Financial Capital

The SEGA SAMMY Group is engaged in hit-product businesses in which hit products, or their absence, affect earnings significantly. The Group is able to prosper in this environment because its financial stability and the Pachislot and Pachinko Machine Business segment's cash generation capabilities enable continuous investment to develop captivating new products and to create businesses.

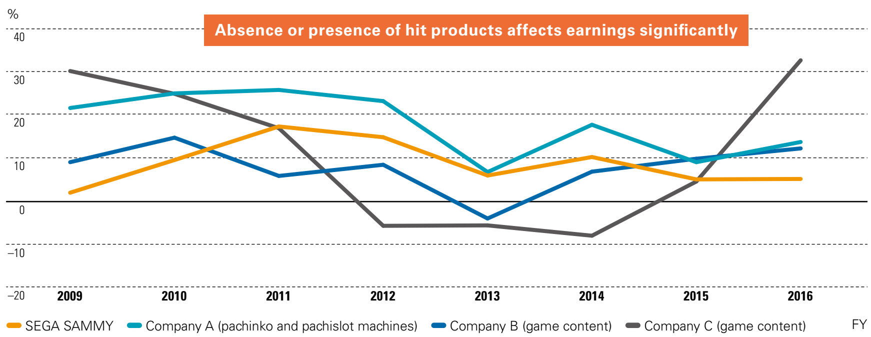
Financial Capital Enabling Continuous Investment in Development

Due to the aging of society and the growing popularity of mobile devices, companies not only within the entertainment industry but from outside it are competing for users.

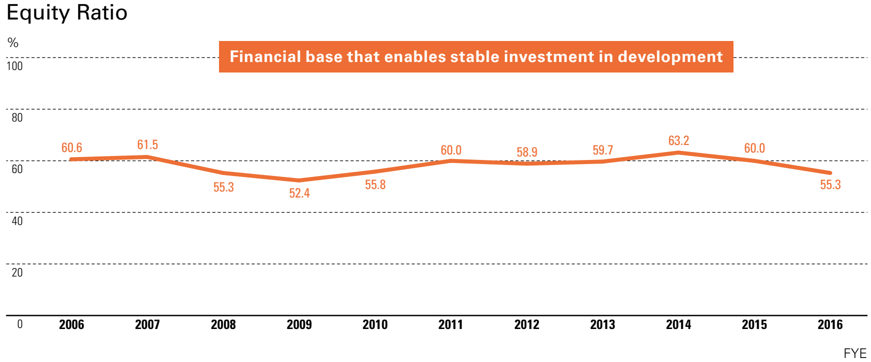
Against the backdrop of a gradually declining player population, the pachinko and pachislot machine market is seeing demand from pachinko hall operators focus more strongly than ever on machines that provide highly reliable returns on investment. Whether or not manufacturers have the development capabilities to continuously provide machines that incorporate leading-edge components as well as the financial strength to invest in such development is determining winners and losers. Similarly, amid the online game content market's fierce competition, the winners are those companies with the intellectual properties, development personnel, and funds to release content in a wide range of genres continuously and rapidly. Furthermore, business conditions in the amusement machine sales and amusement center operations areas have entered a phase in which only companies with the strength to market hit products continuously will enjoy the benefit of being industry survivors.

The SEGA SAMMY Group's business portfolio is advantageous for stable and forward-looking investment because it includes the Pachislot and Pachinko Machine Business segment, which enjoys a strong market presence, as well as the amusement machine sales and amusement center operations areas, which have improved their profitability through structure reform. In particular, our ability to invest underpins efforts to create high-value-added titles and differentiate ourselves in the digital game area, where many competitors operate exclusively in the area.

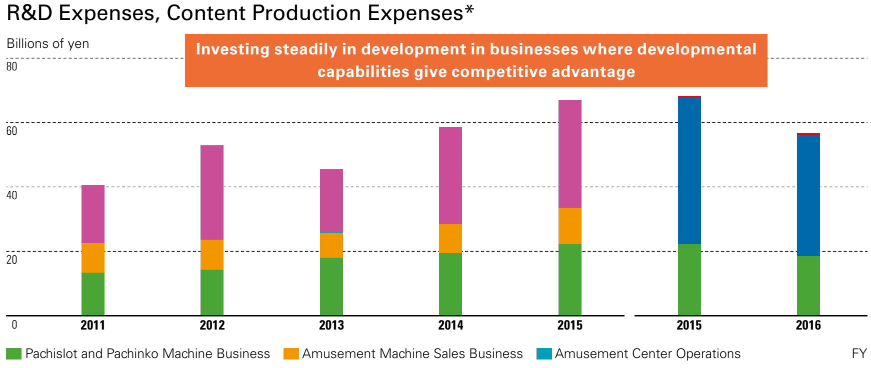
Operating Margins of Major Amusement Companies



Equity Ratio



R&D Expenses, Content Production Expenses*



* The aggregate calculation method has changed as of fiscal 2014. Consequently, R&D expenses and content production expenses include amortization cost of digital game titles. Until fiscal 2013, depreciation and amortization included amortization cost of digital game titles.

Foundations Enabling Entry into the Integrated Resort Business

We are preparing to establish an integrated resort business, which we envision as becoming a future earnings mainstay for us. As well as prior investment to accumulate expertise, entry into this area will require large-scale investment. Financial stability provides foundations that enable the Group to make such forward-looking investments.

Planning to open *PARADISE CITY* in April 2017

Construction site at the end of July 2016

Rendering of *PARADISE CITY* upon completion

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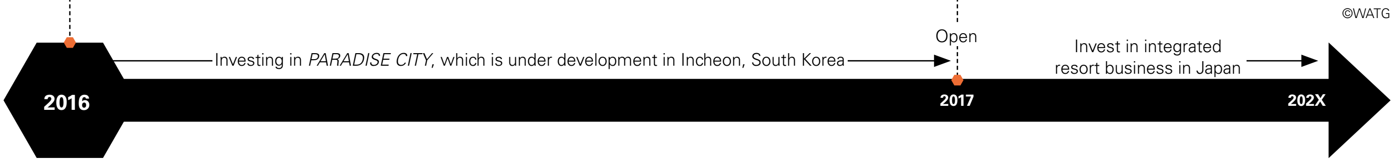

Assuming act promoting integrated resorts is enacted ▸▸▸ ▸▸▸ ▸▸▸ **Within 2 years**

Passing of integrated resort enforcement act
Establishing of designated tourism resort areas

▸▸▸ ▸▸▸ ▸▸▸ ▸▸▸ ● Selecting of operators
Implementing investment

Enhancement of Asset Efficiency

The inherent nature of the hit-product businesses we are engaged in causes earnings to fluctuate. Growing shareholders' equity continuously is important to enable stable, flexible investment in strategy advancement—such as the large investment needed to participate in the integrated resort business in Japan. Therefore, rather than ROE, in which the denominator is shareholders' equity, the Group will focus on ROA, in which the denominator is total assets. We aim to heighten ROA by enhancing the capital turnover ratio while avoiding undisciplined increases in assets through measures to strengthen portfolio management, such as the optimization of management resource allocation.

Fiscal 2020 ROA* 5%

Optimize management resource allocation	Heighten total capital turnover ratio
• Pursue investment efficiency • Clarify investment decisions (investment and withdrawal) • Focus allocation of management resources on growth areas	• Optimize capital investment • Consider replacing businesses • Realize returns to shareholders by combining stable dividends with purchases of treasury stock

* ROA = Profit attributable to owners of parent ÷ Total assets