

SEGA SAMMY REPORT 2015 SUMMER

Contents

P1	Key Points of Financial Results by the Numbers SEGA SAMMY in 2014	
P3	A Message from Management	
P5	Feature Article Implementing Group Structure Reform	
P7	Segment Information	
P9	Looking back with a "Key Person" Review of Activities	
	<ul style="list-style-type: none"> ▶ Release of Pachinko CR Hokuto No Ken 6 series and Pachislot ALADDINA II ▶ Holding of SEGA Networks Media Conference: Winter 2015 	
P12	Latest News	
P13	Group Information	

Business Report for the fiscal year ended March 31, 2015

From April 1, 2014 to March 31, 2015

Summer Edition

SEGA SAMMY in 2014

Net sales

¥354.9 billion
(down 6% year on year)

Operating income

¥17.6 billion
(down 54% year on year)

Both sales and profit fell below the initial forecast, and sales and earnings decreased year on year, due to unforeseeable factors including operational changes in the model testing operation methods in the Pachislot and Pachinko Machines Business. In addition, in order to improve earning capacity in each business in the future, the Company carried out structural reforms, and promoted rationalization including restructuring inside the Group, reduction and withdrawal of businesses that were unprofitable or showing a loss, and an accompanying reduction of personnel. As a result, extraordinary losses amounted to ¥15.9 billion, including impairment loss, provision for dismantling of fixed assets, loss on the discontinuance of independent film production, and early extra retirement payments, recording a net loss for the period.

Total number of digital title downloads

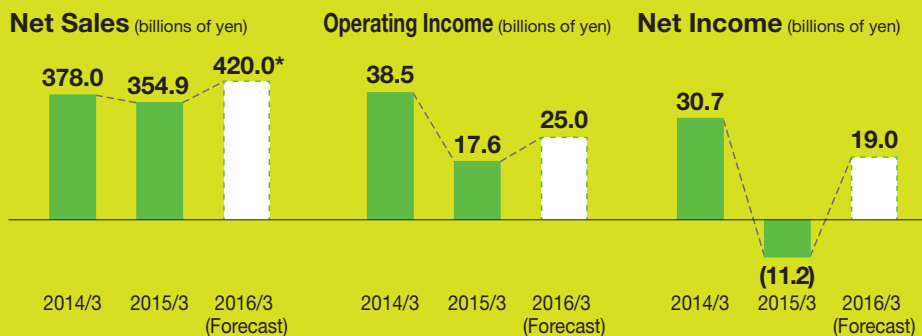
228.02 million downloads

With the total number of digital title downloads in Japan and overseas combined reaching over 200 million, the digital game area is contributing more and more to the Consumer Business. The overseas composition of total downloads was 160.0 million, and global expansion in the digital area is making a steady progress.

Expenses related to structure reform

Approximately **¥7.0** billion

Approximately ¥7.0 billion of the ¥15.9 billion in extraordinary loss was recorded as expenses related to structural reforms. As a result, the Company expects to realize approximately ¥6.0 billion in fixed cost reduction effects in the fiscal year ending March 31, 2016, compared to the fiscal year ended March 31, 2015.



*Net Sales from 2016/3 indicate total amounts

Please see page 13 for detailed financial information. ●●●▶

Business Segments of SEGA SAMMY

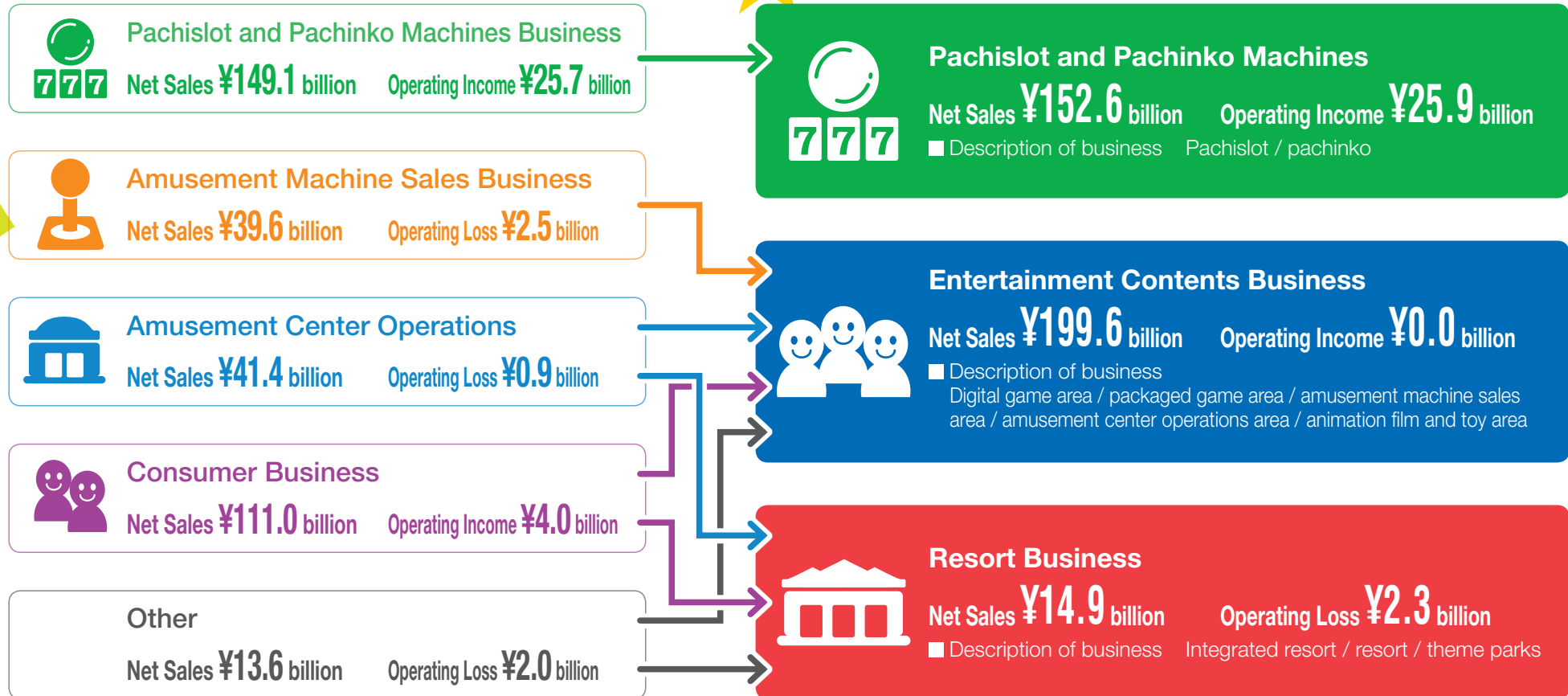
The Group's affiliated companies were restructured into three business groups from April 2015.

The Company will enhance management efficiency while promoting faster decision-making, improving efficiency in areas with overlapping functions, creating a structure to enable appropriate investment of management resources and responding to changes in the business environment.

Former Segments (fiscal year ended March 31, 2015)

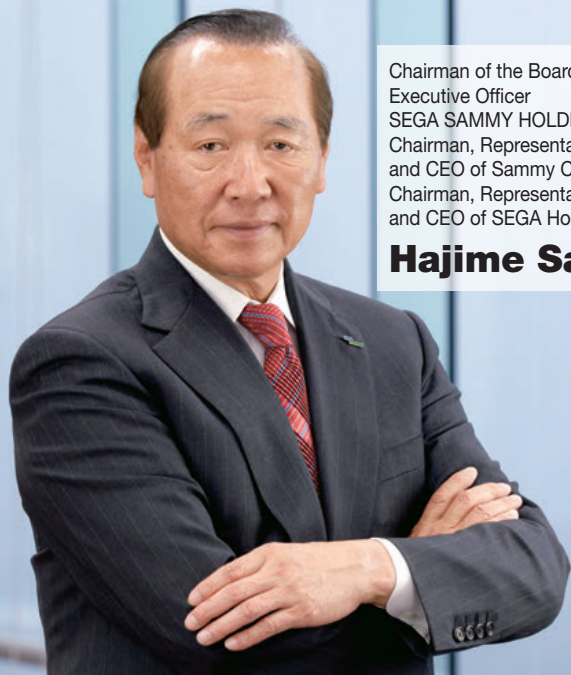
New Segments (fiscal year ended March 31, 2015)

*Net sales and operating income for new segments are estimated values.
*Net sales for new segments indicate total amounts.



Please see page 5 for information on Group structure reform. ...▶

Please see page 7 for results by segment. ...▶



Chairman of the Board and Chief Executive Officer
SEGA SAMMY HOLDINGS INC.
Chairman, Representative Director and CEO of Sammy Corporation
Chairman, Representative Director and CEO of SEGA Holdings Co., Ltd.

Hajime Satomi

Dear Shareholders,

During the fiscal year ended March 31, 2015, the decline in ultimate demand after the increase in the consumption tax rate bottomed out, and the Japanese economy continued a gradual recovery due to the impact of decreasing crude oil prices and various other policies. However, the economy still remained in the condition requiring further time for full recovery due to uncertainty towards a downswing in overseas economies, arising from factors such as the slowdown of growth in the economies of emerging countries.

In this climate, the Group has implemented various management measures to create a framework that can deal speedily and flexibly with changes in the business environment, and has also fully committed to building a solid management foundation that can accelerate future growth. The Group will invest in growth, while continuing to pay appropriate dividends to its shareholders, in accordance with its profits.

The Group will continue to offer high-quality entertainment to people of all ages around the world. Thus, the Group aims to “establish a presence in all business fields and becoming the No.1 comprehensive global entertainment companies.” We look forward to your continued support in our endeavors.

June 2015

Q

Please look back and evaluate the fiscal year ended March 31, 2015.

Looking at the results for the fiscal year ended March 31, 2015, consolidated net sales decreased 6% year on year to ¥354.9 billion, operating income decreased 54% year on year to ¥17.6 billion, and ordinary income decreased 58% to ¥16.9 billion. **Sales and earnings were down compared to the previous fiscal year primarily due to revision of sales schedules owing to changes in the model testing**

operation methods of pachislot machines.

Furthermore, due to a total of approximately ¥15.9 billion that arose as extraordinary loss for the full year, including expenses related to structure reform, and the disposal of partial deferred tax assets, the amount of total income taxes increased, resulting in a net loss of ¥11.2 billion compared with net income of ¥30.7 billion in the previous fiscal year.

Q

Please look back and evaluate the structure reform carried out in the fiscal year ended March 31, 2015.

In the fiscal year ended March 31, 2015, sales and profit both fell far below the initial forecast, due to unforeseeable factors including changes to the model testing operation method in the Pachislot and Pachinko Machines Business. Results were severe in businesses other than Pachislot and Pachinko Machines as well, falling short of the initial forecast. We recognize that improvement of profitability in existing businesses is an urgent task in order to firmly ground our investment capacity in the integrated resort business in Japan. In this climate, the Group Structure Reform Division was established a year ago, with myself as a Chairman, and has examined various measures with the goal of improving the Group's profitability and putting the Group

back on the growth trend.

In the fiscal year ended March 31, 2015, **we clarified our core businesses, conducted a drastic review of unprofitable and underperforming businesses, created the foundation for management of our business portfolio, and optimized allocation of personnel.** It is truly unfortunate that the efforts involved in the process were painful, as we were forced to make the decision to implement personnel reductions through measures such as soliciting voluntary retirements in some areas. However, we promoted reduction of fixed costs and worked on improving profitability while carrying out Group restructuring and laying the foundation for further restructuring in the future.

Q

Please tell us about future efforts of the structure reform.

In terms of future efforts of the structure reform, we aim to **maximize profitability of our entire business portfolio**, based on continued implementation of thorough cost management in each business, in addition to quickly putting establishing

standards for starting or withdrawing from projects or each business.

Furthermore, regarding the impact of structure reform implementation on results, we recorded an extraordinary loss of ¥15.9 billion in the fiscal year

ended March 31, 2015, which was a factor contributing to the recording of a net loss for the period. Of that, approximately ¥7.0 billion was extraordinary loss originating from the decision to go ahead with

structure reform. As for the effect of fixed costs reduction, we expect to be able to achieve the reduction target set at ¥6.0 billion at the time of the second quarter settlement.

Q What are the full-year targets and initiatives for the fiscal year ending March 31, 2016?

In the fiscal year ending March 31, 2016, we revised our business segments from the previous four segments into three new segments. Looking first at the Pachislot and Pachinko Machines Business, which will continue to be the pillar of the Group's revenue, a decrease in earnings is expected due to a temporary drop in profit margins resulting from factors such as the need to respond to changes in the environment including the new testing method and various agreements with manufacturing associations, and plans to launch new devices. In the medium term, we aim to increase profit margins by stepping up efforts to improve costs through reuse and other measures.

In the Entertainment Contents Business, from the results of rationalization through structure reform, profitability will improve significantly in areas including packaged games, amusement machines, and animation films and toys.

Moreover, in the area of digital games for smartphones and other devices, we plan further profit growth centered on the contribution by new titles such as Hortensia SAGA, which started its service in April, 2015.

Finally, in the Resort Business, which is positioned as a growth field in the medium- to long-term, anticipatory expenses are expected to increase due to various research activities into integrated resorts, and a loss margin is expected to increase year-on-year.

We will press ahead with accumulating operational know-how related to integrated resorts by directly engaging in the operation of theme parks and resort facilities and in the operation of casino facilities overseas.

Moving forward, we will continue to examine various measures aimed at improving Group earnings, including setting standards for beginning

and withdrawing from businesses and replacing businesses, while assessing the trends of each business area under the new Group structure.

Results Forecasts

Unit: billions of yen	Year ended March 31, 2015 Results	Year ending March 31, 2016 Forecast	Change (%)
Net sales	354.9	420.0	+ 18
Operating income	17.6	25.0	+ 42
Ordinary income	16.9	25.0	+ 47
Net income	(11.2)	19.0	-

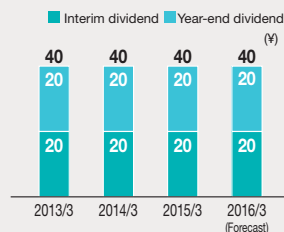
*In accordance with the application of the revised "Accounting Standard for Business Combinations," "net income" will be renamed to "profit attributable to owners of parent" from FY2016.

*Net sales indicate a total amount from the year ending March 31, 2016.

Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on May 11, 2015, to pay a dividend for the FY2015.

- **Year-end dividend of ¥20 per share**
Interim dividend of ¥20 for total full-year cash dividends of ¥40.
- **Effective date (payment start date)**
May 27, 2015



Q Please give a final word to our shareholders.

Our basic policy is to work on improving profitability and invest in growth, while paying dividends to shareholders aligned with our level of profits. Our policy is to make effective use of internal reserves to improve our financial standing, strengthen our management foundation, and invest in business growth. For the

fiscal year ending March 31, 2016, we plan to pay an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, resulting in a full-year cash dividend of ¥40 per share.

We ask for the continued support of our shareholders in the Company.



Implementing Group Structure Reform

At SEGA SAMMY Group, we began our initiatives aimed at revising the earnings structure of the entire Group based on a medium- to long-term perspective.

We are planning and implementing measures aimed at increasing profitability, including efforts to resolve issues in each existing business, in addition to establishing a system that will enable us to inject management resources into growth fields including new business areas.

Major Measures of Group Structure Reform in the fiscal year ended March 31, 2015

- 1. Established Group Structure Reform Division** (on May 9, 2014)
 - General Manager: Hajime Satomi, Chairman of the Board and Chief Executive Officer
- 2. Announcement of Group Structure Reform Policy** (on October 31, 2014)
 - Restructuring into three business groups
 - Policy for reduction of fixed expense
 - Appointment of personnel in charge of structure reform in SEGA CORPORATION
- 3. Implementation of Structure Reform in SEGA CORPORATION** (on January 30, 2015)
 - Enhancing efficiency in domestic business
 - Soliciting voluntary retirement
 - Enhancing efficiency in overseas business
- 4. Implementation of Group Structure Reform** (on February 12, 2015)
 - Implementation of restructuring the Group subsidiaries as of April 1, 2015
 - To promote further business reorganization, organizational restructuring within the Group will be determined.

Impact of Structure Reform Implementation on Operating Results

Structure reform related cost included in extraordinary loss in actual results for fiscal year ended March 31, 2015

Approximately **¥7.0** billion

Effect of reduction of fixed expense in forecast for the fiscal year ending March 31, 2016

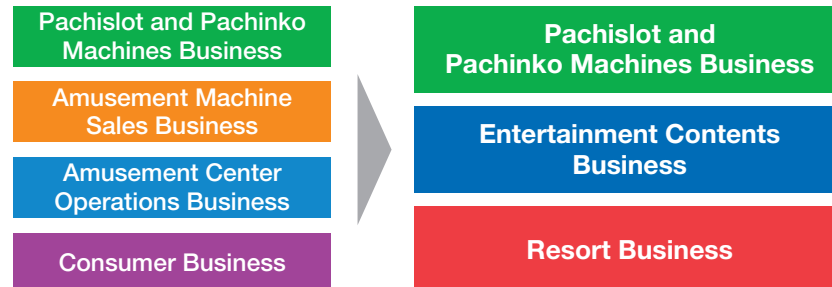
Approximately **¥6.0** billion (compared with the fiscal year ended March 31, 2015)

Reorganization into three business groups with the aim of drastically improving profitability.

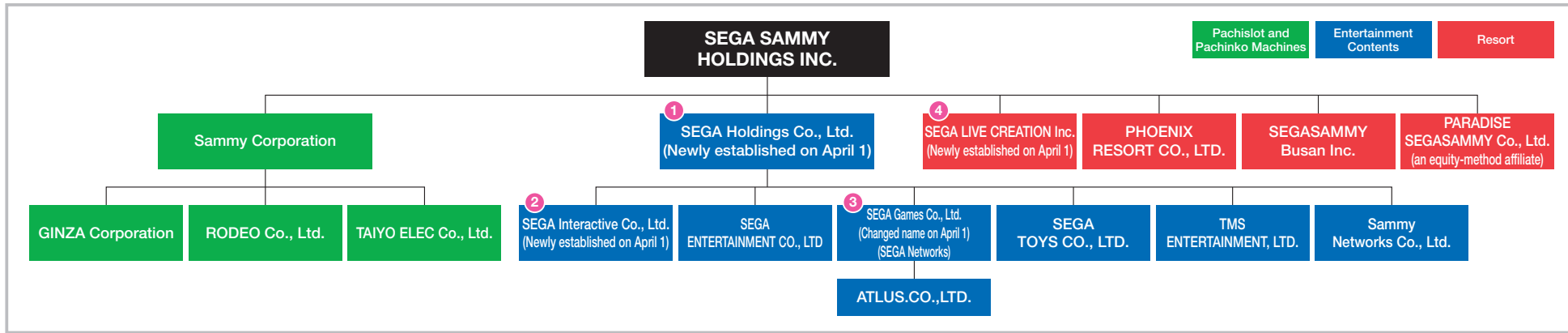
We are preparing a system in order to concentrate management resources in growth fields including new areas such as the digital game area and the Resort Business both in Japan and overseas, which have been defined as priority businesses and fields. In addition, we are promoting initiatives linked to withdrawal from and reduction of unprofitable and underperforming businesses and areas, optimization of scale, increase of operational efficiency, and enhancement of fast decision-making.

With the aim of drastically improving profitability, we have reorganized our business groups into three groups, the Pachislot and Pachinko Machines Business, the Entertainment Contents Business, and the Resort Business. We are carrying out organizational restructuring within the Group centered on the Entertainment Contents Business in order to clarify the responsible business field of each Group company and thereby continuously review businesses owned by the Group to promote further business reorganization.

■ Restructuring into three business segments



Major Group Companies and Business Areas



- ① Established SEGA Holdings Co., Ltd. and integrated the Entertainment Contents Business under SEGA Holdings Co., Ltd.
- ② Established SEGA Interactive Co., Ltd. which operates in the area of the amusement machine field
- ③ Merged SEGA CORPORATION and SEGA Networks Co., Ltd. and changed the company name to SEGA Games Co., Ltd. which operates in the packaged game area and digital game area
- ④ Divided part of the Entertainment Park Business (such as Tokyo Joypolis, Orbi Yokohama) in order to utilize SEGA CORPORATION's management expertise of large facilities in the Resort Business and established SEGA LIVE CREATION Inc. and place it directly under SEGA SAMMY HOLDINGS INC.

Future Activities for Structure Reform

We expect to be able to produce certain results including reduction of fixed costs from the Group structure reform implemented during the fiscal year ended March 31, 2015.

With regard to future activities for structure reform, we aim to maximize profitability in the entire business portfolio by thoroughly managing costs of each business and promptly establishing standards for starting or exiting from businesses and projects.

The new segments

Pachislot and Pachinko Machines Business

Positioning within the Group

Main pillar of the Group's revenue

- Responding to the market environment and regulatory environment
- Developing products for broad user base
- Enhancing profits by strengthening activities for reuse, etc.

Direction of business strategy

- Advanced development capabilities
- Titles and IPs boasting strong track record
- Top-class market share for both pachinko and pachislot

Our strengths

- Advanced development capabilities of SEGA Group
- Marketing support tool *Noah Pass*
- Titles and IPs boasting strong track record

Entertainment Contents Business

Positioning within the Group

Short- to medium-term growth area

Direction of business strategy

- Further enhancing profitability in the digital game area
- Solving unprofitable businesses by structure reform and recovering profitability of existing businesses
- Speeding up decision making in each business area by spin-off

Our strengths

- Advanced development capabilities of SEGA Group
- Marketing support tool *Noah Pass*
- Titles and IPs boasting strong track record

Resort Business

Positioning within the Group

Medium- to long-term growth area

Direction of business strategy

- Upfront investment to prepare for entry to domestic IR business
- Development and operation of overseas IR facilities
- Strengthening operation capabilities of theme parks and resort facilities

Our strengths

- Track record of developing/operating *PHOENIX RESORT* and various theme parks
- Experience in developing and operating overseas IR facilities
- Solid financial base



Segment Information

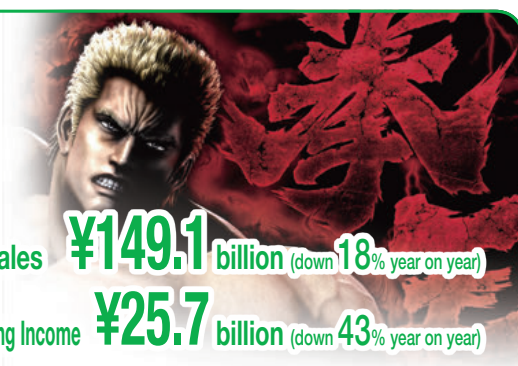
Pachislot and Pachinko Machines Business

Composition of Net Sales

42.0%

Net Sales **¥149.1 billion** (down 18% year on year)

Operating Income **¥25.7 billion** (down 43% year on year)



Initiatives and results until the fiscal year ended March 31, 2015

Market Condition

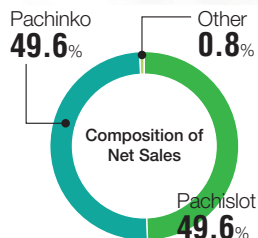
▶ Accompanying changes in the operation methods of model testing for pachislot machines at the Security Communication Association which conducts model testing of pachinko and pachislot machines, the number of new titles introduced and replacement demand for the market overall has decreased. Slight increase was seen in demand for pachinko machines, particularly for mainstay products, and replacement demand was comparatively strong.

Results

● While sales of pachinko have been strong, the number of pachislot titles sales has decreased. Unit sales decreased year on year, resulting in a decrease in both sales and earnings.

Primary Topics

- ▶ In the pachislot machines business, despite the launch of titles including *Pachislot SOUTEN-NO-KEN 2* and *Pachislot ALADDINA II* under the Sammy brand, the number of new titles introduced decreased year on year and unit sales of pachislot machines decreased year on year to 207 thousand units.
- ▶ In the pachinko machines business, unit sales increased year on year, reaching 242 thousand units, due to the strong sales of *Pachinko CR Hokuto No Ken 6 series* and *Pachinko CR Bakemonogatari* under the Sammy brand.



Amusement Machine Sales Business

Composition of Net Sales

11.2%

Net Sales **¥39.6 billion** (up 3% year on year)

Operating Loss **¥2.5 billion (-)**



Initiatives and results until the fiscal year ended March 31, 2015

Market Condition

▶ The market was sluggish overall due to the absence of market-driving titles, along with the diversification of entertainment on digital devices such as smartphones. In order to revitalize the market in the future, the development and supply of innovative game machines that respond to the diversifying needs of customers is necessary.

Results

● While sales increased year on year due to the release of products for a broad range of users, greater losses were recorded year on year due to poor sales of new titles.

Primary Topics

- ▶ CVT kits of mainstay titles were sold including *WORLD CLUB Champion Football* and *StarHorse3 Season III CHASE THE WIND*.
- ▶ Distribution of earnings from revenue sharing titles including the *BORDER BREAK* series, *SEGA NETWORK MAHJONG MJ5 Evolution*, and *CODE OF JOKER* was posted.
- ▶ Launched titles catering to various user needs such as *Wonderland Wars* in an aim to acquire a broad ranges of users.

Pachislot and Pachinko Machines Outlook for the fiscal year ending March 31, 2016

Forecast Net Sales **¥167.0 billion** Operating Income **¥23.0 billion** Increase in sales and decrease in profits

- ▶ The market is expected to undergo a temporary period of uncertainty as a result of changes in the model testing methods for pachislot machines to a new method and a new agreement made by Japan Pachislot Machine Industry Association concerning "addiction" countermeasures.
- ▶ Within this environment, we aim to improve market share by continuing to demonstrate industry-leading development capabilities and high competitiveness through our powerful IP with a high track record.
- ▶ In the pachislot machine business, the number of titles will be increased and the Group forecasts sales of 265 thousand units (up 57 thousand year on year). Although sales units in the pachislot machine business, is expected to surpass those of previous year, the pachinko machines business is expected to have a rebound from the major mainstay titles launched in the previous year, and as a result sales of 220 thousand units (down 22 thousand year on year) are forecasted.

Entertainment Contents Business Outlook for the fiscal year ending March 31, 2016

Forecast Net Sales **¥235.0 billion** Operating Income **¥11.5 billion** Significant increase in both sales and profits

- ▶ In the Entertainment Contents Business which will be a short to medium-term growth area, we will promptly shift the management resources from areas such as packaged game software and amusement machine area to the digital game area that includes smartphones and PC online games and is positioned as a center of growth.
- ▶ In addition to the operation of existing mainstay titles, there are plans to introduce 47 new titles in Japan including *Hortensia SAGA*, *MONSTER GEAR*, and *CHAOS DRAGON* (46 free-to-play types, 1 pay-to-play type).

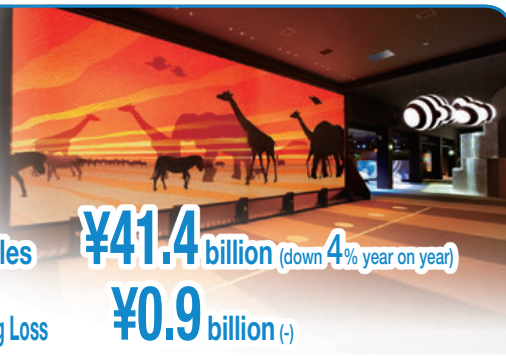
Amusement Center Operations

Composition of Net Sales

11.7%

Net Sales **¥41.4 billion** (down 4% year on year)

Operating Loss **¥0.9 billion** (-)



Initiatives and results until the fiscal year ended March 31, 2015

Market Condition

- ▶ The market was sluggish overall due to the absence of market-driving titles, along with the diversification of entertainment on digital devices such as smartphones. In addition to the development and supply of innovative game machines that respond to the diversifying needs of customers, efficient facilities operation capabilities are necessary.

Results

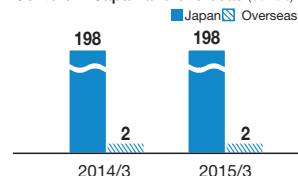
- Within this difficult market environment, although sales at existing domestic amusement centers increased slightly with 100.1% year on year, sales and profits decreased year on year and fell short of the initial plan due to factors including the impact of the consumption tax hike.

Primary Topics

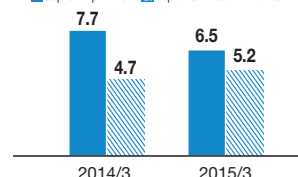
- ▶ Scrap-and-build of domestic amusement centers as well as efforts to improve management capabilities of existing amusement centers were continued to be implemented.
- ▶ The Group operated a total of 198* amusement centers in Japan at the end of the period. (six new centers opened and six centers closed during the period).

*Only directly managed amusement centers are included in the number of amusement centers in Japan.

Trends in the Number of Amusement Centers in Japan and overseas (Centers)



Trends in Capital Expenditure / Depreciation and Amortization (billions of yen)



Consumer Business

Composition of Net Sales

31.3%

Net Sales **¥111.0 billion** (up 11% year on year)

Operating Income **¥4.0 billion** (up 100% year on year)



Initiatives and results until the fiscal year ended March 31, 2015

Market Condition

- ▶ Demand expanded for games for SNS (social networking service) and smart devices in the digital game market, while the market for packaged games performed poorly.

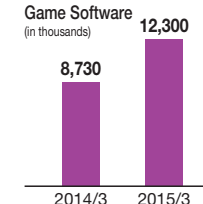
Results

- While the packaged game software area and the toys area was sluggish, sales and profits increased due to increased earnings in the digital game area.

Primary Factors

- ▶ In the packaged game software area, while the number of units sold increased year on year due to strong repeat sales, sales of new titles were weak.
- ▶ In the digital game area, performance was strong due to the contributions to profits made by mainstay titles such as the online RPG PHANTASY STAR ONLINE 2 and existing titles. The number of titles distributed as of the end of the period was 117 (65 pay-to-play types, 52 free-to-play types).
- ▶ In pachinko and pachislot game websites for mobile phones and PCs, we enhanced smartphone version of 777TOWN and Moba7 for DeNA Co., Ltd.
- ▶ In the animation business, performance was strong due to distribution income from the film, Detective Conan: Dimensional Sniper and license income and merchandise income from the TV series Yowamushi Pedal.

Unit Sales of Home Video Game Software (in thousands)



- ▶ In the packaged game software area, we will promote rationalization with a focus on overseas in an effort to establish a structure that can consistently generate profits. We will introduce new titles mainly from mainstay IPs such as Persona 5, the latest title in the Persona series that has sales of over 6 million in total for the series, and promote transitions of IPs such as the Total War series into digital games.

- ▶ In amusement machines, we will introduce new products for a wide range of users and markets including new titles for core game users, the kids' card game NEW MUSHIKING: The King of Beetles, and the world's first nail sticker printer Nailpuri.

- ▶ In amusement centers operations, we will strengthen operations of existing amusement centers while pursuing new forms of business besides amusement centers, starting off with KidsBee Kohoku-Minamo (Yokohama, Kanagawa Prefecture) a buffet dining facility that can be enjoyed by children, parents, and grandparents which was opened in April 2015.

- ▶ In the animation film and toy area, we will conduct streamlining while deploying mainly flagship and mainstay products and services in an effort to improve profitability.

Resort Business Outlook for the fiscal year ending March 31, 2016

Forecast Net Sales **¥18.0 billion** Operating Loss **3.5 billion**

- ▶ In the Resort Business that is positioned as a medium to long-term growth area, we will accumulate know-how through means such as the development and operation of theme parks and resort facilities and the operation of casino facilities overseas, and conduct upfront investments aimed at developing an integrated resort business.
- ▶ Domestically, we will focus on improving contents for theme parks such as the indoor theme park Tokyo Joypolis and the nature simulation museum Orbi Yokohama.
- ▶ We will strengthen management capabilities and our ability to attract customers for the Phoenix Seagaia Resort.
- ▶ Overseas, we will promote the development of South Korea's first full-fledged integrated resort PARADISE CITY through PARADISE SEGASAMMY Co., Ltd. (an equity-method affiliate) in an aim to open the facilities during the first half of 2017.

Looking Back with a “Key Person” Review of Activities



Release of our two major mainstay IPs “Pachinko CR Hokuto No Ken 6 Series” and “Pachislot ALADDINA II”

In Pachislot and Pachinko Machines Business for the fiscal year ended March 31, 2015, the business was in a harsh environment, as changes were made to the operation of the model testing methods for pachislot machines. Nonetheless, we were able to secure stable unit sales with the release of mainstay titles using our two biggest IPs of the Company.

In the pachinko machines business, while maintaining the quality and volume of special effects which was highly praised in our previous “Pachinko CR Hokuto No Ken 5 Hasha”, we released the “Pachinko CR Hokuto No Ken 6 series” with an enhanced probability variation rate in BATTLE MODE. In the pachislot machines business, we released “Pachislot ALADDINA II”, completed after 10 years of silence, offering a shocking surprise to users with a number of advances and new features.

In the fiscal year ending March 31, 2016, we will continue to carry out development of pachinko and pachislot machines focusing on mainstay IPs that will be loved by our users.



©Buronson&Tetsuo Hara/NSP1983
©NSP2007, Approved No.YDA-108
©Sammy

©Sammy

KEY PERSON

A word from **Ayumu Hoshino**, Director, Division Manager of Research & Development Division, Sammy Corporation

Looking back on the results of the fiscal year ended March 31, 2015

During the period from January to December of 2014, unit sales of Sammy’s pachinko machines reached first place in the industry, taking approximately 15% (reference) of the market share. We believe that we were able to achieve first place even in the shrinking market environment because we continued to make challenges as part of our active enterprising. Additionally, this has significantly contributed not only to sales and profits, but also improved awareness in the market and improved employee motivation. Please look forward to greater leaps in our pachinkos. Furthermore, in pachislots, while delays in introduction of many titles were inevitable from the change in model testing methods, as a result of our immediate response, we were able to introduce our mainstay machine “ALADDINA”. In the fiscal year ending March 31, 2016, we will develop fun machines, focused on our mainstay IPs, and aim to keep our number one share.



Construction starts on South Korea’s first full-fledged integrated resort facility “PARADISE CITY”

On November 20, 2014, construction started on South Korea’s first full-fledged integrated resort (IR) facility, “PARADISE CITY”, in Incheon, South Korea.

“PARADISE CITY” is planned to be a resort facility equipped with commercial facilities including a luxury hotel and South Korea’s largest foreigner-only casino, in addition to a convention hall capable of holding large-scale international conferences and other facilities, on a site of 330,000m². The facility is planned to be opened in the first half of 2017.

Through this project, we will accumulate all the know-how and knowledge essential to development and operation of IR in our group, and strive to further expand our business and profits.



Scene of the construction

Received the Award for Excellence at 17th Nikkei Annual Report Awards

The Annual Report 2014 issued by SEGA SAMMY HOLDINGS received an Award for Excellence from the Awards Screening category of the 17th Nikkei Annual Report Awards hosted by Nikkei Inc.

We will continue to strive to disclose appropriate information to help shareholders, investors and other stakeholders further deepen their understanding of the Company.



Grand opening of the large scale facility, “KidsBee Kohoku-Minamo”, with fun for the whole family!

“KidsBee Kohoku-Minamo” (Yokohama, Kanagawa Prefecture), the buffet dining experience that can be enjoyed by children, parents and grandparents, had its grand opening on April 25, 2015.

“KidsBee” is Japan’s first large-scale entertainment facility combining authentic buffet dining for parents to love and an indoor playground for kids to enjoy. You can enjoy about 80 different dishes and sweets from a wide range of Japanese, Western and Chinese cuisines, in a genuine buffet prepared by chefs and patissiers with experience in first-class restaurants.

“KidsBee” also features nine indoor playgrounds in the facility where kids can play, with nursery teachers constantly present, and a Party Room perfect for time with other moms or birthday parties with family and friends.

The fun doesn’t stop with playgrounds and the buffet, so come and enjoy the attractive “KidsBee Kohoku-Minamo” to your heart’s content.



Holding of “SEGA Networks Media Conference: Winter 2015”

In February 2015, SEGA Networks Co., Ltd. (SEGA Networks Company) held the “SEGA Networks Media Conference: Winter 2015”.

At the business strategy presentation of “Noah Pass”, the marketing support tool for smart device apps, we made an announcement on our collaboration with Kodansha Ltd., which has inherited the traditional strategy of creating new value through collaboration between different industries, and “Noah Pass Dashboard”, an add-on service that extends the capabilities of “Noah Pass”.

In the “Presentation of Domestic and International Business Strategy and New Products,” we made a presentation on three newly developed titles, as well as our domestic strategy to offer titles responding to the long term trends of “evolution towards console quality resulting from the increase of high end mobile devices,” and responding to the short term trends of “multiplayer”, “action-oriented”, and “IP/worldview centric” games. As for our international strategy, we presented our investment in three European and North American game development companies as a way of enhancing our system for developing and providing contents for local markets and expanding our contents portfolio as well as improving profitability.

Please look out for new developments in “Noah Pass” and our upcoming titles.

A word from **Hiroshi Kinomoto**, Business Planning Department, Business Planning Division, SEGA ENTERTAINMENT CO., LTD.

Please look forward to the large-scale entertainment facilities for the whole family

The business model of “KidsBee” was developed based on “Family Entertainment Center” popular in the U.S. These food and fun filled complexes are beloved by families as cheap, close, and short leisure/party venues. “Safety and security” were the most important factor for the domestic development. We have taken various initiatives such as keeping out suspicious persons with a membership system, ensuring food safety (authentic cuisine prepared by top chefs), and placing nursery teachers. Please look forward to the “KidsBee”, where the whole family can have fun in safety and comfort.



A word from **Minoru Iwaki**, COO, SEGA Games Co., Ltd. SEGA Networks Company



“Noah Pass”, the marketing support tool for smart device apps

In the smart device gaming market, it is becoming easier for even small companies to deliver their content to people around the world. Such a market has never existed before, and we feel great potential here. We steadily built up our track record by quickly adapting to this new market in Japan and producing a great number of hits, while simultaneously offering “Noah Pass”, the industry’s largest marketing support tool. We continue to expand our business, while optimizing and reinforcing our strengths locally, with the Sonic series topping 100 million downloads abroad, and capital participation in multiple local game developers. Please look forward to the SEGA brand’s success worldwide.





SEGA SAMMY Baseball Club – Eight new players have joined the club!



The SEGA SAMMY Baseball Club celebrated its 10th anniversary since establishment. The club will aim to win the Intercity Baseball Tournament and National Amateur Baseball Championship with eight new members and looks forward to your support!



CSR Column, Vol. 8 Continuing Volunteer Efforts for Reconstruction While Addressing the Needs of the Affected Areas

Recovery, reconstruction, and support for independence through entertainment

As part of volunteer efforts for reconstruction, the Group has been holding support events for affected areas in Miyagi, Fukushima, and Iwate. Our 20th event, the “Miyagi Shichigahama-machi Support Event” (held in March), will be held for the fourth time in March 2015, co-sponsored by the town of Shichigahama-machi and the Shichigahama-machi Board of Education. Over 500 locals came to join in the event, and even made long lines before the start of the event. While there were voices saying “there are no amusement facilities nearby, and sending children only by themselves to large shopping center is too far and worrisome,” employees who participated as event staff, felt pride and joy to be the members of the Group, and found a fuel for their next day of work in the smiling faces of children. SEGA SAMMY Group will use the power of entertainment to continue activities to contribute as a member of society.



To be a person and a company sought by society –New employee training for 2015–

87 new employees of the Group took part in a volunteer training in affected areas for three days and two nights in Minamisanriku-cho and Higashimatsushima-shi, Miyagi. Four years have passed after the earthquake, and people living in Tokyo may currently find it difficult to know the reality in the affected areas. In this training, by giving a chance to hear directly from the local people, we made our employees to participate in the activities from their heart. Employees were divided into groups to support temporary housing or fishing, and on the final day all employees worked to make their flower beds. In this year’s training, which was held for the third time, we aimed to foster the growth of employees to have ideals by actually heading into the field and serving for people and the society through various activities, and to foster employees who can act with consideration for the importance of their own role and social responsibility upon understanding and respecting diverse values.



A word from participating new employees



Madoka Nakamura,
SEGA Games Co., Ltd.

I went to the affected areas to put smiles on peoples’ faces, but I found myself getting lots of smiles back. I believe that support which can make people affected by the disaster live with cheerful smiles on their faces is where we can show off our power as an entertainment group, and I hope that we can continue activities that can brighten up the affected areas in the future as well.



Mamoru Nakamura,
Sammy Corporation

Although reconstruction is underway, I heard that psychological care is what people affected by the disaster need right now. I felt that continuing activities that we are capable of doing; activities where only we as a comprehensive entertainment group can do, such as establishing communities where senior citizens will want to join, and establishing facilities with games and gaming machines were our most important missions.

Latest News Update All kinds of new products and titles yet to come!

Delivery of various contents

A flood of new titles in smartphone apps are coming!

SEGA Networks Company is continuously releasing new game apps for smartphones. We will deliver sensations through providing diverse and high-quality digital game contents.

“Hortensia SAGA” Available for download

An epic story drawn from diverse perspectives. The new mainstream in smartphone RPGs finally available for download!

The war story RPG, “Hortensia SAGA” opens the history of the war between the Kingdom of Hortensia and the Principality of Camellia, and the stories of knights at the mercy of various fates in this war. Players assume the role of young lords of the Kingdom of Hortensia, and reveal the hidden truth of Hortensia through various encounters in the war.



©SEGA / f4samurai

“MONSTER GEAR” Available for download

Hunt monsters and win gears! Hunt powerful monsters with your friends! A new generation hunting action game by SEGA

“MONSTER GEAR”, the authentic hunting action RPG that’s easy to play. Take note of the simple three button control scheme and speedy progression through five minute missions. Suit up with monster gear forged from monster souls and form parties of up to four players to take down the giant monsters that stand in your way.



©SEGA

“CHAOS DRAGON” Coming this summer! Don't miss it!

The game app made by links from media mix of three companies, “CHAOS DRAGON” is coming this summer!

“CHAOS DRAGON” is a content which covers board game, anime and smartphone game app made by STAR SEAS COMPANY, TOHO animation Co., Ltd. and SEGA Networks Company respectively in genres where each company specializes in. “CHAOS DRAGON” establishes a new form of non-genre entertainment by linking each content. The exotic world of “CHAOS DRAGON” is created by gorgeous illustrators, voice actors and seven writers (Star Players) who writes the stories of the seven countries.



©SEGA ©STAR SEAS COMPANY / 「ケイオスドラゴン混沌戦争」製作委員会

SEGA SAMMY’s first casino machine

“SICBO BONUS JACKPOT” to Debut in Macau Casinos

We here at SEGA SAMMY CREATION INC. are proud to announce that in May 2015, we started operation of our first casino machine, “SICBO BONUS JACKPOT” in the Macau Special Administrative Region, People’s Republic of China (“Macau”), one of the top casino markets in the world.

A year prior in May 2014, we made our full debut in the casino market by exhibiting our three large casino machines (including “SICBO BONUS JACKPOT”) at G2E Asia 2014 and steadily began preparations for sales and deployment of our products. We quickly obtained our manufacturing license in Macau and later on received approval of the game against Macau’s technical standards from BMM, one of the gaming’s leading independent testing laboratories. In April 2015, we applied for installation of the game to DICJ (Macau Gaming Inspection and Coordination Bureau) and obtained authorization and approval for installation of the game in casinos in the region. This led to the start of installation at the Venetian Macao in May 2015 and shortly thereafter, “SICBO BONUS JACKPOT” began operation.

Sales of the game this year will be conducted mainly in Macau with potential expansion later on. In May 2015, we also exhibited for the second time at G2E Asia 2015, showcasing “SICBO BONUS JACKPOT” and our new Baccarat game, “EXCITING BACCARAT”.

We would like to thank the many fans that visited our booth during the show and helped to make it a massive success. We’re entering our third anniversary here at SEGA SAMMY CREATION INC. and we have big things planned for everyone, so please keep your eyes open for what we have in store for the future!



©SEGA SAMMY CREATION INC.



Group Information

Overview of Consolidated Balance Sheets (Unit: Amounts less than ¥0.1 billion are rounded down)

Factors Affecting Assets

Total assets were ¥528.8billion, down ¥14.1billion from the previous fiscal year-end.

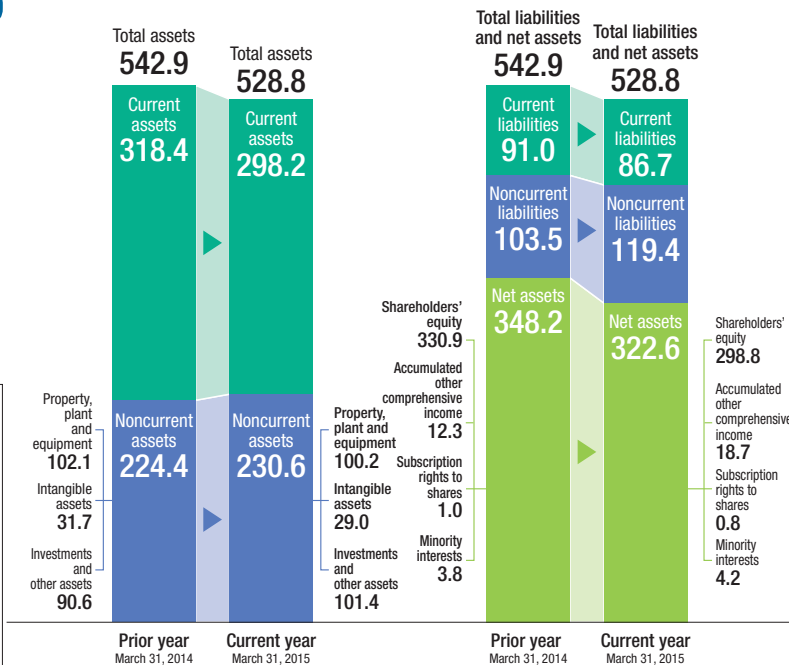
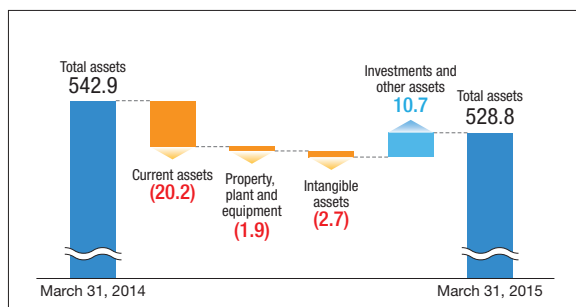
- Current assets decreased by ¥20.2 billion.

Factors ▶ Decrease in accounts receivable and securities (short-term fund management)

- Noncurrent assets increased by ¥6.2 billion.

Factors ▶ Increase in investment securities

Current ratio remained at high levels, standing at 343.9%, down 5.8 percentage points from the previous fiscal year-end.



Factors Affecting Liabilities and Net Assets

Total liabilities increased by ¥11.6 billion to ¥206.2 billion from the previous fiscal year-end.

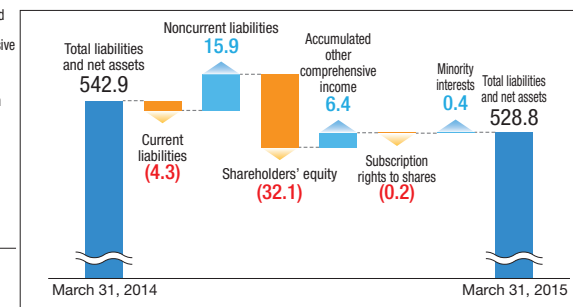
- Current liabilities decreased by ¥4.3 billion.

Factors ▶ Decrease in notes and accounts payable-trade

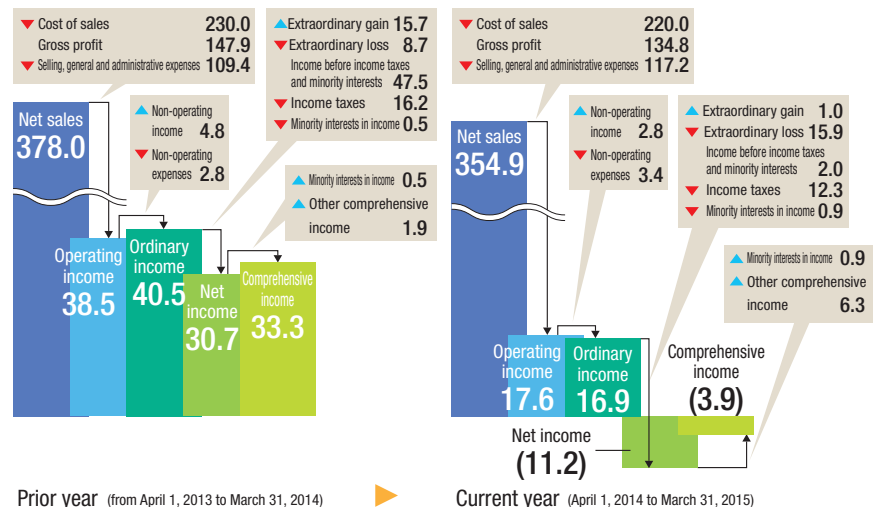
- Noncurrent liabilities increased by ¥15.9 billion.

Factors ▶ Issuance of corporate bonds

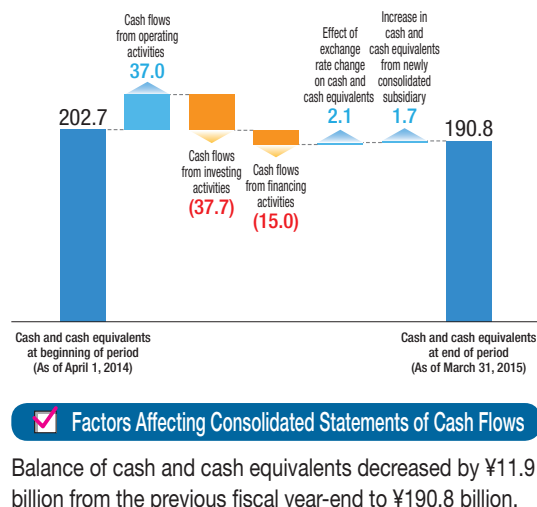
Equity ratio was 60.0%, down 3.2 percentage points from the previous fiscal year-end.



Overview of Consolidated Statements of Income and Comprehensive Income (Unit: Amounts less than ¥0.1 billion are rounded down)



Overview of Consolidated Statements of Cash Flows (Unit: Amounts less than ¥0.1 billion are rounded down)



Cash flows from operating activities

Net cash provided by operating activities was ¥37.0 billion. This was mainly attributable to posting of income before income taxes and minority interests of ¥21.7 billion, and depreciation and amortization of ¥21.7 billion, decrease in notes and accounts receivable-trade of ¥9.1 billion and decrease in inventories of ¥6.6 billion.

Cash flows from investing activities

Net cash used in investing activities was ¥37.7 billion. This was mainly attributable to outflows of ¥12.0 billion, ¥16.1 billion and ¥8.4 billion for the acquisition of securities (including investment securities), acquisition of property, plant and equipment, and acquisition of intangible assets respectively.

Cash flows from financing activities

Net cash used in financing activities was ¥15.0 billion. This was mainly attributable to proceeds from issuance of bonds payables of ¥19.8 billion, repayment of long-term debt of ¥12.4 billion, cash dividends paid of ¥9.6 billion and purchase of treasury stock of ¥12.6 billion.

Consolidated Operating Results and Financial Data

		Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ending March 31, 2016 (Forecast)
Operating results (billions of yen)	Net sales ^{*1}	396.7	395.5	321.4	378.0	354.9	420.0
	Operating income	68.7	58.3	19.0	38.5	17.6	25.0
	Operating income to net sales (%)	17.3	14.7	5.9	10.2	5.0	
	Ordinary income	68.1	58.1	20.9	40.5	16.9	25.0
	Net income ^{*2}	41.5	21.8	33.4	30.7	(11.2)	19.0
Expenses (billions of yen)	Research and development expenses/Content production expenses ^{*3}	41.1	53.3	45.2	59.2	67.6	69.4
	Capital expenditure	19.6	36.1	32.8	38.1	28.7	34.4
	Depreciation and amortization ^{*4}	15.9	16.1	18.1	16.1	17.6	16.8
	Advertising expenses ^{*5}	15.1	17.2	13.1	16.0	19.1	24.5
Financial Data (billions of yen)	Total assets	458.6	497.4	528.5	542.9	528.8	
	Liabilities	173.1	201.0	208.4	194.6	206.2	
	Net assets	285.4	296.3	320.0	348.2	322.6	
	Equity ratio (%)	60.0	58.9	59.7	63.2	60.0	
Cash Flows (billions of yen)	Cash flows from operating activities	87.6	38.0	18.6	75.2	37.0	
	Cash flows from investing activities	(29.5)	(59.0)	6.3	(38.5)	(37.7)	
	Cash flows from financing activities	(57.1)	0.9	(1.1)	(11.5)	(15.0)	
	Cash and cash equivalents at end of period	165.9	146.5	174.2	202.7	190.8	
Per Share Data (yen)	Net income per share	163.19	86.73	137.14	126.42	(46.22)	80.02
	Net assets per share	1,093.23	1,167.59	1,304.44	1,409.27	1,337.46	
	Dividends per share	40	40	40	40	40	40

*1 From fiscal year ending March 31, 2016 net sales indicate total amounts

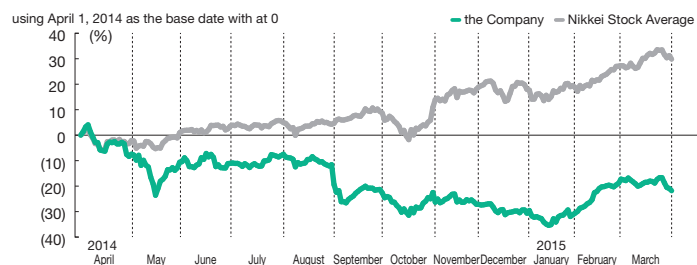
*2 In accordance with the application of the revised "Accounting Standard for Business Combinations," "net income" will be renamed to "profit attributable to owners of parent" from fiscal year ending March 31, 2016.

*3 From fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses (until fiscal year ended March 31, 2013, amortization cost of digital titles was included in depreciation and amortization).

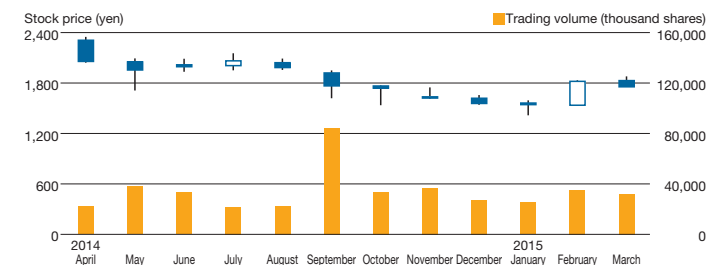
*4 From fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses (until fiscal year ended March 31, 2013, amortization cost of digital titles is included in depreciation and amortization).

*5 From fiscal year ended March 31, 2014, advertising expenses are included in cost (until fiscal year ended March 31, 2013, only selling, general and administrative expenses were included in cost).

Performance of the Company's Stock Price



Changes in the Company's Stock Price and Trading Volume



INFORMATION

Company Profile (As of March 31, 2015)

Company Name	SEGA SAMMY HOLDINGS INC.																										
URL	http://www.segasammy.co.jp/english/																										
Established	October 1, 2004																										
Capital	¥29.9 billion																										
Number of Employees	7,888 (Consolidated)																										
Directors and Auditors	<table> <tr> <td>Hajime Satomi</td> <td>Chairman of the Board and Chief Executive Officer</td> </tr> <tr> <td>Naoya Tsurumi</td> <td>Senior Managing Director and Representative Director</td> </tr> <tr> <td>Akira Sugano</td> <td>Director</td> </tr> <tr> <td>Haruki Satomi</td> <td>Director</td> </tr> <tr> <td>Shigeru Aoki</td> <td>Director</td> </tr> <tr> <td>Hideki Okamura</td> <td>Director</td> </tr> <tr> <td>Hisao Oguchi</td> <td>Director and COO (Chief Creative Officer)</td> </tr> <tr> <td>Yuji Iwanaga</td> <td>Director</td> </tr> <tr> <td>Takeshi Natsuno</td> <td>Director</td> </tr> <tr> <td>Tomio Kazashi</td> <td>Standing Audit and Supervisory Board Member</td> </tr> <tr> <td>Toshio Hirakawa</td> <td>Audit and Supervisory Board Member</td> </tr> <tr> <td>Yukito Sakaue</td> <td>Audit and Supervisory Board Member</td> </tr> <tr> <td>Mineo Enomoto</td> <td>Audit and Supervisory Board Member</td> </tr> </table>	Hajime Satomi	Chairman of the Board and Chief Executive Officer	Naoya Tsurumi	Senior Managing Director and Representative Director	Akira Sugano	Director	Haruki Satomi	Director	Shigeru Aoki	Director	Hideki Okamura	Director	Hisao Oguchi	Director and COO (Chief Creative Officer)	Yuji Iwanaga	Director	Takeshi Natsuno	Director	Tomio Kazashi	Standing Audit and Supervisory Board Member	Toshio Hirakawa	Audit and Supervisory Board Member	Yukito Sakaue	Audit and Supervisory Board Member	Mineo Enomoto	Audit and Supervisory Board Member
Hajime Satomi	Chairman of the Board and Chief Executive Officer																										
Naoya Tsurumi	Senior Managing Director and Representative Director																										
Akira Sugano	Director																										
Haruki Satomi	Director																										
Shigeru Aoki	Director																										
Hideki Okamura	Director																										
Hisao Oguchi	Director and COO (Chief Creative Officer)																										
Yuji Iwanaga	Director																										
Takeshi Natsuno	Director																										
Tomio Kazashi	Standing Audit and Supervisory Board Member																										
Toshio Hirakawa	Audit and Supervisory Board Member																										
Yukito Sakaue	Audit and Supervisory Board Member																										
Mineo Enomoto	Audit and Supervisory Board Member																										

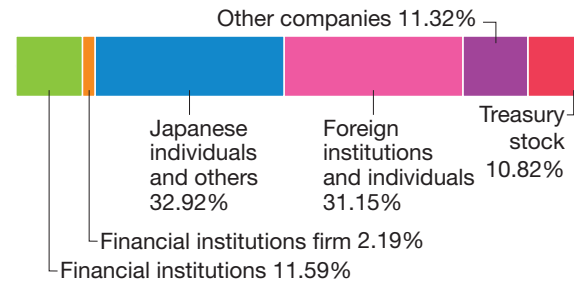
Information on Outstanding Shares (As of March 31, 2015)

Number of shares authorized for issuance	800,000,000 shares
Total number of shares issued and outstanding	266,229,476 shares
Number of Shareholders	72,488 (Odd-lot shareholders: 52,552)

Principal Shareholders

Name of Shareholder	Shares Held	Shareholding Ratio (%)
Hajime Satomi	33,619,338	12.62
SEGA SAMMY HOLDINGS INC.	28,801,789	10.81
FSC Co., Ltd.	12,972,840	4.87
HS Company	10,000,000	3.75
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	7,876,871	2.95

Distribution of Shareholders



Shareholder Memo

Stock Code	6460
Round Unit	100 shares
Fiscal Year	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June
Date of Record for Dividends	March 31 (September 30 for interim periods, if paid) Advance public notice is given when required for other dividend payments.
Method of Public Notice	Electronic public notices
Notification URL	http://www.segasammy.co.jp/japanese/etc/notice If electronic notification is not available due to unavoidable circumstances, the Company will post the notice in the "Nihon Keizai Shimbun."
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Administrative Office of Transfer Agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan Telephone: +81-3-5683-5111
Agencies	Mitsubishi UFJ Trust and Banking Corporation branches in Japan
The website of Mitsubishi UFJ Trust and Banking Corporation, the Company's transfer agent, provides information on share registration, purchase or additional purchase of shares in fractional lots and other stock-related procedures. If you use the storage transfer system for share certificates, etc., please contact the securities company that handles the transactions. (Mitsubishi UFJ Trust and Banking Corporation website) http://www.tr.mufig.jp/daikou/	

Editor's Note

The Company intends to conduct various activities to facilitate a better understanding of the Company by its shareholders and investors. The next Business Report will be released in the winter of 2015. We will continue to enhance the contents of our report based on your opinions expressed through the questionnaire.

2015 IR Calendar

Schedule of activities for shareholders and investors

- June ● Ordinary General Meeting of Shareholders/Release of the Business Report for the fiscal year ended March 31, 2015
- August ● Announcement of results for the three months ending June 30, 2015
- November ● Announcement of results for the six months ending September 30, 2015
- December ● Release of the Business Report for the six months ending September 30, 2015



Please contact the inquiry desk regarding any questions in relation to stock information, group information or other matters.

SEGA SAMMY HOLDINGS INC. IR Information Center

Phone: +81-3-6215-9839

Hours of operation: Weekdays 9:00 - 18:00

(Please be aware that the IR Information Center is closed on Saturdays, Sundays, national holidays and company holidays.)



SEGA SAMMY HOLDINGS INC.

Shiodome Sumitomo Building 21F, 1-9-2
HigashiShimbashi, Minato-ku, Tokyo 105-0021

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and its SEGA SAMMY Group Companies ("the Group"), including SEGA CORPORATION and Sammy Corporation, are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management. The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not assume that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation. Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.