

PRESENT

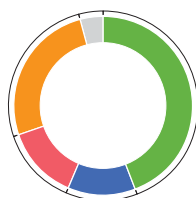
Bird's Eye View

SEGA SAMMY GROUP SNAPSHOT

Net Sales*

Total
¥321.4 billion

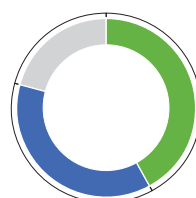
* Excludes inter-segment transactions



Business Segment	%	Millions of yen
Pachislot and Pachinko Machine Business	44.3	142,281
Amusement Machine Sales Business	12.2	39,134
Amusement Center Operations	13.3	42,707
Consumer Business	26.1	83,874
Other	4.2	13,409

Overseas Net Sales

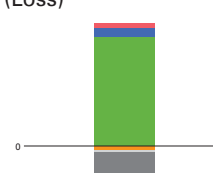
Total
¥28.3 billion



Region	%	Millions of yen
North America	42.2	11,954
Europe	37.3	10,570
Other	20.6	5,834

Operating Income (Loss)

Total
¥19.0 billion



Business Segment	Millions of yen
Pachislot and Pachinko Machine Business	23,534
Amusement Machine Sales Business	1,902
Amusement Center Operations	1,194
Consumer Business	(732)
Other	(484)
Corporate and eliminations	(6,341)

SEGA SAMMY GROUP IN THE ENTERTAINMENT INDUSTRY

	Billions of yen
Net Sales¹	
Nintendo ³	635.4
NAMCO BANDAI	487.2
SEGA SAMMY	321.4
KONAMI ⁵	225.9
Heiwa	177.1
SQUARE ENIX	147.9
SANKYO	104.1
CAPCOM	94.0

	%
ROE¹	
Heiwa	16.7
NAMCO BANDAI	14.1
SEGA SAMMY	11.0
KONAMI ⁵	6.0
CAPCOM	4.9
SANKYO	1.4
Nintendo	0.6

	Billions of yen
Operating Income (Loss)¹	
NAMCO BANDAI	48.6
Heiwa	34.4
KONAMI ⁵	21.8
SEGA SAMMY	19.0
CAPCOM	10.1
SANKYO	7.0
SQUARE ENIX ^{3,4}	(6.0)
Nintendo ³	(36.4)

	%
ROA^{1,2}	
NAMCO BANDAI	14.0
CAPCOM	10.8
Heiwa	8.6
KONAMI ⁵	6.7
SEGA SAMMY	4.1
SANKYO	2.0
Nintendo	0.7

	%
Operating Margin¹	
Heiwa	19.4
CAPCOM	10.8
NAMCO BANDAI	10.0
KONAMI ⁵	9.7
SANKYO	6.7
SEGA SAMMY	5.9

	Billions of yen
Market Capitalization⁶	
Nintendo	1,419.5
SEGA SAMMY	508.7
SANKYO	434.7
NAMCO BANDAI	369.6
KONAMI ⁵	271.9
Heiwa	188.1
SQUARE ENIX	115.6
CAPCOM	99.9

Note: The above is intended to give an idea of the Group's position in the industry and only covers companies for which information can be obtained from published documents, such as listed companies. Because there are unlisted companies that do not disclose information, this is not a completely accurate industry ranking.

1 Respective companies' most recent settlement data. Source: Respective companies' published documents

2 ROA = Ordinary income ÷ Total assets

3 Operating margin has not been included because an operating loss was recognized for fiscal 2013.

4 ROE, ROA has not been included because an ordinary loss was recognized for fiscal 2013.

5 U.S. GAAP. ROE = Net income ÷ Shareholders equity, ROA = Income before income taxes and equity in net income of affiliated company ÷ Total assets

6 Source: Calculated by the Company based on the closing prices at respective stock exchanges on March 29, 2013

7 Source: Yano Research Institute Ltd. (settlement dates from July to June)

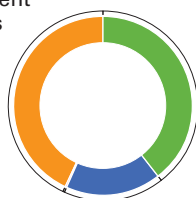
In accordance with a request from the research organization, company names other than those of Group companies have been indicated using initials.

8 "Amusement" including amusement centers and amusement arcade machines

9 Amusement Center Operations

R&D Expenses, Content Production Expenses

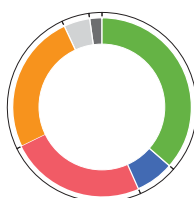
Total
¥45.2 billion



	%	Millions of yen
Pachislot and Pachinko Machine Business	39.9	18,056
Amusement Machine Sales Business	17.3	7,819
Amusement Center Operations	0.4	243
Consumer Business	43.1	19,538

Capital Expenditures

Total
¥32.8 billion



	%	Millions of yen
Pachislot and Pachinko Machine Business	36.3	11,914
Amusement Machine Sales Business	7.0	2,308
Amusement Center Operations	24.1	7,923
Consumer Business	25.3	8,393
Other	4.6	1,559
Corporate and eliminations	2.1	772

Total Assets

Total
¥528.5 billion



	%	Millions of yen
Pachislot and Pachinko Machine Business	26.1	138,014
Amusement Machine Sales Business	6.0	31,843
Amusement Center Operations	7.9	41,915
Consumer Business	19.6	103,703
Other	2.7	14,338
Corporate	37.6	198,689

Share of Annual Pachislot Machine Sales⁷

FY	2008		2009		2010		2011		2012	
	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share
1	Company Y	18.8%	Sammy	21.3%	Sammy	30.9%	Sammy	23.9%	Company U	17.8%
2	Company S	14.6%	Company S	13.6%	Company D	11.9%	Company D	15.9%	Sammy	15.3%
3	Sammy	13.5%	Company U	13.1%	Company S	11.9%	Company Y	15.6%	Company Y	14.6%
4	Company H	7.4%	Company Y	9.5%	Company H	11.3%	Company U	13.7%	Company D	14.0%
5	Company K	6.5%	Company K	7.8%	Company U	10.5%	Company S	7.6%	Company K	8.3%
Market Scale (Millions of yen)	247,860		225,869		286,700		375,054		429,974	

Share of Annual Pachinko Machine Sales⁷

FY	2008		2009		2010		2011		2012	
	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share	Manufacturer	Share
1	Company S	24.3%	Company S	18.0%	Company S	22.5%	Company K	18.6%	Company S	21.8%
2	Company S	13.5%	Company S	17.2%	Company S	14.6%	Company S	13.9%	Company K	20.3%
3	Sammy	11.7%	Company K	12.8%	Sammy	11.8%	Sammy	12.8%	Company H	10.1%
4	Company N	10.5%	Company N	11.9%	Company K	11.1%	Company S	12.8%	Company N	10.0%
5	Company K	10.2%	Sammy	10.8%	Company N	10.2%	Company N	9.8%	Sammy	8.7%
Market Scale (Millions of yen)	921,338		985,227		886,914		826,714		772,951	

	Billions of yen
Amusement Center Operation Sales¹	
ROUND ONE	85.9
NAMCO BANDAI	60.1
AEON Fantasy	44.8
SQUARE ENIX ⁸	44.2
SEGA SAMMY	42.7
ADORES ⁹	16.4
CAPCOM	10.9
TECMO KOEI	1.9

	Millions of units
Unit Sales of Home Video Game Software (Global)¹	
NAMCO BANDAI	24.58
CAPCOM	14.00
KONAMI	13.61
SEGA SAMMY	10.78
TECMO KOEI	6.58

	Billions of yen
Net Sales of Amusement Machines¹	
NAMCO BANDAI	71.8
SEGA SAMMY	39.1
CAPCOM	16.7

Wellspring of Ideas: **Personnel**

Creative personnel are the source of the SEGA SAMMY Group's competitiveness as a comprehensive entertainment company. We believe personnel who have numerous original ideas for tomorrow's entertainment and a strong appetite for challenges are the most important management resource for sustaining growth. With this in mind, we have developed a wide range of systems to keep the motivation of such personnel high and give full play to their abilities.



HIROTAKA TANAKA

Creative Officer, PC (Pachinko) Research and Development Division, Sammy Corporation

Representative work: *Pachinko Hokuto No Ken* series, *Pachinko SOUTEN-NO-KEN* series, etc.

In pursuing exciting games, Sammy's development never cuts corners. This goes for video, sound, design, and specifications. We are particularly fastidious about novelty. We seek gameplay and designs that will differentiate our machines from all competing products. Never forgetting Sammy's reputation for novelty, I want to create products that appeal to pachinko hall operators and players and build the industry's No. 1 product lineup and brand.



SATOSHI SAWADA

Chief Producer, PS (Pachislot) No. 2 Section PS Research and Development Division, Sammy Corporation

Representative work: *Pachislot Hokuto No Ken* series, etc.

Sammy has an open culture that allows personnel to develop games that they really think are exciting. In creating entertainment, there is no correct answer. Rather, I always focus on making my particular style the correct answer and having the confidence to develop products that I think are exciting. I intend to continue working hard so that I become indispensable to the industry's development. One day, I want to create another machine on a par with *Pachislot Hokuto No Ken*.

Idea

More Than
2,500 Development Personnel



Creativity



HIROSHI KATAOKA

Senior Creative Officer, SEGA CORPORATION

Representative work: *Virtua Fighter* series, etc.

To fulfill its mission as a leading manufacturer of amusement arcade machines, SEGA focuses on product development that makes maximum use of its comprehensive development capabilities. These include not only game software but also online services and mechatronics. Anyone can enjoy our games. However, different formats, such as amusement arcade machines or handheld game terminals, call for different types of gameplay. With this in mind, I want to tailor products that fit the needs of each format exactly and thereby create hits.



TAKASHI IIZUKA

Division Manager, CS (Consumer) No. 2 Research and Development Division, SEGA CORPORATION

Representative work: *Sonic* series, etc.

Creating completely new games and original intellectual properties and evolving them diversely to meet current needs has always been SEGA's forte. Our division's area of responsibility includes *Sonic the Hedgehog* and *PuyoPuyo!!*, both of which are 22 years old. Nevertheless, by continuing to roll out games for smartphones and new titles, we ensure many players are still enjoying these intellectual properties to this day. Furthermore, the evolution of games is never ending. As society's needs and players' preferences change, I want to continue catering to them through games that surprise and captivate.

Turning Ideas into Entertainment Value

We use creators' ideas to make the products we bring to the world. It is only at this point that ideas generate value. The SEGA SAMMY Group's operating companies have businesses in a wide range of entertainment areas. We continuously improve business models throughout the operations of these companies—from development and production through sales—so that we can keep on delivering competitive entertainment.

INTELLECTUAL PROPERTIES

Sammy has competitive intellectual properties that it has developed in-house, including the *Aladdin* series and the *Juoh* series. Also, the company actively incorporates major intellectual properties from outside, such as the *Hokuto No Ken series* and the *SOUTEN-NO-KEN series*. Sammy creates competitive products by optimally combining intellectual properties and its original mechanical engineering capabilities. Furthermore, we protect our intellectual properties to secure the advantages of these operations while rigorously avoiding infringing upon third parties' intellectual properties.

Intellectual properties developed in-house

Aladdin series



Cumulative unit sales	Pachinko machines	Pachislot machines
	70,000	420,000



Juoh series

Cumulative unit sales	Pachinko machines	Pachislot machines
	150,000	260,000

Intellectual properties introduced from outside

Hokuto No Ken series



Cumulative unit sales	Pachinko machines	Pachislot machines
	860,000	1.4million



SOUTEN-NO-KEN series

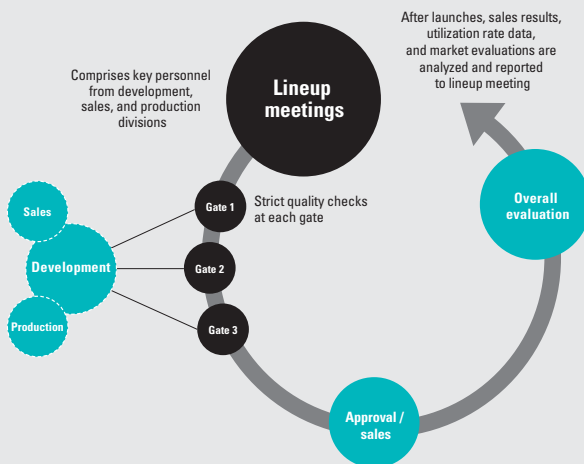
Cumulative unit sales	Pachinko machines	Pachislot machines
	190,000	90,000

DEVELOPMENT

Market-Driven Development System Based on Close Coordination among Three Divisions

Our market research division collects utilization rate data to determine which types of machines are earning market support. Based on this information, development, sales, and production divisions work together closely to advance an integrated series of processes that includes preparing development schedules and managing progress, analyzing and deciding development costs, checking quality, checking mass production compatibility and durability, forecasting unit sales, and deciding sales prices. Furthermore, we use a "gate management" system that entails strict checks at three stages, or gates, during the development process. At each of these gates, we also check for any changes in the market environment, which can occur during products' development periods, and flexibly adjust plans if needed. This system is steadily enhancing the product appeal of our pachislot and pachinko machines.

New development system based on close coordination among three divisions



Pachislot and Pachinko Machine Business (Sammy)

As the core operating company of the Pachislot and Pachinko Machine Business segment, Sammy is reengineering its business models to realize rigorously market-driven operations. These efforts cover all aspects of operations, from a product development system that unites development, sales, and production through to an industry-leading production system that reduces lead times dramatically and enables Sammy to meet intensive demand concentrated in short periods.



Pachinko CR Hokuto No Ken 5 Hasha
© Buronson & Tetsuo Hara / NSP1983,
Approved No. YKA-105
© Sammy



Pachinko CR Shin-Juoh
© Sammy

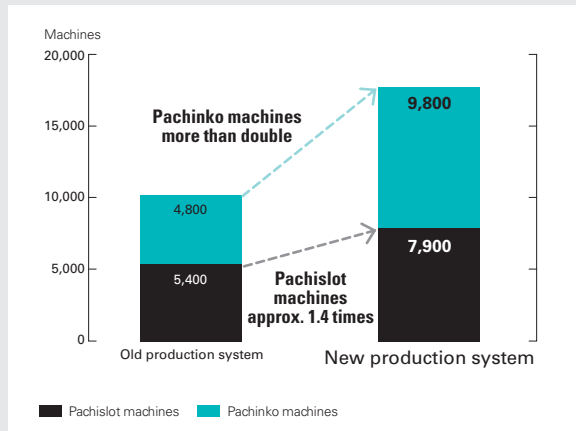
SALES

PRODUCTION

DISTRIBUTION

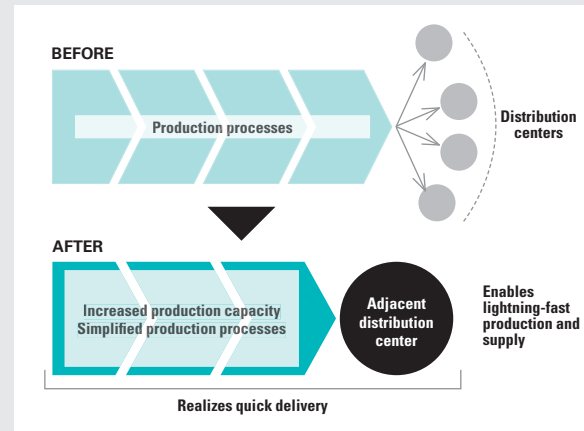
Industry-Leading Production Capacity

We boast one of the industry's largest production capacities. The new plant, which started up operations in September 2012; the older plant; and Group companies' plants give us a combined daily production capacity of 7,900 pachislot machines and 9,800 pachinko machines. Moreover, we are shortening production lead times by simplifying production processes through the outsourcing of certain processes.



Consolidation of Dispersed Distribution Bases

Next to the new plant, we have built a new distribution center that consolidates the capabilities of what was our largest distribution center and component warehouses that were at six different locations. The new distribution center incorporates an upgraded system for controlling warehousing, shipping, and delivery operations that reduces man-hours and realizes real-time inventory recording.



Realization of Lightning-Fast Production and Supply

By coordinating our new distribution center with our new plant, which has industry-leading production capacity and shorter production lead times, we can cater to the intense demand for pachislot and pachinko machines that tends to occur in the initial period after sales launches. In other words, we have established a system that minimizes sales opportunity loss.

➔ Page 56 "Insight: Lightning-Fast Production and Supply that Captures Sales Opportunities Reliably"

PRESENT

Turning Idea into **Entertainment Value**

Consumer Business (SEGA)

SEGA's Strategy for Creating, Fostering, and Maximizing the Value of Intellectual Properties

Owning competitive intellectual properties at home and abroad, SEGA fosters intellectual properties and maintains and enhances their value by increasing points of contact with players. At the same time, it creates new intellectual properties tirelessly.

Intellectual Property Portfolio

Major intellectual properties in the Japanese market



Ryu ga Gotoku
© SEGA
An action adventure game that has shipped more than six million units to date



PuyoPuyo
© SEGA
An action puzzle game that is an established favorite among Japanese people regardless of age or gender



Phantasy Star Online
© SEGA
A role-playing game in which basic play is free. ID registrations surpassed three million in August 2013.



HATSUNE MIKU-Project DIVA
© SEGA © Crypton Future Media, Inc.
Product names and company names are trademarks of respective companies.
A rhythm action game featuring digital diva Hatsune Miku



Herobank
© SEGA
Due for inclusion as a series in the *CoroCoro Comic* manga from this fall. An innovative online role-playing game themed on competition for money



project 575
© SEGA
A new word-play project that involves creating poems based on the 5-7-5 syllable haiku pattern

Major intellectual properties in the U.S. and European market



FOOTBALL MANAGER
The world's most famous game simulating soccer club management



TOTAL WAR
A player-turn-type strategy and real-time fighting game staged in an extensive ancient world



Company of Heroes
A real-time strategy game with the history of modern warfare after the Second World War as its motif



ALIENS
An action shooting game that painstakingly recreates the movie's atmosphere



Sonic The Hedgehog™
© SEGA
A popular action game with sales surpassing 70 million units worldwide

Maintaining and Enhancing Intellectual Properties' Value through Multifaceted Rollouts

Our marketing of intellectual properties is multifaceted. As well as marketing different versions of an intellectual property for various platforms, we develop intellectual properties through related merchandise, videos, comics, video-sharing websites, and music. By increasing points of contact with players, these initiatives increase intellectual properties' value.

Example: Ryu ga Gotoku Series



Games for home video game consoles



Movies
© 2007 Ryu ga Gotoku Film Partners



Television series
© SEGA / MBS 2012



Games for handheld game terminals



Soundtracks (CDs)



Comics
© SEGA / Yukai Asada 2011

FOOTBALL MANAGER

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TOTAL WAR

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Company of Heroes

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ALIENS

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Amusement Machine Sales Business (SEGA)

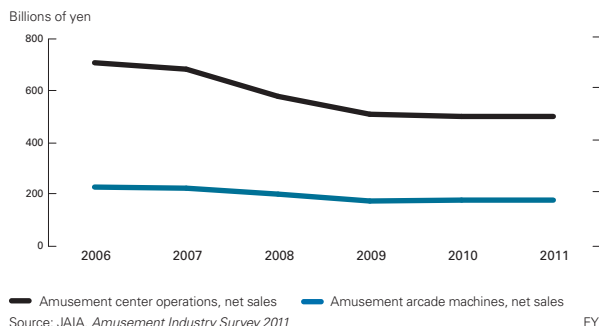
Evolving Business Models to Invigorate the Market

In the 1970s, SEGA launched the first video game made in Japan. Since then, it has remained at the forefront of the industry's development by offering an array of mold-breaking games as an amusement arcade machine pioneer. Today, it is showing further leadership in the industry by introducing new business models that are helping invigorate the amusement industry.

Interdependent Relationship with the Amusement Center Operations Market

The amusement arcade machine market has continued to see challenging conditions due to the shrinking of the amusement center operations market. To stimulate the amusement center operations market and sustain growth of amusement arcade machine sales over the long term, SEGA is actively introducing business models based on two main approaches.

Sales Trends in the Amusement Industry



1. Reduce Amusement Center Operators' Capital Investment Burden

We are proactively advancing products and business models that help invigorate the industry by lessening amusement center operators' capital investment burden and thereby encouraging the introduction of new products.

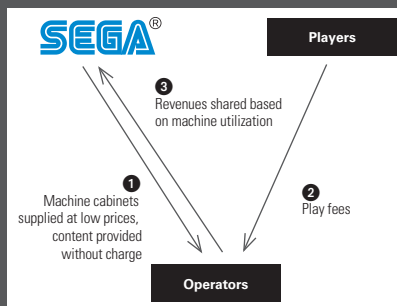
CVT Kits

We are introducing CVT kits, which enable amusement center operators to upgrade games without purchasing new machine cabinets. Operators use the kits to replace the boards, software, and exteriors of their existing machines.



Revenue-Sharing Business Model

SEGA is promoting the introduction of a revenue-sharing business model. In this model, SEGA provides amusement center operators with low-priced machine cabinets and free content. Through the infrastructure of SEGA's ALL.NET network service, the company and amusement center operators share revenues from the utilization of the amusement arcade machines. Under this model, amusement center operators are able to curb their initial investment while introducing new products. Meanwhile, the business model extends SEGA's involvement beyond the sales of amusement arcade machines. It allows us to sustain earnings by upgrading content periodically and thereby maintain the market value of our amusement arcade machines.



2. Extend Player Base

We are developing products and business models designed to extend our player base beyond core players to encompass families.

Free-to-Play

Through Puyopuyo!! Quest Arcade, SEGA is advancing the amusement arcade machine industry's first business model based on free-to-play (F2P) games. These games can be played for free, but players pay fees to purchase items within the games or to continue stages. By using the broadly popular Puyo Puyo!! intellectual property for this new game format, we hope to attract women and families, who tend visit amusement centers less frequently. In the future, we hope to further exploit amusement centers and digital content so that they grow each other's customer bases.



Acquire stable earnings by invigorating the market and deepening relationships with amusement center operators

Opinion from an Outside Director

Outside director Takeshi Natsuno speaks frankly about tasks the SEGA SAMMY Group faces.

Q. What are the SEGA SAMMY Group's three most important tasks?

The Group must advance rapidly and boldly through mold-breaking innovation.

The most important task for the Group is to become “non-linear.” In other words, the Group must create new value rather than simply continuing past practices. I believe that the management team's earnest efforts to develop integrated resorts including casinos are a good example of non-linear initiatives. The management team has also shown an appetite for trying new businesses in other areas. However, most of these initiatives have yet to bear fruit. This is because, to some extent, the Group is still trying to create new products based on past practices. Existing businesses' influence on these initiatives could result in the Group creating products that are merely somewhat unusual rather than new. Therefore, to realize mold-breaking innovation, the Group must let go of the past. Furthermore, it needs to pursue such initiatives more rapidly and boldly. I think this is the approach the Group must commit to unequivocally.

Related to how the Group should tackle the first task, the Group's second task is to incorporate as much diversity as possible. Diversity is the main source of innovation. Accordingly, I believe the Group should embrace diversity as an organization. When a corporate group becomes as big as the SEGA SAMMY Group, the tendency is to overemphasize harmony. Of course, this is important, but if overemphasized, the danger is that the company will gradually lose its internal diversity. Although embracing diversity can be a cause of friction, converting this friction into positive energy, rather than disagreement, can produce major benefits. For this reason, taking a clearer stance on incorporating diversity, without fearing friction, and developing the Group as an organization accordingly is important for the management team.

The third task is SEGA's game content business. Conditions in the game content industry are turbulent. The market has been extremely volatile as the focus of competition has transferred from home video game consoles to feature phones to smartphones. As a result, it is the market that most severely tests companies' ability to create new value. The SEGA SAMMY Group has set out a strategy of shifting toward the digital game content business and is steadily accelerating efforts to this end. However, I think it should change its course toward the digital game content business even more decisively.

Q. As an outside director, how do you view the Group's initiatives in the casino-related business area?

If there are possibilities for the Group in this business area, it should take on the challenge. And, I would like to support this endeavor.

Generally, casinos have been given a negative image. If we consider Las Vegas, however, I have not heard about casinos being detrimental to society there.

The idea that casinos are dangerous is just an image. Meanwhile, as Singapore and Macau have shown, casinos can bring immeasurable economic benefits. Although the debate about casinos is still under way in Japan at present, without a doubt casinos are a wonderful business opportunity. If the chances of the Group succeeding seemed non-existent, as an outside director I would of course warn against entering this area. However, the possibilities for the SEGA SAMMY Group in this area are limitless. With this in mind, I want to support the Group's efforts.



TAKESHI NATSUNO

Outside Director
SEGA SAMMY HOLDINGS INC.

Looking ahead, the Group will have to gain selection as a casino operator. Anticipating the legalization of casinos in Japan, the Group is increasing its chances of being selected by laying strategic foundations that will enable it to accumulate experience related to the management of integrated resorts including casinos. These efforts include acquiring Phoenix Resort Co., Ltd., establishing joint ventures with the Paradise Group, and developing a resort complex in Busan. The Group is preparing major strategies, analyzing the strategic moves it should make, and managing risk as it advances forward steadily and without trepidation. Therefore, I see this as a strategic initiative to develop the Group in a non-linear manner that is based on appropriate processes and goals. Naturally, as an outside director I monitor the Group carefully to ensure its strategic moves really are increasing its chances of success.

Q. How do you evaluate the Group's risk management in relation to integrated resorts including casinos and resort complexes?

The Group is undertaking rigorous risk management to heighten its chances of success.

At a glance, the Group's investments in integrated resorts including casinos and resort complexes seem extravagant. However, they actually do not incur significant risk. For example, the Group has acquired Phoenix Resort, which had an asset value of several hundred billion yen in the 1990s, at a very reasonable price. Similarly, viewed in the context of the Group's overall asset portfolio, the projects in South Korea are not on a scale that could shake the foundations of the Group's business management. Furthermore, to manage risk for each project, the Group conducts detailed analysis of risk and profitability. Documents prepared for the Board of Directors are astonishingly detailed. This enables the management team including outside directors to make decisions based on a good understanding of projects' revenue and expenditure forecasts and the Group's cash position. Absolutely nothing is left to guesswork. For this reason, I think the Group's risk management aimed at heightening initiatives' chances of success is rigorous.

Q. In the digital game content business, in which specific direction do you think the Group should expand its business?

I want to see a willingness to create businesses from scratch.

The Group has enjoyed some successes, but it must not feel that continuing in the same vein is enough. In this area, dynamic companies are developing businesses rapidly. And in many cases young companies are tackling large-scale businesses. I think the SEGA SAMMY Group should use what these companies are doing as a model. Recently,

other companies have achieved great successes without relying on intellectual properties. I do not deny the importance of intellectual properties for entertainment companies. Ultimately, however, intellectual properties belong to the past. Relying on intellectual properties is nothing more than continuing along the same lines as before and cannot lead to rapid large-scale initiatives. I think the Group should be prepared to rethink the Consumer Business segment fundamentally and create games that players will really enjoy from scratch.

Q. In such efforts, what strengths do you think the Group should bring to bear?

The Group's scale will be a major advantage going forward.

Currently, excessive volatility is increasing pressure on players as they struggle to keep up with changes sweeping through the industry. Meanwhile, being a very big corporate group sets the SEGA SAMMY Group apart from companies that specialize in the digital game content area. The Group's market capitalization and financial position testifies to this scale and durability. No other video game company has a cash cow like the Pachislot and Pachinko Machine Business segment in its business portfolio. This will give the Group some leeway to prepare and implement strategies for the increasingly volatile digital game content area. In addition, the SEGA SAMMY Group can draw on a wealth of development personnel throughout its organization. By taking full advantage of the synergies that its size enables, the Group will be able to realize the value it creates from scratch, which I mentioned earlier, on a scale others cannot match and convert the current volatility into a major opportunity.

Q. What is the atmosphere like at meetings of the Board of Directors?

Discussions are lively to a point that it is almost worrying for me as an outside director.

Meetings of the Board of Directors of SEGA SAMMY HOLDINGS INC. are not the often criticized empty formalities where decisions are a foregone conclusion because participants' agreement has been obtained in advance. Members of the management teams of SEGA, Sammy, and other Group companies attend the meetings and discuss agenda items thoroughly. Often discussions become lively and involved to the point where even I as an outside director become concerned and think "we should just quietly move on to the next item." Of course, during such discussions I never hold back: I am able to speak my mind.