand, it was lower than the initial forecasts impacted by the postponement of the launch of some packaged game software titles.

**■ Consolidated Balance Sheet (Summary)**

Compared to the end of the previous fiscal year, current assets **increased by 6.1 billion yen** due to the increase in securities (short-term fund management), while cash and deposit and accounts receivable decreased. Noncurrent assets increased by **2.2 billion yen** due to the increase in property, plant and equipment, while conversely, investment securities (valuation loss on stocks held) decreased.

Current liabilities decreased by **9.3 billion yen** due to factors such as a decrease in notes and accounts-payable and in income taxes payable.

Net assets decreased by **4.7 billion yen** to **343.5 billion yen**.

As a result, total assets as of the end of September 2014 increased by **8.3 billion yen** from the end of the previous fiscal year, to **551.2 billion yen**.

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

**■ Pachislot and Pachinko Machines**

Net sales **decreased** by **15%** year-on-year to **60.6 billion yen** and operating income **decreased** by **52%** to **7.3 billion yen**.

In the pachislot machine business, unit sales decreased by around **50 thousand units** year-on-year to **92 thousand units** as a result of revising the sales schedule of some machines to the second half of the fiscal year, although “**Pachislot Virtua Fighter**” was launched.

Furthermore, as for the pachinko machine business, unit sales increased by **31 thousand units** year-on-year to **86 thousand units** as sales of several titles including “**Dejihane CR Hokuto No Ken 5 Jibo**” were strong.

### ■ Amusement Machine Sales

Net sales remained at the same level year-on-year at **18.0 billion yen**, and operating income was **100 million yen (operating loss of less than 100 million yen for the same period in the previous fiscal year)**.

In the Amusement Machine Sales Business, sales of CVT KITS, etc. for “**StarHorse3 Season III CHASE THE WIND**,” sales of CVT KITS and expendables such as cards for “**SENGOKU-TAISEN**,” and distribution of earnings from revenue sharing titles such as the “**BORDER BREAK**” series and “**SEGA NETWORK MAHJONG MJ5 Evolution**” were posted.

### ■ Amusement Center Operations

Net sales **decreased** by **5%** to **20.8 billion yen** year-on-year and operating loss was **200 million yen (operating income of 200 million yen for the same period in the previous fiscal year)**.

In the Amusement Center Operations Business, reinforcement of management capabilities of same stores was conducted as in the previous fiscal year, but domestic same store sales decreased due to the impact of the consumption tax rate hike. There were **198 domestic facilities** at the end of the second quarter following **three** openings and **three** closures.

### ■ Consumer Business

Net sales **increased** by **10%** year-on-year to **48.2 billion yen** and operating income **decreased** by **18%** to **900 million yen**.

In the Packaged Game Software Area, new titles including “**PERSONA 4 The ULTIMAX ULTRA SUPLEX HOLD**” were launched.

In the Digital Game Area, “**Phantasy Star Online 2**,” “**Puyopuyo!! Quest**” and “**CHAIN CHRONICLE – Kizuna no Shintairiku**” were strong. On the pachinko and pachislot game website for mobile phones and PCs, measures for “**777TOWN for Android**” and “**777TOWN for iOS**” for smartphones and “**Moba7**” for DeNA were enhanced.

In the Toy Business, sales were conducted focusing on “**Anpanman Series**” and “**Jewelpad**.”

In the Animation Business, distribution of earnings from the movie “**Detective Conan: Dimensional Sniper**,” and license revenue, product sales revenue, etc. from TV series “**Yowamushi Pedal**” remained strong.

### ■ Major Activities Concerning Casino Related Business (resort complex facility/ large complex facility)

As to **resort complexes including a casino in Incheon, South Korea**, PARADISE SEGASAMMY Co., Ltd. acquired Paradise Casino Incheon on July 1, 2013, which had been operated by the Paradise Group, the business partner of this resort complex business, and we are accumulating know-how. Furthermore, construction for development of a resort complex facility on the land adjacent to Incheon International Airport commenced in November 2014 and is scheduled to open in 2017.

For the development of a **large complex facility in Busan City, South Korea**, we will work on the development and operation of a large complex facility comprised of a hotel, entertainment and commercial facilities, etc. going forward.

## **(2) FY Ending March 2015 Full-Year Forecasts**

### ■ Consolidated Income Statements (Summary)

Consolidated net sales for the fiscal year ending March 2015 are forecasted to **decrease** by **2%** year-on-year to **370 billion yen**, operating income **decrease** by **53%** to **18 billion yen**, ordinary income **decrease** by **58%** to **17 billion yen** and net income **decrease** by **73%** to **12.7 billion yen** with the downward revision from the initial forecasts.

Regarding dividends, we are planning to pay an interim dividend of **20 yen** per share, a year-end dividend of **20 yen** per share and a total annual dividend of **40 yen** per share.

### ■ Pachislot and Pachinko Machines

For the full-year of fiscal year ending March 2015, initial forecasts have been revised downward forecasting net sales to **decrease 13%** year-on-year to **158.5 billion yen** and operating income to **decrease 45%** to **25 billion yen**.

In line with the changes to the prototype testing operational method for pachislot machines, specifications and sales schedule of each title were reviewed. As the result, annual pachislot unit sales for the current fiscal year have been revised from **374 thousand units** to **222 thousand units**. On the contrary, annual pachinko unit sales have been revised upward from **250 thousand units** to **267 thousand units** since “**CR Hokuto No Ken 6 Ken-ou**,” which was launched in the third quarter of the current fiscal year, has been performing well among other reasons.

### ■ Amusement Machine Sales

For the fiscal year ending March 2015, initial forecasts have been revised downward to forecast **4% increase** in net sales year-on-year at **40 billion yen** and operating loss of **2.3 billion yen**. Distribution earnings are expected to underperform

against the initial forecasts due to the low utilization of the revenue sharing model launched in the previous fiscal year. Sales of other new titles are also expected to struggle, thus the full-year forecasts are likely to fall below the initial forecasts.

#### ■ Amusement Center Operations

For the fiscal year ending March 2015, initial forecasts have been revised downward to forecast **5% decrease** in net sales year-on-year at **41 billion yen** and operating loss of **800 million yen**. Although we are putting efforts to improve profitability by narrowing down investments and streamlining facility operations, posting of loss is expected to continue due to the impact from the consumption tax hike, etc.

In addition, the number of domestic facilities is forecasted to be **198 facilities** at the end of the fiscal year ending March 2015.

#### ■ Consumer Business

For the fiscal year ending March 2015, initial forecasts have been revised downward to forecast of **17% increase** in net sales to **116.5 billion yen** and **150% increase** in operating income to **5 billion yen** compared to the previous fiscal year.

**Profits in the Packaged Game Software Area and the Toy Business** are expected to fall below the initial forecasts, mainly due to the weak performance in both businesses. As for **the Digital Games Area**, net sales are expected to underperform against the initial forecasts mainly in the U.S. and Europe, but profits are forecast to surpass the initial forecasts as the business continues to be robust domestically. However, that is **unlikely to be sufficient to offset the profit decreases in the Packaged Game Software Area and the Toy Business**.

### **(3) Future Activities**

#### ■ Three Initiatives for Group Structure Reform

- ① **Restructure and consolidate** the Group's businesses into **three business groups**
- ② **Reduce fixed expenses by 6 billion yen annually** with the aim to improve profitability
- ③ **Appoint an officer in charge of structure reform** in SEGA CORPORATION

The first is the **restructuring** of the Group's businesses currently covering a wide range of fields into **three business groups; Pachislot and Pachinko Machines Business** centering on Sammy Corporation, **Entertainment Content Business** centering on SEGA CORPORATION, and **Resort Business** that is indispensable when pursuing entry into the domestic IR business. **By restructuring and consolidating businesses into three business groups**, we will construct a system which will allow appropriate investment of management resources while working to speed up decision making and streamlining redundant functions. We will aim for further growth by responding to changes in business environment and enhancing management efficiency through these initiatives.

The second is to **improve profitability**. In order to constantly generate profits and prepare for the domestic IR investment which offers the largest growth opportunity, while aiming for further growth by concentrating on growth area through restructuring, the Group has determined it is essential to take fundamental measures. Specific measures will be thoroughly discussed going forward, but the Group intends to **reduce group-wide fixed expenses by 6 billion yen** in and after the fiscal year ending March 31, 2016. The intended streamlining will be considered by targeting all expenses, including labor costs throughout the entire businesses centering on unprofitable/underperforming businesses.

The third is **appointment of an officer in charge of structure reform** in SEGA CORPORATION. Haruki Satomi, Director of SEGA SAMMY HOLDINGS INC., assumed the position of **Executive Vice President and Representative Director of SEGA CORPORATION on November 1, 2014**. Going forward, structure reform at SEGA CORPORATION will be implemented fundamentally and swiftly led by President Hideki Okamura and Haruki Satomi.

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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.