

Contents

P1 Key Points of Financial Results by the Numbers
SEGA SAMMY in 2016 Interim



P3 A Message from Management



P5 Segment Information



P7 Looking back with a "Key Person" Review of Activities up to the Second Quarter



- ▶ Pachinko CR SOUTEN-NO-KEN Tenki is here!
- ▶ WORLD CHAIN launched!
- ▶ Detective Conan The Darkest Nightmare is a record-breaking hit!



P12 Latest News



P13 Group Information

SEGA SAMMY REPORT 2016 WINTER

Business Report for the six months ended September 30, 2016

Winter Edition

From April 1, 2016 to September 30, 2016

SEGA SAMMY in 2016 Interim

Net sales

First half

¥169.5 billion
(up 10% year on year)

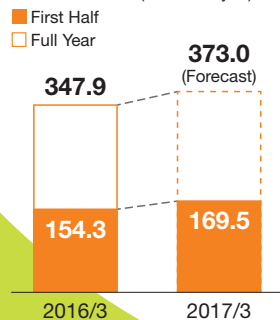
Operating income

First half

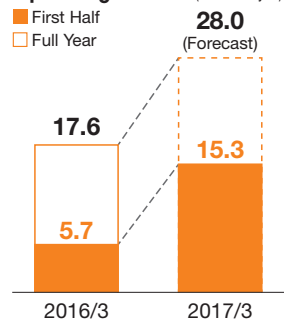
¥15.3 billion
(up 168% year on year)

Results for the six months ended September 30, 2016 were up year on year for both sales and earnings, due to robust sales for multiple titles for both pachislot machines and pachinko machines in the Pachislot and Pachinko Machines Business, further improvements in profitability through cost improvements such as reusing components and through reduction of development and other expenses, in addition to strong performance of the digital game area, packaged game area, and amusement machines and amusement center operations area in the Entertainment Contents Business. As for the full-year results forecast, profit attributable to owners of parent is expected to be significantly higher than the initial forecast due to factors including ongoing profitability improvements in the Pachislot and Pachinko Machines Business and the impact of structural reforms such as sales of noncurrent assets implemented during the term.

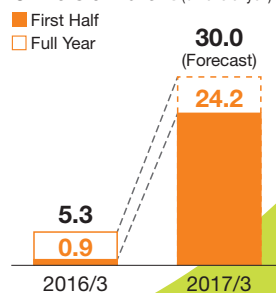
Net Sales (billions of yen)



Operating Income (billions of yen)



Profit Attributable to Owners of Parent (billions of yen)



Growth in ARPMAU*, a key index for the digital game area

2nd quarter FY 2016: **¥1,605**
2nd quarter FY 2017: **¥2,772**

While MAU* decreased as a result of focusing operations on existing titles and narrowing down of titles, ARPMAU*, which was previously at around the ¥1,600 to ¥1,800 level during the fiscal year ended March 31, 2016, topped ¥2,000 in the first quarter of the fiscal year ending March 31, 2017. In the second quarter, ARPMAU marked an even greater growth of up to ¥2,772.

* MAU (Monthly Active Users): the number of users who were active at least once a month

* ARPMAU (Average Revenue Per Monthly Active Users): the average net sales (monthly amount) per user

Higher operating income margin for pachislot and pachinko machines

Six months ended September 30, 2016
Fiscal year ended March 31, 2016: **14.8%**
Six months ended September 30, 2017 (Forecast): **16.3%**
Fiscal year ending March 31, 2017 (Forecast): **17.6%**

Cost improvement efforts such as reusing components are making steady progress. Selling, general and administrative expenses, particularly development expenses, are also decreasing, and the operating income margin has improved considerably. For the full year, operating income margin is expected to improve further.

Please see page 13 for detailed financial information. >>>

Business Segments of SEGA SAMMY and Composition of Net sales by Business Segment

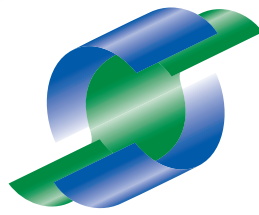
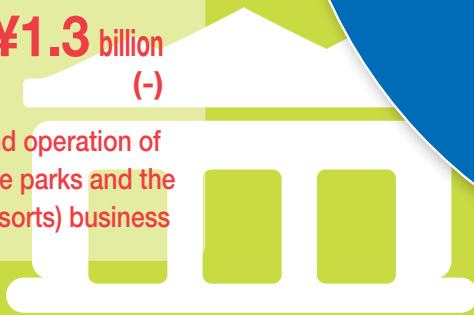
Resort Business

4.0%

Net Sales ¥6.7 billion
(down 9% year on year)

Operating Loss ¥1.3 billion
(-)

Development and operation of hotels and theme parks and the IR (integrated resorts) business



SEGA-SAMMY
HOLDINGS

Group Management Philosophy

By providing entertainment filled with dreams and excitement to people throughout the world, we will strive to enrich our society and culture.

777
Pachislot and Pachinko Machines Business
38.3%

Net Sales ¥64.9 billion
(up 7% year on year)

Operating Income ¥10.6 billion
(up 26% year on year)

Development, manufacture and sales of pachislot and pachinko machines, distribution of pachislot and pachinko machines related contents for mobile phones and PCs



Entertainment Contents Business

57.7%

Net Sales ¥97.8 billion (up 14% year on year)

Operating Income ¥9.1 billion (up 435% year on year)

Development and sales of digital game software serving as the main axis of segments, development and sales of packaged game software and amusement machines, development and operation of amusement centers, planning, production and sales of animated films, development, manufacture and sales of toys





Chairman of the Board and CEO and COO
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 first half of the fiscal year ending March 31, 2017, profitability has improved in all business areas of the SEGA SAMMY Group, and from these results we can feel that the “Group Structural Reform” efforts we have been promoting since the fiscal year ended March 31, 2015, are steadily producing results. In addition to continuing its pursuit of improving profitability in all business areas, the Group has implemented various management measures, including business portfolio reorganization, to create a framework that can deal with changes in the business environment, and has also fully committed to building a solid management foundation that can accelerate future growth. We will hold fast to our basic policy of investing in growth areas while continuing to pay stable dividends to our shareholders.

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 company.” We look forward to your continued support in our endeavors.

December 2016

Q.

Please look back and evaluate the first half of the fiscal year ending March 31, 2017.

A

We achieved year-on-year increase in sales and earnings mainly due to improved profitability in the Pachislot and Pachinko Machines Business and strong performance in the Entertainment Contents Business.

Results for the first half of the fiscal year ending March 31, 2017 exceeded the year-on-year results, despite net sales falling short of the initial forecast due to revision of the sales schedule mainly in the Pachislot and Pachinko Machines Business.

Meanwhile, operating income, ordinary income, and profit attributable to owners of parent were significantly higher than the initial forecast and were up year on year, due to factors including improved earnings in the Pachislot and Pachinko Machines Business as a result of measures such as reusing components, strong performance in the Entertainment Contents Business overall, as well as extraordinary income recorded in connection with the transfer of noncurrent assets announced on July 13.

Q.

Please tell us about the outlook for the fiscal year ending March 31, 2017.

A

We revised the full-year results forecast as a result of improved profitability and implementation of Group Structural Reform.

Operating income and ordinary income are expected to exceed the previous forecast owing to improved profitability in the Pachislot and Pachinko Machines Business, and profit attributable to owners of parent is expected to be significantly higher than the previous forecast due to factors including the impact of implementing Group Structural Reform measures such as sales of noncurrent assets during the term. It is for these reasons that we revised the full-year results forecast on November 2.

* Please see page 4 for full-year results forecast ●●●▶

Q. Please tell us about the progress and the future of the Group Structural Reform.

A We will continue looking into further implementation measures towards achieving our medium-term goals.

We have been working on cost structure reform and business structural reform for two terms beginning in the fiscal year ended March 31, 2015. In the current term, which will be the implementation phase, we are proceeding with implementation of structural reform measures, including in our legacy businesses, such as securing investment funds through sales of some businesses and noncurrent assets while promoting investments in growth areas.

In addition, we are also progressing with consolidation of Group company offices aimed at improving business efficiency and generating group synergies, and we will take measures necessary for the achievement of our company wide goals for the fiscal year ending March 31, 2020, which are “Operating profit ratio 15%” and “ROA 5%.”

* ROA(%) = Profit attributable to owners of parent / total assets

Q. Please give a final word to our shareholders.

Our basic policy is to work on improving profitability and invest in growth areas, while making a stable distribution of profits to shareholders. 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, 2017, 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 dividend of ¥40 per share.

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

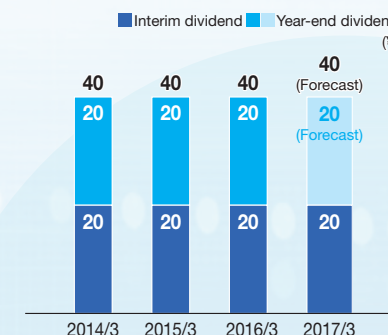
Revised Full-year Results Forecasts for the Fiscal Year Ending March 31, 2017 (announced on November 2, 2016)

| Unit: billions of yen | Year ended March 31, 2016 Results | Year ending March 31, 2017 Forecast | Change (%) |
|--|-----------------------------------|-------------------------------------|------------|
| Net sales | 347.9 | 373.0 | +7 |
| Operating income | 17.6 | 28.0 | +59 |
| Ordinary income | 16.4 | 27.0 | +65 |
| Profit attributable to owners of parent | 5.3 | 30.0 | +466 |

Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on November 2, 2016, to pay an interim dividend for the FY2017.

- **Interim dividend of ¥20 per share**
Year-end dividend of ¥20 (forecasted), for total full-year cash dividends of ¥40 (forecasted).
- **Effective date (payment start date)**
December 1, 2016



Pachislot and Pachinko Machine Business



Pachinko CR SOUTEN-NO-KEN Tenki
©Tetsuo Hara & Buronson/NSP 2001, Approved No. YDM-406 ©Sammy

Pachislot Hokuto No Ken Syura no kuni hen
©Buronson & Tetsuo Hara/NSP 1983, ©NSP 2007 Approved No. YSC-506 ©Sammy

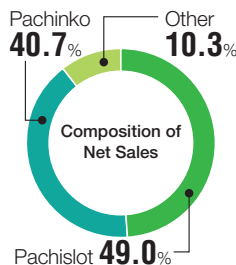
Net Sales **¥64.9 billion**
(up 7% year on year)

Operating Income **¥10.6 billion**
(up 26% year on year)

Initiatives and results for the first half of the fiscal year ending March 31, 2017

Market Condition

► Pachinko parlor operators have maintained a cautious attitude towards replacement of pachislot machines with new machines that correspond to the change in application of the model test procedure of pachislot machines. Although there continues to be uncertainty in the pachinko machine market in response to the application of the new voluntary agreement regarding measures to prevent players from becoming too immersed in playing, well-received titles are appearing mainly in some series with successful track records.



Results

● Sales were favorable for multiple titles in both pachislot and pachinko machines, mainly with their mainstay titles, and sales and earnings increased year on year. Profitability improved due to cost improvements such as reusing components and reduction of selling, general and administrative expenses mainly in development expenses, and profit exceeded the initial forecasts.

Primary Topics

- Sales were favorable for titles such as Pachislot BLOOD+ futari no jōu, adding new features to its previous version which gained a following for its original gameplay, and unit sales of pachislot machines increased by 11 thousand units year on year to 81 thousand units.
- In pachinko machines, sales were strong for titles including Pachinko CR SOUTEN-NO-KEN Tenki and Pachinko CR GAOGAOKING 2. Unit sales were on a level year on year at 75 thousand units (a year on year decrease of 4 thousand units), exceeding the initial forecast.

Key Points for the Full Year **Forecast** **Net Sales ¥153.5 billion** **Operating Income ¥27.0 billion**

- The sales line-up was reviewed, hence the number of sales titles and unit sales are expected to decrease.
- Multiple titles are scheduled for introduction, including Pachislot Hokuto No Ken Syura no kuni hen, the latest title in the mainstay series. Revised the forecast for number of sales titles from 12 titles to 11 titles and unit sales from 230 thousand units to 236 thousand units.
- Multiple titles are scheduled for introduction, including Pachinko CR Monster Hunter 4 and Pachinko CR Shin Hokuto Muso 219 Ver. Revised the forecast for number of sales titles from 10 titles to 9 titles and unit sales from 182 thousand units to 132 thousand units.

Resort Business



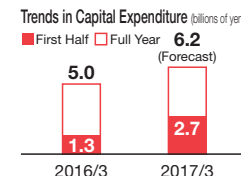
Net Sales **¥6.7 billion**
(down 9% year on year)

Operating Loss **¥1.3 billion**
(-)

Initiatives and results for the first half of the fiscal year ending March 31, 2017

Market Condition

► An upward trend in the hotel occupancy rate is still evident as the number of foreign visitors to Japan continues to increase albeit at a slower rate.



Results

● We have continued upfront investments in our aim to enter the integrated resort area. Losses grew at Phoenix Seagaia Resort due to cancellation of some reservations for stays, golf, and banquets that arose due to the impact of the Kumamoto Earthquake. Sales increased at TOKYO JOYPOLIS, which opened new attractions, while number of visitors increased at Orbi Yokohama as a result of fee revisions.

Primary Topics

- At the nature simulation museum Orbi Yokohama, we implemented measures to attract customers, including a revision of the fee structure and the opening of ANIMAL STUDIO.
- Phoenix Seagaia Resort, one of the finest resorts in Japan, reopened as the “New Seagaia” in August, with renovated guest rooms in the Sheraton Grande Ocean Resort, and newly opened KAZE-MACHI TERRACE and Jikka Kurogi as common areas exclusively for hotel guests.
- Operating rates at the indoor theme park TOKYO JOYPOLIS were strong, thanks to the opening of multiple new attractions.

Key Points for the Full Year **Forecast** **Net Sales ¥14.5 billion** **Operating Loss ¥2.5 billion**

- We will endeavor to accumulate expertise through developing and operating theme parks and resort facilities as well as operating casino facilities overseas, and continue to carry out prior investment for realizing IR (integrated resorts) businesses.
- At Phoenix Seagaia Resort, plans are underway to (1) open two “exclusive bridal banquet rooms” on the 42nd floor of the high-rise hotel, and (2) renovate the Seagaia Convention Center, a MICE* facility.
- At Orbi Yokohama, various measures will be implemented to improve the operating rates of its facilities.

* Meetings, Incentive Travel, Conventions, Exhibitions/Events

Entertainment Contents Business



WORLD CHAIN
©SEGA



Persona5
©ATLUS
©SEGA
All rights reserved.



KanColle Arcade
©SEGA
©2016 DMM.com POWERCHORD STUDIO / C2 / KADOKAWA All Rights Reserved.



Detective Conan
The Darkest Nightmare
©2016 GOSHO AOYAMA / DETECTIVE CONAN COMMITTEE All Rights Reserved



Rilu Rilu Fairilu
Fairilu Camera
©2015,2016 SANRIO / SEGA TOYS
TX-
Rilu Rilu Fairilu
Production Committee



Net Sales **¥97.8 billion** (up 14% year on year)
Operating Income **¥9.1 billion** (up 435% year on year)

Initiatives and results for the first half of the fiscal year ending March 31, 2017

Market Condition

- ▶ In the digital game market, the need to provide higher-quality content arises as the domestic market matures, resulting in a continuing trend of longer development times and higher operating costs than ever before.
- ▶ In the packaged games market, expectations are rising for market expansion in line with the penetration of next generation hardware of home video game consoles.
- ▶ As the trend towards contraction of the amusement centers and machines market continues, initiatives are still needed towards expanding our user base.

Results

- Performance was strong in the digital game area mainly for existing mainstay titles. In addition, results were favorable mainly in the packaged game area and amusement machines and amusement center operations area, and earnings improved significantly compared to the same period of the previous year.

Detailed Operating Income of Entertainment Contents Business

| (Billions of yen) | Six months ended September 30, 2015 | Six months ended September 30, 2016 | Year on year (%) |
|---------------------|-------------------------------------|-------------------------------------|------------------|
| Digital games | 0.9 | 3.8 | +322 |
| Packaged games | (0.9) | 2.7 | - |
| Amusement machines | 0.2 | 0.8 | +300 |
| Amusement centers | 1.3 | 2.0 | +54 |
| Animations and toys | 0.0 | 0.1 | - |
| Others / removed | 0.2 | (0.3) | - |

* Some businesses that were previously a part of the Entertainment Contents Business were transferred to the Pachislot and Pachinko Machines Business from the fiscal year ending March 31, 2017. This change has been retrospectively applied to the actual results for the fiscal year ended March 31, 2016.

Primary Topics

- ▶ In the digital game area, *PHANTASY STAR ONLINE 2*, which celebrated its fourth anniversary and topped over 4.50 million IDs in Japan, continued to perform strongly. Titles for smart devices showed strong sales, mainly for existing mainstay titles such as *Hortensia Saga*, *Puyopuyo!! Quest* and *CHAIN CHRONICLE – Kizuna no Shintairiku* thanks to various events that were held. In addition, a new title, *WORLD CHAIN* started its distribution in September.
- ▶ In the packaged game area, sales were robust for mainstay titles such as *Persona5*, launched in September as the latest sequel of the *Persona* series, and *Total War: WARHAMMER*, the latest title in the *Total War* series which won popularity overseas. As a result, unit sales increased year on year to 4.65 million units.
- ▶ In the amusement machines area, revenue sharing models such as *KanColle Arcade* continued to contribute to earnings, and sales were robust for *UFO CATCHER 9* and the CVT kit, *StarHorse3 Season V EXCEED THE LIMIT* in the horse racing medal game *StarHorse* series. Meanwhile, upfront expenses were incurred for development and sales of casino machines.
- ▶ Operating rates were favorable in the amusement center operations area, mainly due to efforts to strengthen operations including enhancement of prizes in the existing amusement centers, and video games such as *KanColle Arcade*. As a result, sales at existing amusement centers in Japan were strong at 110.8% year on year. In addition, operating rates at amusement centers rose as a result of the revised Act on Control and Improvement of Amusement Business, etc. coming into effect.
- ▶ In the animation and toy areas, the animation business showed strong performance due to distribution revenue from *Detective Conan The Darkest Nightmare*, which far outstripped the box-office revenue for the past series. In the toy business, sales were focused on classic and mainstay products.

Key Points for the Full Year

Forecast Net Sales **¥205.0 billion** Operating Income **¥9.5 billion**

- In the digital game area, while existing titles in Japan are strong, the launch of a gaming platform business for overseas was delayed. In the packaged game area, amusement machines area and amusement center operations area, operating expenses are expected to arise in connection with the introduction of new titles.
 - ▶ In addition to carrying out a major update of *CHAIN CHRONICLE – Kizuna no Shintairiku*, we plan to hold multiple events mainly for existing titles.
 - ▶ We will introduce titles that link Amusement machines with smart devices.
 - ▶ In the packaged game area, we plan to introduce new titles in popular series focusing on mainstay IP titles such as *Hatsune Miku: VR Future Live*, *Football Manager 2017* and *Ryu ga Gotoku 6: Inochi No Uta*.
 - ▶ In the amusement machines area, we expect a contribution to earnings from strong performance of revenue sharing titles such as *KanColle Arcade*, and sales are planned for the latest title in the highly popular trading card game *SANGOKUSHI TAISEN*.
 - ▶ In the amusement center operations area, we will continue to strengthen operations focusing on enhancement of prizes. We aim to improve profitability through the earnings contribution of video games and the introduction of new titles for SEGASAMMY products. We will also implement initiatives for new stores in new formats.
 - ▶ In the animation and toy areas, we expect to record production revenue and film production revenue including new animated TV show *Yowamushi Pedal NEW GENERATION* and *Onihei*. In the toy business, we will focus on developing classic and mainstay products such as the *Disney* and *Anpanman* series aimed at the Christmas sales season.



Looking Back with a “Key Person” Review of Activities up to the Second Quarter



Azure sky (SOUTEN) emblazoned with gold. The all-new Pachinko CR SOUTEN-NO-KEN Tenki is here!

Pachinko CR SOUTEN-NO-KEN Tenki, the latest sequel in the popular series *Pachinko CR SOUTEN-NO-KEN*, was launched in August 2016. Players can enjoy this new *SOUTEN-NO-KEN*, which features the newly equipped K.O.V. (Knock Out Vision) that spans the entire pachinko board with a never before seen action sequence and Soryu Tenra gimmicks with LCD light shows updated from the past series.



Pachinko CR SOUTEN-NO-KEN Tenki
©Tetsuo Hara & Buronson/NSP 2001,
Approved No.YDM-406 ©Sammy

KEY PERSON

A word from **Hiroataka Tanaka**, Senior Executive Officer and Creative Officer, Sammy Corporation



We developed this model with the aim of creating a brand new *SOUTEN-NO-KEN* pachinko machine by combining video effects featuring visuals updated from the previous model coupled with the new K.O.V. (Knock Out Vision) system. Players can clearly feel the heat, from the blazing hot “Tenki” effect, which is also part of its subtitles, as it turns the entire screen gold and plays an impressive array of sounds and lights. Furthermore, K.O.V. moves the LCD screen back and forth to simulate the feel of Kenshiro blasting his opponents away, and gives the winning player an even greater sense of exhilaration and achievement than ever before. Please try the new *SOUTEN-NO-KEN* loaded with these new effects in a pachinko hall for yourself.



Joint hosting of the “Universal Carnival” × “Sammy Festival”

Sammy Corporation and Universal Entertainment Corporation teamed up to hold the largest ever “Pachinko ★ Pachislot Fan Event ‘Universal Carnival × Sammy Festival 2016,’” for “fans and the media to get pumped up” for the major pachinko and pachislot titles and content owned by the two companies, on July 24 at Tokyo Big Sight. The event featured a test play section featuring many classic models that made history for both of the companies and the latest models that are yet to be introduced in pachinko halls, events with a total of 100 guests including writers, manga artists and voice actors, as well as pro wrestling and sales of original goods and collaboration goods. Jointly holding the largest ever pachinko and pachislot “festival” produced a synergy effect that attracted nearly over 16,500 fans around the country, and the event ended as a huge success.



UNIVERSAL ENTERTAINMENT × Sammy



Universal Carnival × Sammy Festival 2016
©UNIVERSAL ENTERTAINMENT ©Sammy



New RPG for smartphones *WORLD CHAIN* launched on September 12!

SEGA Networks Company of SEGA Games Co., Ltd. has started the distribution of the new RPG *WORLD CHAIN* for iOS/Android. This latest release from the *CHAIN* series is building the success of *CHAIN CHRONICLE* which surpassed five million downloads in total since its launch in 2013. *WORLD CHAIN* is set in a modern college town where humans have disappeared, and the players use a mysterious smartphone called the “Chain Driver” as they embark on an adventure as a “Rewriter” who corrects a “world with a distorted history” as caused by a mystery actor. Many great historical figures and heroes appear in this story, which crosses history with the modern times! A spectacular story awaits you.



WORLD CHAIN
©SEGA

KEY PERSON

A word from **Kazuma Yoshida**, Manager, Game Business Department, Operation Division, Operation Section 1, SEGA Games Co., Ltd., SEGA Networks Company



While *CHAIN CHRONICLE* was themed on “bonds” of friendship, *WORLD CHAIN* is a game themed on one’s own “roots.” Players can enjoy diverse elements, including a story combining school youth and alternate history and a brand new battle experience. Characters are modeled with gorgeous graphics, and what’s more, characters from Sega’s popular *SENGOKU TAISEN* series and *SANGOKUSHI TAISEN* series appear in the game’s Warring States Period and the Three Kingdoms Period. Highly skilled staff from Sega Interactive’s AM1 Development Section took part in the game’s development, bringing you a harmonious balance of action and playability. Try this fun new game for yourself!



Dedicated to all RPG fans! The latest sequel from the huge hit series *Persona* is here at last!

Persona5 is the latest, long-awaited sequel, which also comes as the first HD original work in the series. Fans and newcomers alike are sure to enjoy this finely crafted and ambitious work, which deserves to be called “the epitome of RPG.” SEGA Games has challenged itself to create a totally new RPG set in modern Japanese cities and high schools, with a “juvenile” story where boys and girls who have awoken to “Persona Power” meet and grow as they encounter various cases and difficulties along with the excitement brought about by “picaresque romance,” a theme that is still uncommon among RPG games! The series has matured, evolving into a packaged game for PlayStation®3 and PlayStation®4. *Persona5* creates “a new experience that will stir the heart” of all RPG fans.



Persona5
©ATLUS ©SEGA All rights reserved.

KEY PERSON

A word from **Naoto Hiraoka**, Director and Managing Director, Consumer Software Department, ATLUS. CO., LTD.

Persona5 is the first completely new numbered sequel in the series in eight years. While we are truly sorry for making everyone wait so long, we are happy that the end result is a richer, deeper, more powerful game. Thanks to all of your support, we have now shipped over 550,000 copies, and it has become one of the core titles of the company. Prior to its launch, *Persona5* has been promoted through theatrical promotions using a motif based on the “phantom thief” that appears in the game. We started with live shows then we posted teasers at actual spots including Tokyo Tower, museums and TGS, hoping that fans were able to enjoy the feel of actually seeing the place where the band of phantom thieves operates. We were able to realize joint promotions with Sony Interactive Entertainment Inc., including a same-day launch with the new PlayStation®4. We are planning the development of much more *Persona* IP, including the second orchestral concert in November and the *Persona* 20th FES in December, so please look forward to them!





20th Anniversary Movie Detective Conan The Darkest Nightmare is a record-breaking hit!

Detective Conan The Darkest Nightmare the movie premiered in the 20th anniversary memorial year of the vastly popular Detective Conan TV and movie series. This commemorative 20th title in the series, featuring an unprecedented battle royal between “Conan VS Men in Black VS FBI VS PSB VS ...” premiered on April 16 and was a smash hit, with over about 4.9 million tickets sold. Box office revenue far exceeded ¥5.0 billion for the first time in the series, and hit the ¥6.3 billion mark. This vastly exceeded the previous film which was then the highest-ranking film in the series, and set a new record. For a film based on an anime series, it set an impressive new record of four consecutive years of highest box office revenue.



Detective Conan The Darkest Nightmare
©2016 GOSHO AOYAMA / DETECTIVE CONAN
COMMITTEE All Rights Reserved

KEY PERSON

A word from **Keiichi Ishiyama**, Chief Producer of *Detective Conan*, TMS ENTERTAINMENT CO., LTD.

On the 20th anniversary milestone of Conan movies, we recorded the highest box office revenue for the series at ¥6.31 billion. As the culmination of these 20 years, we featured the “Black Organization,” a central theme in the series, for the first time in seven years, along with fantastic action and unique characters, making for a truly cinematic movie. Moreover, *Detective Conan* will not end here; the series will go on! We will work to provide this beloved series for another five years or ten years, and perhaps even more. This winter, *Detective Conan Episode “One”*: will be aired to mark the passing of 20th anniversary. This episode is a complete remake of the origins of Conan. Get ready for the next adventure!



Exhibit at the TOKYO GAME SHOW 2016

SEGA Games Co., Ltd. participated in the TOKYO GAME SHOW 2016, held in Makuhari Messe from September 15 to 18. With the theme of “Press Start to Play the Future,” new titles and services in a variety of genres for various platforms, including console games, smartphones, and PCs, were introduced and the total number of visitors was the highest so far at 271,224, for the most exciting Tokyo Game Show yet.

The SEGA Games Co., Ltd. booth focused its exhibit on *Ryu Ga Gotoku 6: Inochi No Uta* set to launch on December 8 and *Persona 5*.

Huge lines formed at the *Ryu Ga Gotoku* section throughout the event. At the *Persona* section, visitors enjoyed a variety of content, including live broadcasts shown during public day.





PHOENIX
SEAGAIA
RESORT

A space to “start your journey” and “rest your wings” KAZE-MACHI TERRACE will further enrich your stay at Miyazaki Seagaia

Phoenix Seagaia Resort celebrated its reopening on August 1, 2016. The largest renovations since it first started operations were made, including updating nearly 96% of the guest rooms at *Sheraton Grande Ocean Resort*, and the resort has been reborn as a “New Seagaia.”

At *KAZE-MACHI TERRACE* is an exclusive terrace lounge for guests newly built on the second floor of the hotel. We have prepared a comfortable space overlooking vivid green pine forests, with an excellent cafe menu which boasts hand-dripped coffee carefully poured cup by cup, and sandwiches with your choice of fillings. Guests can peruse books chosen by Yoshitaka Haba as references for their journey, and have a relaxing time in the resort as they plan out their stay. Care has been taken to enrich the resort



stay of guests in every place, such as the Letter Room where guests can write down memories of their journeys. Come and enjoy a “new experience value” the likes of which can only be had at *Miyazaki Seagaia*.

KEY PERSON

A word from **Shigeo Yamashita**, KAZE-MACHI TERRACE Ambassador, *Sheraton Grande Ocean Resort*

The Letter Room has a full range of tools including post cards and letter sets that showcase the charm of *Seagaia*, as well as fountain pens and color pencils, and was created as a place for guests to write memories of their journey on a letter.

It has been used by many guests since its opening, including some who frequent this place during their stay, and some who sit and take time to write. The writings are dedicated to someone important, to future selves, and to someone never met before. In this age where digital communication is the norm, we will work to provide an even better space and time for guests to experience the joy of communicating their feelings carefully through handwriting.



ANIMAL STUDIO opens at Orbi Yokohama!

ANIMAL STUDIO, where guests can come into direct contact with animals, opened on July 30 at *Orbi Yokohama*, an entertainment facility made as a joint project between SEGA and BBC Worldwide Ltd. From July 16, we have also introduced a new admission fee system that visitors can choose from depending on how they wish to spend their stay. Come and have fun with your family!

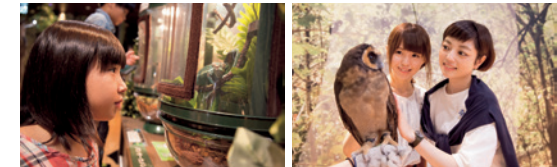


Exhibit at IR Forum 2016 Tokyo

SEGA SAMMY HOLDINGS INC. participated in IR Forum 2016 Tokyo, an event for individual investors held by Magical Pocket Corporation at TEPIA in Aoyama, Minato-ku on Saturday, September 3, 2016. Over 1,300 visitors attended the event, and many individual investors came to our booth.

December 3 (Sat.) Participation at “IR Forum for Individual Investors 2016 Winter”

Date: Saturday, December 3, 2016, from 10:30 to 17:10 (opens at 10:00)
Venue: 4th Floor JP TOWER KITTE, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo
<http://www.nikkoir.co.jp/seminar/2016w/index.html>

The event is open for free (reservation needed), so please check it out. Video stream is available after the day of the event. Details to follow and will be posted on our website.



Goalball Team Member Eiko Kakehata participates in the Rio Paralympics

SEGA SAMMY employee Eiko Kakehata played on the Japanese women's goalball team at the Rio de Janeiro Paralympics. Although the team fell short of winning a medal at fifth place, Kakehata contributed to the team Japan with early scores at the qualifying match and quarter-finals.

Human Resources Department, General Affairs Division, SEGA SAMMY HOLDINGS INC.

Eiko Kakehata

<Comment from Eiko Kakehata>

Thank you for all your support. I'll do my best to win gold at the 2020 games!



Photo/AFLO

CSR Column, Vol. 11 Support for areas affected by the Kumamoto Earthquake

We wish to express our deepest condolences to those who lost their lives in the earthquake that struck Kumamoto on April 14, 2016, and express our heartfelt sympathy to everyone affected by the disaster, as well as their family and associates. At SEGA SAMMY Group, we are constantly examining and implementing support activities to meet requests from the disaster areas, such as the provision of relief goods and soup kitchens by PHOENIX RESORT CO., LTD. (Miyazaki Prefecture) of our Resort Business, in addition to on-site volunteer activities by willing employees of the Group. We sincerely wish that everyone in the disaster area can recover as soon as possible.

Employee Volunteer Activities

- Volunteer Activities Conducted: 2
- Volunteer Employees: 36 in total

SEGA SAMMY Group made use of its previous experience in reconstruction assistance activities for the Great East Japan Earthquake (43 times in total) to conduct reconstruction assistance activities for the area affected by the Kumamoto Earthquake.

● 1st Employee Volunteer Effort (Mashikimachi, Kumamoto and others)

Date and Participants: Wednesday, June 22 to Saturday, June 25; 21 employees
 Volunteer Efforts: Clearing rubble from individual homes designated by the Mashikimachi Volunteer Center, participation in special events for children of Mashikimachi

● 2nd Employee Volunteer Effort (Mashikimachi, Kumamoto and others)

Date and Participants: Wednesday, July 6 to Saturday, July 9; 15 employees
 Volunteer Efforts: Clearing rubble from individual homes designated by the Volunteer Center, helping PHOENIX RESORT employees in soup kitchens

At the lunch soup kitchen held in the General Gymnasium of Mashikimachi, 15 employee volunteers and 22 PHOENIX RESORT employees worked together to distribute yakiniku pilaf made with Miyazaki beef, meat udon, beef curry, and hyuganatsu drinks.



Event for children in Mashikimachi, Kumamoto



Employees removing rubble at individual homes in Mashikimachi

Activities by PHOENIX RESORT

- Soup Kitchens Conducted: 14 times
- Volunteer Employees: 228 in total

PHOENIX RESORT CO., LTD. has provided relief goods and soup kitchens for evacuation areas including Mashikimachi since the time immediately after the Kumamoto Earthquake. (As of September 21, the company has opened soup kitchens 14 times, with a total of 228 employees participating) Additionally, the company has continuously placed donation boxes for earthquake relief funds in the resort.



Donating character goods to kindergartens in Mashikimachi



Employees at soup kitchens in General Gymnasium of Mashikimachi



We have provided soup kitchens in General Gymnasium of Mashikimachi with volunteer employees from the Group.

In order to help in the relief of disaster victims as well as the recovery and reconstruction of the area affected by this earthquake, the Group has donated support funds totaling ¥35 million to the NPO Asia Pacific Alliance Japan. Additionally, donations collected from fundraising activities through game services operated by SEGA SAMMY Group companies, SEGA Games Co., Ltd., SEGA Interactive Co., Ltd., and Sammy Networks Co., Ltd., as well as donations from donation boxes installed in their offices and facilities have been donated to the Japanese Red Cross Society and other organizations.

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

Pachislot Hokuto No Ken Syura no kuni hen debuted on October 3

The second coming of the highly-acclaimed "Shinken Shoubu" in *Pachislot Hokuto No Ken Chapter of Resurrection!* Characters and video quality have been revamped, and the story is now brought to Syura no Kuni at long last! Enjoy our proudest creation of unparalleled degree of perfect production and wager on Tushin Enbu, where three characters Kenshiro, Shachi, and Kaioh play out the story of Shinken Shobu.



Pachislot Hokuto No Ken Syura no kuni hen
©Buronson & Tetsuo Hara/NSP 1983,
©NSP 2007 Approved No.YSC-506 ©Sammy

The new SANGOKUSHI TAISEN hits the arcade game!

SANGOKUSHI TAISEN has brought about the online battle game boom with its two innovative features: intuitive controls that let players actually move cards themed on warlords from Romance of the Three Kingdoms on the flat reader, and real time online battles between players all over Japan. The announcement of the latest sequel of this legendary arcade game has started a new whirlwind of excitement in the arcade game industry.



SANGOKUSHI TAISEN
©SEGA

The final chapter in the legend of Kazuma Kiryu! Launch of *Ryu Ga Gotoku 6: Inochi No Uta*

December 8
Release

The latest numbered sequel of the smash hit *Ryu Ga Gotoku*, which has sold a total of over 8 million copies for the whole series, is here at last as exclusive content for the PlayStation®4. Innovative advances have been made in drama scenes, battle, and adventure sections of the game through the new game engine developed specially for the PlayStation®4. We guarantee a new exhilarating experience with this game!



Ryu ga Gotoku 6: Inochi no Uta
©SEGA



Onihei, the anime adaptation of the super-popular series "Onihei Hankacho" by author Shotaro Ikenami!

Planned for broadcast
in January 2017

To commemorate the 50th anniversary in 2017 of "Onihei Hankacho," the ever popular historical novel series (Published by Bungeishunju) by the author Shotaro Ikenami with 27 million copies published in total, the first ever anime adaptation of a work by the said author is now in the works! The TV series is planned for broadcast in the memorial year of 2017, featuring the tall and stylish hero *Onihei* on adventures in a new world, the likes of which can only be expressed in anime.



Onihei
©Office Ikenami / Bungeishunju/ Onihei Film Partners



Group Information

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

Factors Affecting Assets

Total assets were ¥521.5 billion, down ¥11.4 billion from the previous fiscal year-end.

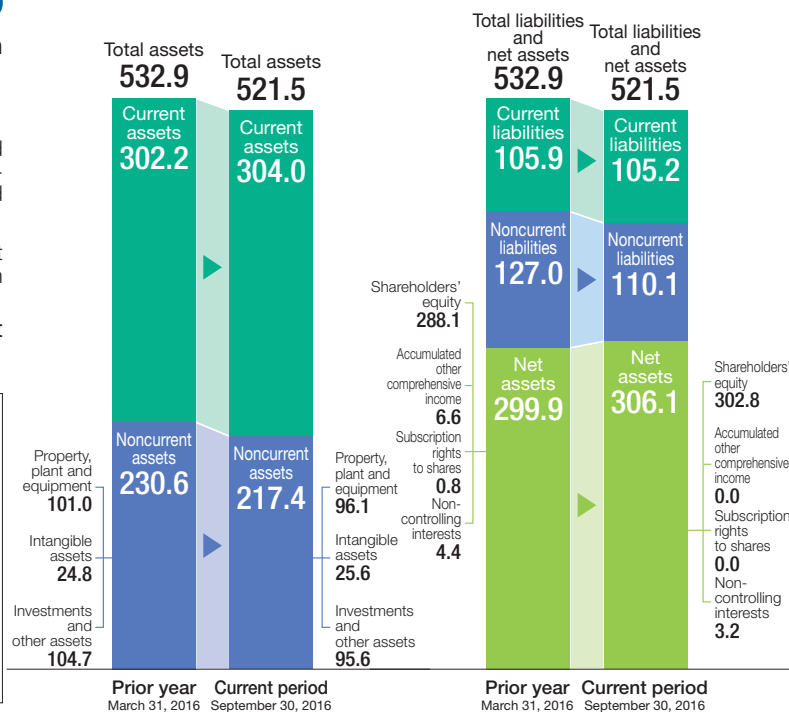
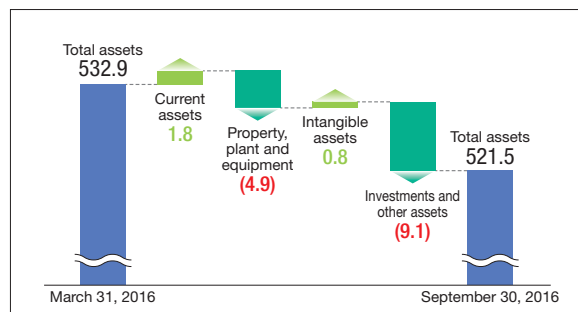
● Current assets increased by ¥1.8 billion.

Factors ▶ Decreases in cash and deposits, and notes and accounts receivable-trade, while securities (short-term fund management) and inventories increased

● Noncurrent assets decreased by ¥13.2 billion.

Factors ▶ Decreases in property, plant and equipment and investment securities (due to a decline in the market value of shares held)

Current ratio remained at high levels, standing at 288.9%, up 3.7 percentage points.



Factors Affecting Liabilities and Net Assets

Total liabilities decreased by ¥17.7 billion to ¥215.3 billion from the previous fiscal year-end.

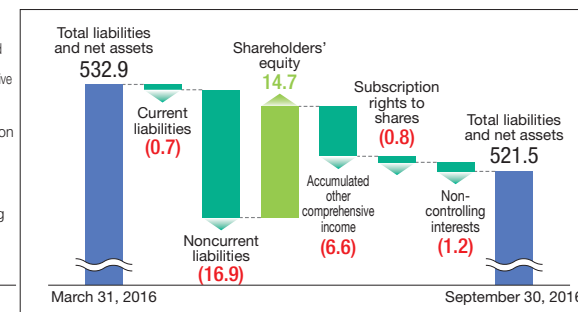
● Current liabilities decreased by ¥0.7 billion.

Factors ▶ Decrease in current portion of bonds

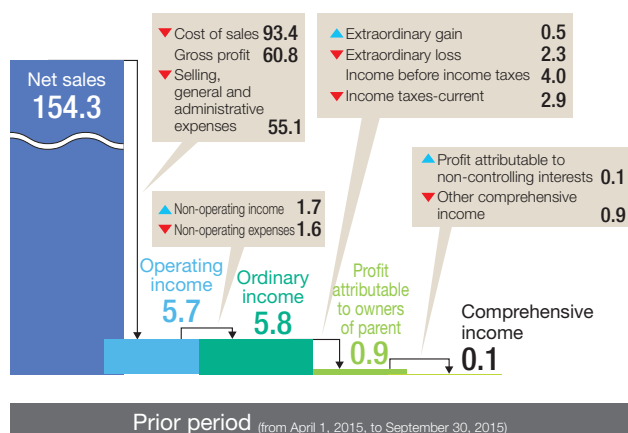
● Noncurrent liabilities decreased by ¥16.9 billion.

Factors ▶ Decreases in bonds and long-term debt

Equity ratio was 58.1%, up 2.8 percentage points, indicating a continuing sound financial standing.



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



Profit attributable to owners of parent

Profit attributable to owners of parent amounted to ¥24.2 billion.

Factors ▶ Significant improvement in operating income and gain on sales of noncurrent assets

Consolidated Operating Results and Financial Data

| | | Fiscal year ended March 31, 2013 | | Fiscal year ended March 31, 2014 | | Fiscal year ended March 31, 2015 ^{*2} | | Fiscal year ended March 31, 2016 | | Fiscal year ending March 31, 2017 | |
|--|---|----------------------------------|-----------|----------------------------------|-----------|--|-----------|----------------------------------|-----------|-----------------------------------|----------------------|
| | | First half | Full year | First half | Full year | First half | Full year | First half | Full year | First half | Full year (Forecast) |
| Operating results (billions of yen) | Net sales ^{*1} | 136.5 | 321.4 | 162.2 | 378.0 | 158.1 | 366.8 | 154.3 | 347.9 | 169.5 | 373.0 |
| | Operating income | 7.8 | 19.0 | 12.3 | 38.5 | 2.7 | 17.4 | 5.7 | 17.6 | 15.3 | 28.0 |
| | Operating income to net sales (%) | 5.7 | 5.9 | 7.6 | 10.2 | 1.7 | 4.7 | 3.7 | 5.1 | 9.0 | 7.5 |
| | Ordinary income | 7.2 | 20.9 | 14.2 | 40.5 | 2.6 | 16.8 | 5.8 | 16.4 | 15.4 | 27.0 |
| | Profit attributable to owners of parent ^{*3} | 3.8 | 33.4 | 11.3 | 30.7 | (2.8) | (11.3) | 0.9 | 5.3 | 24.2 | 30.0 |
| Expenses (billions of yen) | Research and development expenses/ Content production expenses ^{*4} | 19.1 | 45.2 | 25.1 | 59.2 | 28.4 | 67.6 | 24.7 | 58.0 | 31.7 | 64.9 |
| | Capital expenditure | 21.6 | 32.8 | 22.6 | 38.1 | 14.7 | 28.7 | 12.5 | 28.0 | 13.8 | 28.4 |
| | Depreciation and amortization ^{*5} | 7.4 | 18.1 | 7.5 | 16.1 | 8.1 | 17.6 | 8.2 | 16.6 | 7.6 | 15.1 |
| | Advertising expenses ^{*6} | 5.6 | 13.1 | 7.6 | 16.0 | 10.0 | 19.1 | 9.3 | 17.9 | 7.6 | 16.1 |
| Financial Data (billions of yen) | Total assets | 448.3 | 528.5 | 529.6 | 542.9 | 550.3 | 528.6 | 518.3 | 532.9 | 521.5 | |
| | Liabilities | 173.1 | 208.4 | 184.5 | 194.6 | 207.5 | 206.2 | 206.0 | 233.0 | 215.3 | |
| | Net assets | 275.2 | 320.0 | 345.0 | 348.2 | 342.7 | 322.4 | 312.3 | 299.9 | 306.1 | |
| | Equity ratio (%) | 60.6 | 59.7 | 64.3 | 63.2 | 61.5 | 60.0 | 59.2 | 55.3 | 58.1 | |
| Cash Flows (billions of yen) | Cash flows from operating activities | 2.9 | 18.6 | 23.6 | 75.2 | 5.5 | 37.0 | (18.5) | 16.9 | 26.2 | |
| | Cash flows from investing activities | 12.6 | 6.3 | (25.0) | (38.5) | (19.9) | (37.7) | (18.2) | (35.2) | 0.6 | |
| | Cash flows from financing activities | (9.1) | (1.1) | (4.0) | (11.5) | 17.5 | (15.0) | (0.6) | 14.2 | (22.4) | |
| | Cash and cash equivalents at end of period | 152.3 | 174.2 | 170.6 | 202.7 | 208.2 | 190.8 | 153.5 | 185.6 | 186.8 | |
| Per Share Data (yen) | Net income per share | 15.74 | 137.14 | 46.76 | 126.42 | (11.50) | (46.70) | 4.11 | 22.90 | 103.47 | 127.99 |
| | Net assets per share | 1,125.09 | 1,304.44 | 1,401.90 | 1,409.27 | 1,384.25 | 1,336.54 | 1,310.36 | 1,257.43 | 1,292.06 | - |
| | Dividends per share | 20 | 40 | 20 | 40 | 20 | 40 | 20 | 40 | 20 | 40 |

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

*2 In accordance with changes implemented in the accounting method, these changes have been retrospectively applied to data for the fiscal year ended March 31, 2015.

*3 In accordance with the application of the revised "Accounting Standard for Business Combinations," "net income" has been renamed "profit attributable to owners of parent."

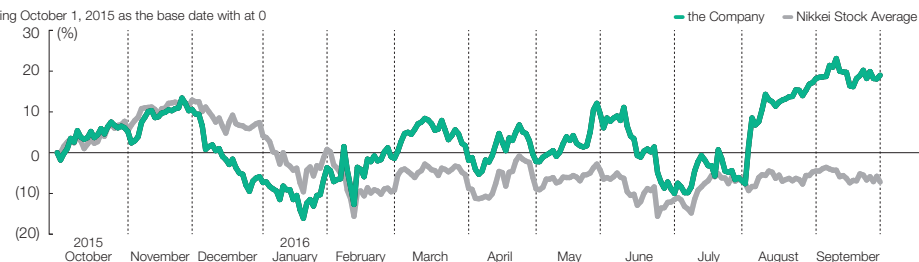
*4 From fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses (until fiscal year ended March 31, 2013, amortization cost of digital titles was included in depreciation and amortization).

*5 From fiscal year ended March 31, 2014, amortization cost of digital titles is not included in depreciation and amortization (from fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses/content production expenses).

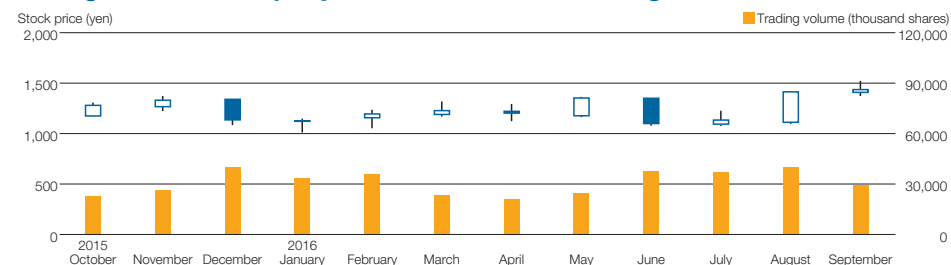
*6 From fiscal year ended March 31, 2014, advertising expenses recorded as cost of sales are included (until fiscal year ended March 31, 2013, only selling, general and administrative expenses were included in cost).

Performance of the Company's Stock Price

using October 1, 2015 as the base date with at 0



Changes in the Company's Stock Price and Trading Volume



INFORMATION

Company Profile (As of September 30, 2016)

| | | |
|-------------------------------|---|---|
| Company Name | SEGA SAMMY HOLDINGS INC. | |
| URL | http://www.segasammy.co.jp/english/ | |
| Established | October 1, 2004 | |
| Capital | ¥29.9 billion | |
| Number of Employees | 7,719 (Consolidated) | |
| Directors and Auditors | Hajime Satomi | Chairman of the Board and CEO (Chief Executive Officer) and COO (Chief Operating Officer) |
| | Naoya Tsurumi | Senior Managing Director |
| | Koichi Fukazawa | Managing Director and CFO (Chief Financial Officer) |
| | Haruki Satomi | Managing Director |
| | Hideki Okamura | Director |
| | Yuji Iwanaga | Outside Director |
| | Takeshi Natsuno | Outside Director |
| | Kohei Katsukawa | Outside Director |
| | Tomio Kazashi* | Standing Audit and Supervisory Board Member |
| | Shigeru Aoki | Standing Audit and Supervisory Board Member |
| | Yukito Sakaue | Audit and Supervisory Board Member |
| | Mineo Enomoto* | Audit and Supervisory Board Member |

*Outside Audit and Supervisory Board Member

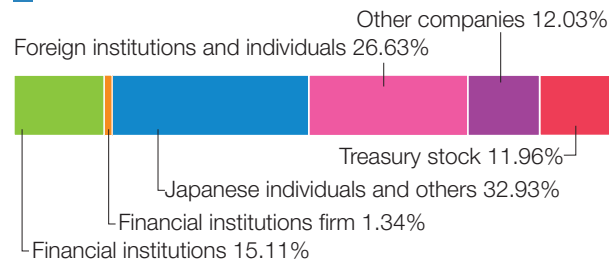
Information on Outstanding Shares (As of September 30, 2016)

| | |
|--|--|
| Number of shares authorized for issuance | 800,000,000 shares |
| Total number of shares issued and outstanding | 266,229,476 shares |
| Number of Shareholders | 87,413 (Odd-lot shareholders: 66,872) |

Principal Shareholders

| Name of Shareholder | Shares Held | Shareholding Ratio (%) |
|--|-------------|------------------------|
| Hajime Satomi | 31,869,338 | 11.97 |
| SEGA SAMMY HOLDINGS INC. | 31,837,261 | 11.95 |
| FSC Co., Ltd. | 12,972,840 | 4.87 |
| HS Company | 11,750,000 | 4.41 |
| Japan Trustee Services Bank, Ltd. | 9,653,700 | 3.62 |

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.mufj.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 summer of 2017. We will continue to enhance the contents of our report based on your opinions expressed through the questionnaire.

2017 IR Calendar

Schedule of activities for shareholders and investors

- February ● Announcement of results for the nine months ending December 31, 2016
- May ● Announcement of results for the fiscal year ending March 31, 2017
- June ● Ordinary General Meeting of Shareholders/Release of the Business Report for the fiscal year ending March 31, 2017

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
Higashi Shimbashi, 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"), 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.