

Business Report for the six months ended September 30, 2014

Winter Edition

From April 1, 2014 to September 30, 2014

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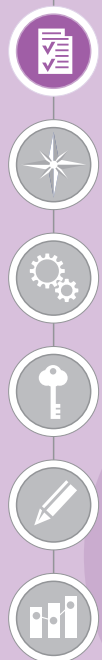
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2014 winter SEGA SAMMY REPORT

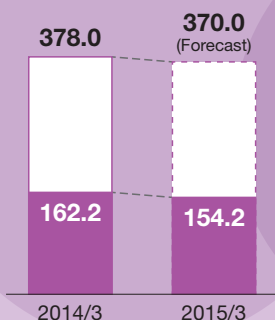
SEGA SAMMY

in 2014

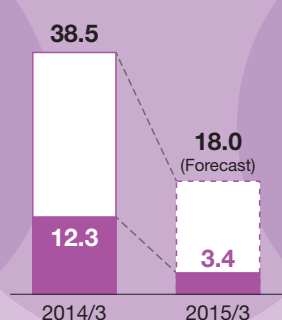
Interim



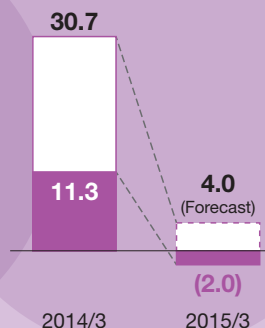
Net Sales (billions of yen)
■ First Half ■ Full Year



Operating Income (billions of yen)
■ First Half ■ Full Year



Net Income (billions of yen)
■ First Half ■ Full Year



Unit of pachislot machines sold for full year

Fiscal year ending March 31, 2015
Initial forecast **374,800** units
↓
Revised forecast **222,998** units

In the pachislot machine business, the full year forecast for unit sales have been revised from 374 thousand units to 222 thousand units, due to the necessity of having to adapt to the changes in operation methods of model testing, which is a part of the approval process. Meanwhile, in the pachinko machine business, as orders for the new *Hokuto No Ken* series, *CR Hokuto No Ken 6 Ken-ou* was strong, the full year forecast for unit sales of pachinko machines has been revised from 250 thousand units to 267 thousand units.

Net sales of digital game area

Year on year **+24%**

The sales of digital game area in the Consumer Business have been expanding at a good rate. During the first half of the fiscal year ending March 31, 2015, net sales amounted to ¥21.9 billion, an increase of 24% from ¥17.6 billion year on year. As digital game area continue to record robust sales primarily in Japan, full year net sales are also expected to exceed last year's result.

Net sales

First half

¥154.2 billion

Full year (Announced on October 31, 2014)

¥370.0 billion

Operating income

First half

¥3.4 billion

Full year (Announced on October 31, 2014)

¥18.0 billion

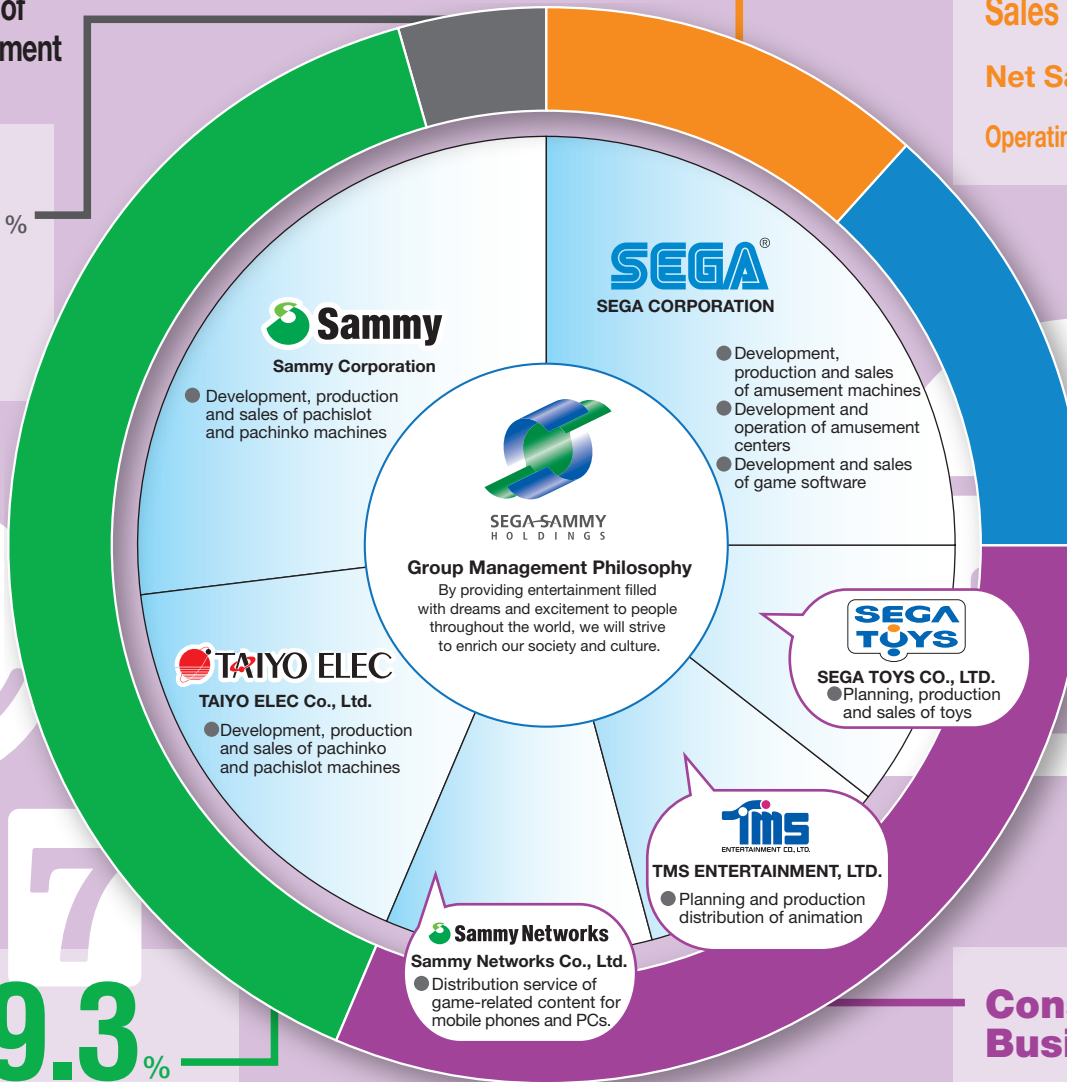
During the first half of the fiscal year ending March 31, 2015, despite both sales and earnings exceeded the initial forecast thanks to robust unit sales of pachinko machines in the Pachislot and Pachinko Machine Business, both sales and earnings decreased year on year due to reviewing of the sales schedule in some products in the Pachislot and Pachinko Machine Business. Additionally, model testing operation method of pachislot machines in the Pachislot and Pachinko Machine Business has been changed. In response to these changes, the sales schedules of some pachislot titles were revised, resulting in a downward revision of full-year consolidated results forecast for the fiscal year ending March 31, 2015 on October 31, 2014.

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

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

Other **4.2%**
 Net Sales **¥6.4 billion**
 (down **10%** year on year)
 Operating Loss **¥1.0 billion (-)**

Pachislot and Pachinko Machine Business **39.3%**
 Net Sales **¥60.6 billion** (down **15%** year on year)
 Operating Income **¥7.3 billion** (down **52%** year on year)



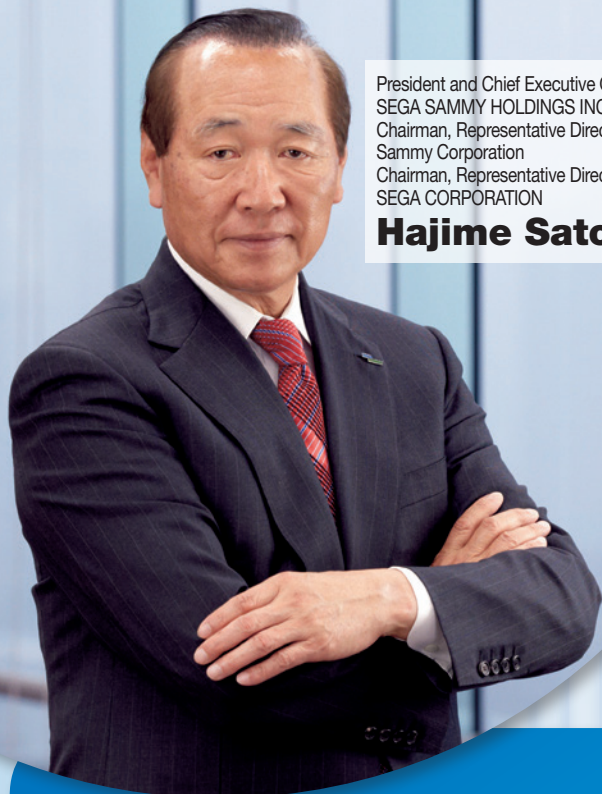
Amusement Machine Sales Business **11.7%**
 Net Sales **¥18.0 billion (-)**
 Operating Income **¥0.1 billion (-)**

Amusement Center Operations **13.5%**
 Net Sales **¥20.8 billion** (down **5%** year on year)
 Operating Loss **¥0.2 billion (-)**

Consumer Business **31.3%**
 Net Sales **¥48.2 billion** (up **10%** year on year)
 Operating Income **¥0.9 billion** (down **18%** year on year)

Please see page 5 for results by segment. ...▶





President and Chief Executive Officer
SEGA SAMMY HOLDINGS INC.
Chairman, Representative Director and CEO of
Sammy Corporation
Chairman, Representative Director and CEO of
SEGA CORPORATION

Hajime Satomi

Dear Shareholders,

During the first half of the fiscal year ending March 31, 2015, the Japanese economy saw upturns in company results and improvements in employment conditions, led by the effects of monetary and financial policies. While the Japanese economy continued in gradual recovery trend, uncertainty still prevailed due to worries over stagnation in personal spending originating from an increase in the consumption tax rate. In this climate, the SEGA SAMMY 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 every business field, and becoming one of the world’s foremost global entertainment companies.” We look forward to your continued support in our endeavors.

December 2014

Q. Please look back and evaluate the first half of the fiscal year ending March 31, 2015.

During the first half of the fiscal year ending March 31, 2015, consolidated net sales decreased 5% year on year to ¥154.2 billion, operating income decreased 72% year on year to ¥3.4 billion, and ordinary income decreased 77% year on year to ¥3.3 billion, a decrease in both sales and earnings compared with the same period in the previous fiscal year.

In the Pachislot and Pachinko Business, compared year on year, unit sales of pachinko machines increased and unit sales of pachislot machine which

have relatively higher margins decreased, which led to the decrease in earnings.

In addition, PHOENIX RESORT CO., LTD., a Group subsidiary, posted ¥2.7 billion in provisions for dismantling of fixed assets in extraordinary loss for some of the facilities of PHOENIX SEAGAIA RESORT, which PHOENIX RESORT CO., LTD. operates. This resulted in net loss of ¥2.0 billion compared with net income of ¥11.3 billion in the same period in the previous fiscal year.

Q. What is the outlook for the SEGA SAMMY Group for the fiscal year ending March 31, 2015?

Based on business performance trends during the first half of the fiscal year ending March 31, 2015, on October 31, 2014, the Group revised its initially announced full-year consolidated results forecasts downwards. The new results forecasts are; net sales of ¥370.0 billion (a decrease of ¥80.0 billion from the previous forecast), operating income of ¥18.0 billion (a decrease of ¥17.0 billion from the previous forecast), ordinary income of ¥17.0 billion (a decrease of ¥18.0 billion from the previous forecast), and net income of ¥4.0 billion (a decrease of ¥17.0 billion from the previous forecast).

In the Pachislot and Pachinko Machines Business, the Group’s pillar for profits, the Group is required by the Act on Control and Improvement of Amusement Business, etc. and other related laws and regulations to undergo multiple approval processes in order to sell products.

Recently, the Group have been informed by the Japan Pachislot Machine Industry Association (“Nichidenkyo”) and the Japan Pachinko Machine Industry Association (“Nikkoso”), of which the Group subsidiary Sammy Corporation and their own subsidiaries belong, that the operation for model testing

methods for pachislot machines have been changed at the Security Communications Association (“Hotsukyo”), which conducts model testing for pachinko and pachislot machines, which is a part of the approval process.

The changes to the testing methods became effective from September 16, 2014, and as a result, the Group reviewed specifications for some pachislot titles scheduled for release in or after the third quarter, as well as sales schedules, etc.

Because of this, annual unit sales projection of pachislot machines for this year was revised from 374 thousand units to 222 thousand units. On the other hand, for pachinko machines, because of robust performance of Pachinko CR Hokuto No Ken 6 Ken-ou, launched in the third quarter, annual unit sales projection have been raised from 250 thousand units to 267 thousand units.

In addition, in the Amusement Machines Sales Business, Amusement Center Operations, and the packaged game software area and toy sales business in Consumer Business, because of the harsh business climate, performances are expected to fall below the initial forecast.



Please tell us about the current efforts toward the Group Structure Reform.

Since the establishment of the "Group Structure Reform Division," announced on May 9, 2014, we have engaged in various deliberations and as a result, established three policies.

The first is that we will reorganize our current diverse Group operations into three business group segments. These will be the Pachislot and Pachinko Machines Business, led by Sammy Corporation, the Entertainment Content Business, led by SEGA CORPORATION, and the Resort Business, an essential segment for the Group's entry into domestic IR market.

We have invested in various growth fields, based on the profitability of our Pachislot and Pachinko Machines Business segment and SEGA's development capabilities. We have achieved several successes, such as the success of SEGA Networks Co., Ltd. On the other hand, the business environment surrounding the Company is changing faster than before, and businesses which used to be the pillar of revenue and fields which we had identified as growth fields were unable to produce the results expected, and it is true that these businesses remain as unprofitable business segments. We believe that one of the reasons for this is that there have been setbacks in allocating resources to growth fields, preventing us from adapting to changes in the business environment.

By reorganizing and consolidating into three business segments, we will be able to achieve faster decision making and improve efficiency in areas with overlapping functions, creating a system capable of allocating resources, personnel and others dynamically.

Through these efforts, we aim to achieve further growth by responding to the rapidly changing business environment and improving management efficiency.

The second policy is to work on improving profitability.

While we aim for further growth through reorganization of business groups and focusing on growth fields, we have also determined that drastic measures are essential, in order to create profits sustainably and prepare for investment in domestic IR, which will be our greatest growth opportunity.

We will engage in deep deliberations in the future regarding specific measures, but as a goal, from the year ending March 31, 2016, we aim to cut fixed costs of the Group by ¥6 billion. For these fixed cost reductions, no areas will be off-limits and all business areas will be targeted. As for items for reduction, we will consider every area as targets, including

personnel expenses, and without fail, we will improve our efficiency.

The third policy was on the appointment of Executive in charge of structure reform. Currently for SEGA SAMMY HOLDINGS, Executive Vice President Sugano and I are in charge of the Structure Reform Executives. Effective November 1, Haruki Satomi, one of the Company's directors, has been appointed as Executive Vice President and Representative Director of SEGA CORPORATION. President Okamura and Haruki Satomi will drive sweeping and speedy structural reforms in SEGA.

We are continuing to deliberate about the various measures for the Group structural reform, and still plan to move forward by the end of this fiscal year. We will make follow-up announcements whenever new information is available for public release.



Please give a final word to our shareholders.

Our basic policy is to 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, 2015, 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 and appreciate the continued understanding and support of our shareholders in the Company's business activities.

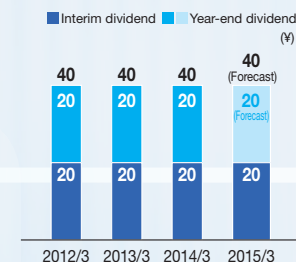
Results Forecasts

Unit: billions of yen	Year ended March 31, 2014 Results	Year ending March 31, 2015 Forecast (announced on October 31, 2014)	Change (%)
Net sales	378.0	370.0	-2
Operating income	38.5	18.0	-53
Ordinary income	40.5	17.0	-58
Net income	30.7	4.0	-87

Notice of Dividends

The Company decided at the meeting of the Board of Directors, held on October 31, 2014, to pay an interim dividend for 1st Half of FY2015.

- **Interim dividend of ¥20 per share**
and a year-end dividend of ¥20, for total full-year cash dividends of ¥40, are forecasted.
- **Effective date (payment start date)**
December 1, 2014



Segment Information

Pachislot and Pachinko Machine Business

777

Composition of Net Sales **39.3%**

Net Sales
¥60.6 billion
(down **15%** year on year)

Operating Income
¥7.3 billion
(down **52%** year on year)



Initiatives and results for the first half of the fiscal year ending March 31, 2015

Market Condition

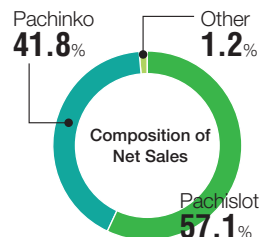
- Pachinko parlor operators are becoming increasingly selective about their machines, orders tended to concentrate on some mainstay products. Replacement demand for new pachislot machines has been generally stable, while replacement demand for new pachinko machines continues to be weak. Development and supply, etc., of machines that are supported by end users are needed.

Results

- Unit sales decreased year on year as a result of reviewing the sales schedule of some pachislot machines to the second half of the fiscal year, resulting in the decrease in both sales and earnings.

Primary Topics

- In the pachislot machine business, despite the launch of *Pachislot SOUTEN-NO-KEN 2*, *Pachislot Virtua Fighter* and others, unit sales decreased year on year as a result of reviewing the sales schedule of some machines to the second half of the fiscal year.
- In the pachinko machine business, unit sales increased year on year, reaching 86 thousand units (an increase of 31 thousand units year on year), due to the strong sales of several titles including *Pachinko CR Bakemonogatari* and *Dejihane CR Hokuto No Ken 5 Jibo*.



Key Points for the Full Year

Forecast Net Sales **¥158.5 billion** Operating Income **¥25.0 billion**

- Full year forecast revised downward, as the sales schedule and the sales lineup of pachislot machines were substantially revised. Both sales and earnings expected to decrease year on year.
- The lineup of pachislot machines which were scheduled to be launched in the second half of the fiscal year was revised and the unit sales forecast for full year was revised from 374 thousand units to 222 thousand units.
- In the pachinko machine business, major titles are scheduled to be launched and an increase of 67 thousand units year on year is expected.

Amusement Machine Sales Business



Composition of Net Sales **11.7%**

Net Sales
¥18.0 billion
(-)

Operating Income
¥0.1 billion
(-)



Initiatives and results for the first half of the fiscal year ending March 31, 2015

Market Condition

- The market performed poorly due to the absence of market-driving titles, along with the diversification of ways to play, including smartphones and other devices. To revitalize the struggling market, the continued development and supply of innovative new game machines in line with diversifying customer needs are needed.

Results

- While no mainstay titles were released, results turned into black year on year, due to the carry forward of research and development expenses to 2nd half.

Primary Topics

- CVT kits for several popular titles, including *StarHorse3 Season III CHASE THE WIND*, *INITIAL D ARCADE STAGE 8 INFINITY*, *SENGOKU-TAISEN*, etc. were sold.
- Distribution of earnings from revenue sharing titles including *BORDER BREAK* series and *SEGA NETWORK MAHJONG MJ5 Evolution* was posted.

Key Points for the Full Year

Forecast Net Sales **¥40.0 billion** Operating Loss **¥2.3 billion**

- Full year forecast has been revised downward as the amusement center operators will continue to restrain in capital investments and harsh market conditions are expected. Sales are expected to increase while losses are expected to increase year on year.
- Distribution of earnings from new revenue sharing title *Wonderland Wars* is expected.
- Sales of CVT kits for mainstay titles will be promoted including *WORLD CLUB Champion Football*.
- To capture a broad range of users, we plan to offer a lineup that can meet diverse needs of users, from high-value added items to products for all ages, including *EDEL SUNABA* and *Uranai Collection Torotte*.

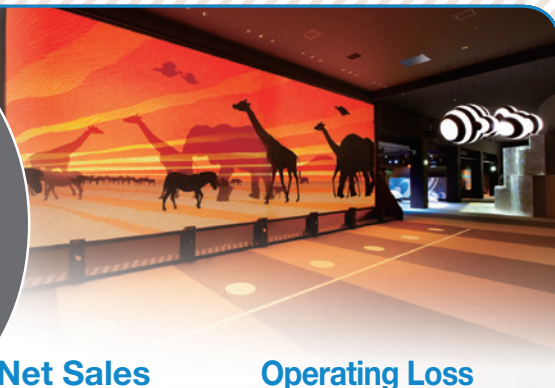
Amusement Center Operations



Composition of Net Sales **13.5%**

Net Sales **¥20.8 billion**
(down 5% year on year)

Operating Loss **¥0.2 billion**
(-)



Initiatives and results for the first half of the fiscal year ending March 31, 2015

Market Condition

▶ The market performed poorly due to the absence of market-driving titles, along with the diversification of ways to play, including smartphones and other devices. To revitalize the struggling market, the continued development and supply of innovative new game machines in line with diversifying customer needs are expected.

Results

● Although existing amusement centers sales were strong, sales decreased year on year and a loss was posted due to the effects of consumption tax hike.

Primary Topics

- ▶ As in the previous year, efforts to reinforce the operation capabilities of existing amusement centers continued. While net sales of domestic existing amusement centers fared well at 98.7% of the same period in the previous year, the impact of decreased net sales due to the consumption tax hike was felt.
- ▶ The number of our domestic amusement centers* as of September 30, 2014 was 198 (three new centers opened and three centers closed during the period).
- ▶ From July 19, 2014, new contents were introduced to the *Orbi Yokohama*, which continues to be popular and enhanced its appeal.

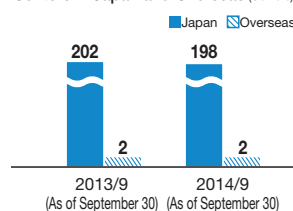
*Only directly managed amusement centers are included in the number of amusement centers in Japan.

Key Points for the Full Year

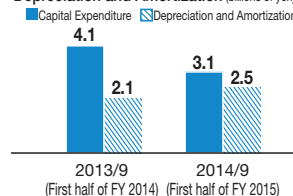
Forecast **Net Sales** **¥41.0 billion** **Operating Loss** **¥0.8 billion**

- Revised the full year forecast downward. Decrease of sales and posting of operating loss is expected year on year.
- ▶ Scrap-and-build of domestic amusement centers will continue to be implemented. At the fiscal year-end there will be 198 centers (4 opening, 4 closing).
- ▶ Amusement center portfolio will be reviewed and measures to expand into new fields such as developing and opening amusement centers for families and amusement centers attached to restaurants will be promoted, while at the same time investments will become more selective and the streamlining of facility operation will be conducted to improve profitability.

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 **¥48.2 billion**
(up 10% year on year)

Operating Income **¥0.9 billion**
(down 18% year on year)



Initiatives and results for the first half of the fiscal year ending 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

● Sales increased while earnings decreased year on year, due to poor performance in packaged game software area and the toy sales business, despite the strong performance in digital game area.

Primary Factors

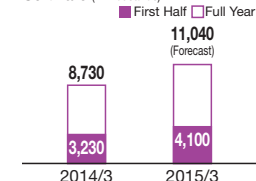
- ▶ In packaged game software area, the Group implemented the sales of new titles including *PERSONA Q SHADOW OF THE LABYRINTH*.
- ▶ In digital game area, online RPG *PHANTASY STAR ONLINE 2* as well as titles for smartphones *PuyoPuyo!! Quest* and *CHAIN CHRONICLE - Kizuna no Shintairiku* performed strongly.
- ▶ In the toy sales business, the Group implemented the sales mainly in *Anpanman Series* and *Jewelpad*.
- ▶ In the animation business, distribution income from the film, *Detective Conan: Dimensional Sniper*, and license income and merchandise income from the TV series, *Yowamushi Pedal*, were robust.

Key Points for the Full Year Forecast **Net Sales** **¥116.5 billion** **Operating Income** **¥5.0 billion**

● Full year forecast has been revised downward in light of the weak performances in the packaged game software area and toy sales business, despite the strong performance in the domestic digital game area. Both sales and earnings are expected to increase year on year.

- ▶ In packaged game software area, full-year sales forecast was revised from the initial forecast of 12,780 thousand to 11,040 thousand.
- ▶ In digital game area, the Group plans to launch multiple new smartphone titles for the Japanese market, as well as working together with gumi Inc., which the Group concluded a capital and business alliance partnership with, to roll out *CHAIN CHRONICLE* in English-speaking areas such as Europe, North America, and Southeast Asia. On the other hand, service delays in Europe and North America and pachinko and pachislot game site services for mobile phones and PCs are expected to show an overall decline.
- ▶ In the toy sales business, the Group will implement the sale of mainstay products, but it is expected to remain low.
- ▶ In the animation business, production income, license income, and merchandise income from the TV series, *Yowamushi Pedal*, are expected to be strong.

Unit Sales of Home Video Game Software (in thousands)



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

Casinos and the SEGA SAMMY Group

SEGA SAMMY Group views the management of resort complexes including casinos as a new earnings opportunity. As a strategic initiative aimed at capturing the business opportunity of the casino business in Japan, the SEGA SAMMY Group is advancing a joint venture with the Paradise Group in the International Business Center area next to Incheon International Airport, South Korea’s gateway to the skies.

KEY PERSON



Shigeki Aoyama,
Senior Manager, Operation, Department,
PARADISE SEGASAMMY Co., Ltd.
(Third left)

I have been working at the PARADISE SEGASAMMY Co., Ltd. in South Korea since May 2014. After arriving, the first thing I did was to undergo training about the rules of casino games and dealers’ duties. I worked as a dealer, and, as well as learning how games proceed and how to handle cards and chips, I received training about a variety of operations pursuant to casino management regulations. Because this business does not exist in Japan, every day brings fresh surprises. Also, using multiple languages is a constant challenge because as well as speaking to local personnel in Korean, we deal with customers not only from China but from English-speaking countries. We are still at the stage of learning the ABCs of casino management. However, in preparation for the day when we are able to create integrated resorts in Japan, I want to acquire knowledge that will help us develop uniquely Japanese integrated resorts.

Possibilities of the Casino Business and the accumulation of know-how

Deliberations are under way on a bill for the promotion of integrated resorts, provisionally called the casinos bill, with a view to creating integrated resorts, which have become a focus of attention as a potential pillar of Japan’s economic growth strategy. Singapore is a good example of the major economic benefits that integrated resorts bring. Thanks to the opening of two integrated resorts in 2010, between 2009 and 2013 visitors to Singapore from overseas increased 60%, to 15.5 million, and tourism revenues grew more than 80%. Other positives for Singapore included the economic benefits of construction investment before the integrated resorts opened; the creation of approximately 60,000 new jobs once they opened, including jobs created indirectly; and higher tax revenues. Meanwhile in Japan, debates toward the passage of legislation are ongoing. However, prior investment is required to acquire a license as a private-sector casino operator, and the SEGA SAMMY Group is one of the corporate groups moving forward with such preparations.

Economic effects of the Integrated Resorts in Singapore

- Overseas tourists: **60%** increase
- Tourism revenues: **80%** increase
- Direct employment: **20,000**

Integrated resorts promise a wide range of business opportunities. Their development will create real estate development opportunities. After they begin operations, opportunities will include casino machine sales, casino operations, and hotel and facility management. Regarding the casino machine business, in June 2013 we established SEGA SAMMY CREATION INC., which is using our leading-edge technology, keen discernment, and abundant experience to develop casino machines. Meanwhile, Japan lacks companies with expertise in casino operations. For this reason, since May 2014, Sega Sammy, has been dispatching key personnel to the casino facilities at Incheon area, operated by PARADISE SEGASAMMY Co., Ltd., a joint venture between the Group and the Paradise Group in South Korea (Ownership ratio of the Company: 45%), especially for the purpose of accumulating the necessary know-how.

NEWS

Furthermore, PARADISE SEGASAMMY Co., Ltd. is developing a large-scale resort complex in the International Business Center (IBC-1), and a ground-breaking ceremony was conducted in Incheon in November. The resort, which expects to receive tourists from East Asia, mainly China and Japan, as its main customers, will have South Korea’s biggest casino floor, a 711-room hotel, convention facilities, and dining/commercial facilities on its site which measures more than 330 thousand square meter. The Company will take measures to further widen its lead in accumulating know-how by the resort’s opening in 2017.



A rendering of the completed facilities in Incheon

Strong Performance in the Digital Game Area of Consumer Business

In the Consumer Business, digital game area performed stragly. Performance remained solid primarily in PC online games and smartphone games, and future growth in the segment is expected.

Excitement beyond adventures with *EPISODE 3*. Update of *PHANTASY STAR ONLINE 2*



© SEGA

Even after two years since its launch, the number of players continues growing in *PHANTASY STAR ONLINE 2*, an online RPG deployed for the Windows® PC and PlayStation® Vita, and in July 2014, it has exceeded 3.5 million IDs. A major update *EPISODE 3* is available for download since August 2014. This update brought a wealth of new content, including a new class, a new planet, and a new lobby, *Casino Area*. This release brought even more new excitement, with the maximum number of concurrent users passing 100 thousand.

PHANTASY STAR ONLINE 2 es for smartphones

was also launched in spring 2014, and recorded over 750 thousands and as a *boundary-spanning RPG*, *PHANTASY STAR ONLINE 2* is continuing to grow across platform lines.

The new *PHANTASY STAR NOVA* released!

PHANTASY STAR NOVA, which was released for the PlayStation® Vita on November 27, 2014, is a project which started with a focus on creating a new *PHANTASY STAR* series, separate from the existing online game series. It will carry on the worldview of the *PHANTASY STAR* series and will be newly developed by tri-Ace, Inc., a developer of many popular RPGs, loved by users for the passion for game making and high quality of its games. With the synergy effect of SEGA and tri-Ace, Inc., since the RPG *End of Eternity* launched in January 2010, we will create the new *PHANTASY STAR* game.



© SEGA

Held in 5 cities across Japan. A great success in *PHANTASY STAR Festa 2014!*

Following last year's footsteps, *PHANTASY STAR Festa 2014* was held again this year in 5 cities of Tokyo, Osaka, Fukuoka, Sapporo, and Nagoya. The Festa held at the Ariake Coliseum (Tokyo) on August 16, 2014, featured the official national "Arks Grand Prix" finals, determining the fastest *PHANTASY STAR ONLINE 2* Arks player in time attack, as its closing event. The tremendously successful event was attended by total of roughly 47 thousand people across nation. The event buzzed with excitement for the *PHANTASY STAR ONLINE* series even more, which will celebrate its 15th anniversary in 2015.

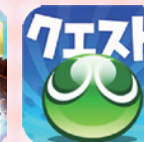


High expectations for smartphone games!

Eyes on the popular titles *CHAIN CHRONICLE - Kizuna no Shintairiku* and *Puyopuyo!! Quest*



© SEGA / © SEGA Networks



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In July 2014, *CHAIN CHRONICLE*, the chain scenario RPG for smartphones which brings together the tales of fellowships with whom you met, was updated to *CHAIN CHRONICLE - Kizuna no Shintairiku*. It has passed a year since its launch in July 2013, and the number of downloads has grown steadily; exceeding 4 million downloads by the end of September 2014.

Also, in September 2014, the total number of downloads of the popular and fun puzzle RPG *Puyopuyo!! Quest* for iOS and Android exceeded 11 million. Keep your eyes on the smartphones' games in the digital game area.



The evolving Orbi Yokohama. Introduction of new content enhances attractiveness.

At *Orbi Yokohama*, where visitors can play, discover, and experience the world in whole new ways, began showing its third program “THE MEERKATS” at Theatre 23.4, which boasts one of Japan’s largest screens, starting on July 19, 2014. The program focuses on a family of meerkats living in the Kalahari Desert in southern Africa, following a family fighting to protect a newborn meerkat as it grows to adulthood. The program is narrated by popular voice actor Yuki Kaji. More and more new contents are also being introduced in Experience Zone, where visitors can discover new things about the Earth through experiencing contents. *Orbi Yokohama* will continue to evolve.



Experience Zone



THE MEERKATS



KEY PERSON

A word from **Joseph Peter Schmelzeis, Jr.**, Corporate Director, SEGA Corporation

This summer, we were able to make *Orbi Yokohama* become even more impressive, with introduction of many new experience zones and the screening of “THE MEERKATS” in Theatre 23.4, which has one of Japan’s largest movie screens. This film, shot in 5:1, was the first film to be shot with Orbi’s own cameras. In addition to visual quality, improvements were made to audio and presentation, providing a wide range of visitors with the experience value only available at *Orbi Yokohama*, and customer satisfaction is improving dramatically. Please look forward to the future of Orbi, which is being approached with licensing proposals from inside Japan and abroad.

Exhibition in Nikkei IR Fair 2014 STOCKWORLD



The Group exhibited at the Nikkei IR Fair 2014 STOCKWORLD, an IR event for individual investors that was held from Friday, August 29 to Saturday, August 30, 2014 at Tokyo Big Sight.

Many individual investors visited the venue during the event, and the mini-presentations held at our booth were met with an overwhelming response and there were even people standing as there were not enough seats. At the mini-presentations we provided an outline of the Group and explained our business activities and medium- and long-term growth strategies.

Total of 16,280 people visited the Nikkei IR Fair as a whole over its two days, and it was a great opportunity for us to engage in valuable discussions with many visitors. We intend to increase the number of occasions for direct dialogue with individual investors in the future.

● Event Information

Date:	Friday, August 29 to Saturday, August 30, 2014
Place:	Tokyo Big Sight, East Exhibition Hall 4
Number of visitors:	August 29, 2014: 9,015 August 30, 2014: 7,265 (Total: 16,280)
Number of participating companies:	100 companies and organizations



Won Second Place at 40th Japan Amateur Baseball Championship!

The SEGA SAMMY Baseball Club aims to contribute to the creation of a bright and sound society by moving and inspiring people through sports.

During the “40th Japan Amateur Baseball Championship” held in November 2014, the club was able to enter the finals for the first time since its establishment in 2005, and won second place. The entire Baseball Club will continue to work together, dedicated to victory, and looks forward to your continued support!



CSR Column, Vol. 7 Bringing smiles and lifting spirits through the power of entertainment.

Great East Japan Earthquake Continuing Volunteer Efforts for Reconstruction after the Disaster

Reconstruction support events

The Group used its products (UFO CATCHER, Hero Bank, Kids Medal Games, etc.) to hold support events in disaster-struck Tohoku areas. The 17th support event was held in Minamisanriku-cho, Miyagi in July 2014, followed by the 18th support event in Higashimatsushima, Miyagi in August. The events were welcomed by many visitors from the openings to the end, filled with loud cheers, disgruntled faces and competitions between parents and children. Going forward, we would like to continue bringing smiles to these communities and people through the power of entertainment.



Movement to deliver picture books to children

As part of its international contributions, the SEGA SAMMY Group is associated with a campaign of the Shanti Volunteer Association to provide picture books to children. We purchase picture books with the money raised by collecting unwanted old books and other items from Group employees, paste into them stickers with translations into the local languages, and then send them to Cambodia, Laos, Myanmar refugee camps and Afghanistan. In calendar year 2014, the 7th year of the project, 19 Group companies participated, and we donated 150 picture books (bringing the cumulative total up to 988).



Employee volunteer project (33th to 38th activities)

55 volunteers participated in activities in Minamisanriku and Higashimatsushima, Miyagi from June to November, 2014. They engaged in discussions with leaders of temporary housing neighborhood associations and volunteer centers, and assisted with making flowerbeds, fishing and farming support activities.

A word from participating employees

A word from **Rei Hanada**, Legal Dept., SEGA SAMMY HOLDINGS INC.

Seeing and hearing the site with my own eyes and ears, instead from the TV or newspapers, was much more shocking. I want to be able to think about what needs to be done in emergencies and what should be done on a regular basis and make actions.



A word from **Yuka Okumura**, Corporate Div., MARZA ANIMATION PLANET INC.

I want to tell my family and friends about what I actually heard and saw — about the strong ongoing need for support, about the conditions in disaster-struck areas, and about the needs of the people who live there. And when harvest day comes, I want to buy the strawberries that we helped cultivate.



The Pinnacle of the Evolution of the Ultimate Legend of Hokuto

Pachinko *Hokuto No Ken* The 6th series, *Ken-ou* reigns supreme



CR Hokuto No Ken 6 Ken-ou, which will be the 6th in the *Hokuto* series, carries on the unique *Hokuto* pedigree from *Gosho* and *Hasha*. The innovative ZERO Attacker system in which you can obtain about 2,400 pachinko balls, will exhilarate your play experience just like the last pachinko game in the series. We also realized major improvements to game elements and presentation. The largest numbers of characters ever from the *Hokuto No Ken* series takes to the screen in heated battles, with numerous special effects sure to entertain the fans of the original series. The special effects increased roughly twice as many special effects than *Hasha*, and the special effects during battle mode have been completely revamped. Together with the videos, gimmicks which made tremendous advances such as the sparkling "Hokuto Shichisei Gimmick" and "Shin Shichosei Gimmick" creates a great impact.



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KEY PERSON

A word from **Hiroataka Tanaka**, Executive Officer, Creative Officer, Research and Development Division, Sammy Corporation



In this product, which will be the 6th in the series, we took on the challenge of seeing "how much change will create the most excitement."

If we changed too much, people might say "This isn't *Hokuto No Ken*." Change too little, and people might say "Nothing is new." We always considered these two extremes as we created the ultimate balance of innovation and universality. I'm confident we've produced a game which will resonate with users despite the recent harsh business climate.

We will continue not only to produce new *Hokuto No Ken* titles, but also to create new content brands, revitalizing markets in which users are in decline, we will work to bring them back to the fold and push even further forward.

The newest game of the popular series

Announcing the newest game in the popular *Ryu ga Gotoku* series. Release set for March, 2015

The popular *Ryu ga Gotoku* series has exceeded 6.5 million in cumulative unit shipments around the world. The newest game in the series, *Ryu ga Gotoku 0: Chikai no Basho*, will be released in March, 2015 for the PlayStation®4 and PlayStation®3.

It was displayed at the TOKYO GAME SHOW 2014, Japan's largest game exhibition, held at Makuhari Messe in Chiba Prefecture from September 18, 2014 before the release. The game has won the "Japan Game Award 2014" Future Division Award, in which the winner was voted by show visitors from among the unreleased games announced or exhibited at and during the show. The result had shown the high expectation of the game fans.

It has also been decided that "Shonan no Kaze," a four men group hugely popular mainly among young people, will provide the theme song, written exclusively for the game. The song will stir the adrenaline-filled human drama between men inside the game.



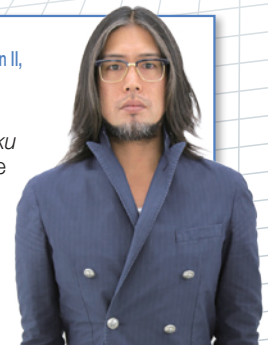
© SEGA

KEY PERSON

A word from **Masayoshi Yokoyama**, Producer, *Ryu ga Gotoku* Studio, Section Manager, Planning Section II, CS (Consumer) No. 1 Development Division, SEGA Corporation

Ryu ga Gotoku 0: Chikai no Basho exhibited at TOKYO GAME SHOW 2015 will mark the 10th anniversary of the *Ryu ga Gotoku* series. *Ryu ga Gotoku 0* is a part of the 10th Anniversary Project, which will be tracing the origin of the series. It is set in 1988, when Japan was enjoying peak of its economy, a shining yet ephemeral era.

There have been many movies set in the bubble era, but there were no media where people have been able to "experience" the entertainment and values of the particular era. This game will be the ultimate entertainment, providing an experience that only a product called "video games" can get.



■ "PlayStation" is a registered trademark of Sony Computer Entertainment, Inc.

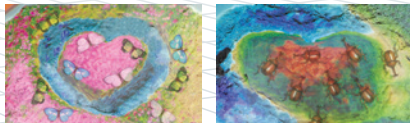
A high tech sandbox

An amazing sandbox of moving pictures EDEL SUNABA released

EDEL SUNABA, an indoor play device for children that uses cutting edge technologies, was rolled out mainly in game areas in shopping centers nationwide starting in November, 2014. It combines various leading technologies to create a new, high tech sandbox experience: The special EDEL SAND can be used to make shapes without using water, and without getting the hands dirty. A Kinect sensor unit detects elevations. Projection mapping is used to produce video that responds in real-time. When you dig the sand, rivers and seas are created, when you stack the sand up, they become mountains and forests. Not only does the colorful video change in real-time based on height of the sand, you can make insects appear and play with them. Once the shapes in the sand are changed, the projected video is changed. You can also move the projected insects with your hand. This sandbox is a recreation of sandbox, where children can enjoy nature of four seasons. Not only does it stimulate children's creativity, it can be played together and have lots of fun by children, parents, and grandparents.



© SEGA



"Can you make this?" mode - "Heart" "Sand play" mode - "Summer"

KEY PERSON

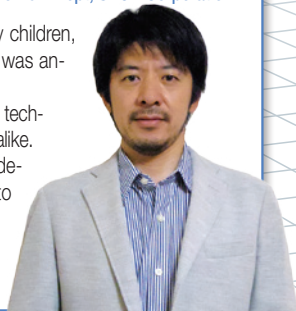
A word from **Yuji Sugimori**, Producer, EDEL SUNABA, Section Manager, N.pro R&D Dept, SEGA Corporation

EDEL SUNABA, an indoor play product for children which can be enjoyed by children, parents, and grandparents, has been frequently featured in the media since it was announced in September, 2014.

Fusion of an analog sand play using the amazing EDEL SAND with the digital technology of projection mapping is bringing oohs and aahs from children and adults alike.

Not only can children enjoy creating things, but this game has also been designed above all to tie in closely with the real world, such as allowing children to experience the seasons and the flow of time through the course of a day.

Our goal is to make products with a new play experience that can become the future standard.



Celebrating its 50th anniversary of animation production with a star-studded ensemble of voice actors!

"TMS Fes.," Held by Veteran Animation Studio TMS!!

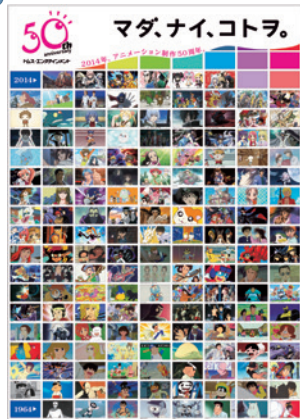
On August 3, 1964, the year of the Tokyo Olympics, TMS ENTERTAINMENT CO.,LTD. started the production of its first animated series, an adaptation of Osamu Tezuka's *Big X*. TMS ENTERTAINMENT followed this up with Japanese classics such as *THE STAR OF THE GIANTS*, *ATTACKER No.1*, and *MEET THE BONEHEADS* in their history. This year marks its 50th anniversary. TMS held "TMS Fes.," its first ever self-run one-day event, on Sunday, October 12, 2014 at Yomiuri Hall in Tokyo. The slogan of the event, celebrating the company's 50th anniversary, expressing its gratitude to fans, and showing its dedication to taking on future challenges, was "Mada, Nai, Koto o." ("Doing What Has Never Been Done"). The event was divided into two sections, daytime and evening, each featuring over 20 voice actors including Minami Takayama (*Detective Conan*) and Kanichi Kurita (*LUPIN THE 3rd*) who have appeared in TMS animated works! Fans loved the onetime talk sessions and stage presentations, full of ad-libbing and anecdotes.



(Daytime section)



(Evening section)



トムス・エンタテインメント アニメを歩んだ50年展

In conjunction with the fan participating event, from this spring, TMS ENTERTAINMENT has operated a tour exhibition titled "TMS ENTERTAINMENT - 50 Years of Animation." This exhibition has taken place at various public animation-related sites. The exhibition features a massive timeline of the company's works where you can view the history of animation production, screenings of opening and ending themes, panel explanations of each work, and valuable animation production materials, such as model sheets and original cell illustrations. From December 11, 2014, it will be exhibited at Yokohama's Broadcast Library. The event is also planned to include a special exhibition of the popular latest work, *Yowamushi Pedal*.



Group Information

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

Factors Affecting Assets

Total assets were ¥551.2 billion, up ¥8.3 billion from the previous fiscal year-end.

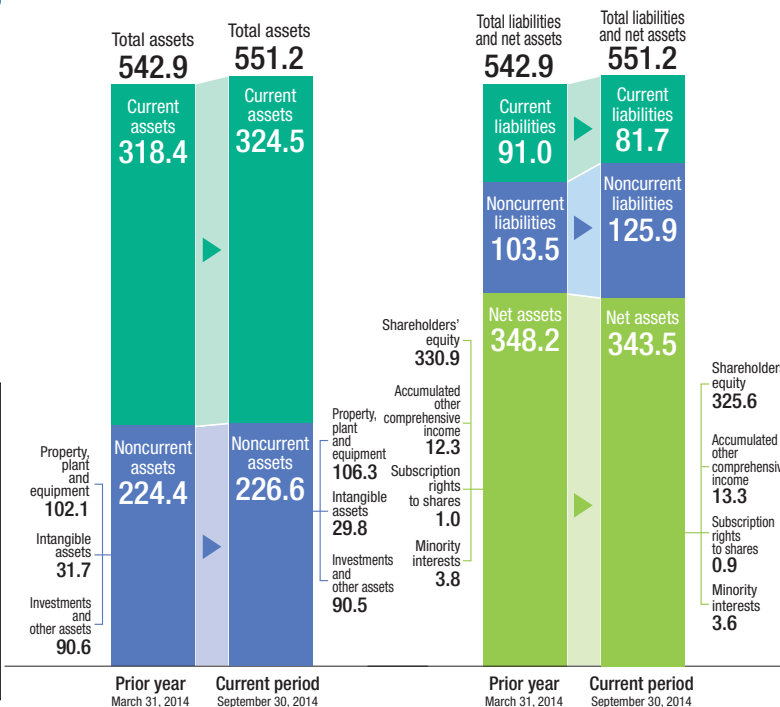
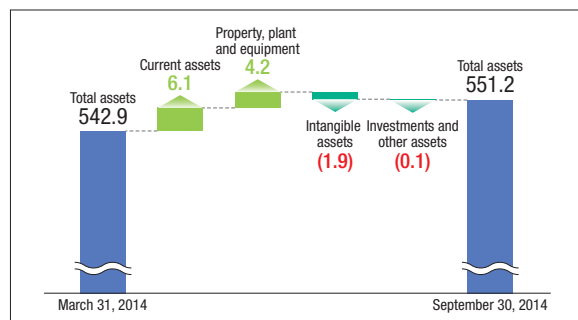
● Current assets increased by ¥6.1 billion.

Factors ▶ Increase in investment securities while cash and deposits, and notes and accounts receivable-trade decreased

● Noncurrent assets increased by ¥2.2 billion.

Factors ▶ Increase in property, plant and equipment while investment securities decreased

Current ratio remained at high levels, standing at 397.2%, up 47.5 percentage points.



Factors Affecting Liabilities and Net Assets

Total liabilities increased by ¥13.0 billion to ¥207.6 billion from the previous fiscal year-end.

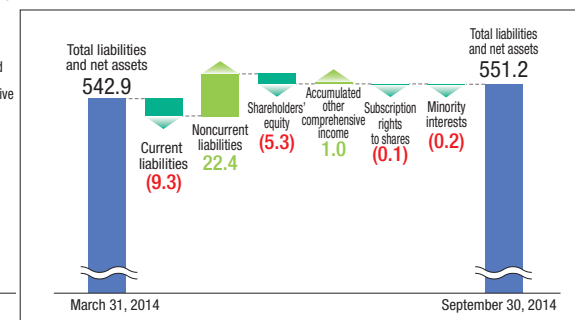
● Current liabilities decreased by ¥9.3 billion.

Factors ▶ Decrease in trade payables and income taxes payable, and other factors

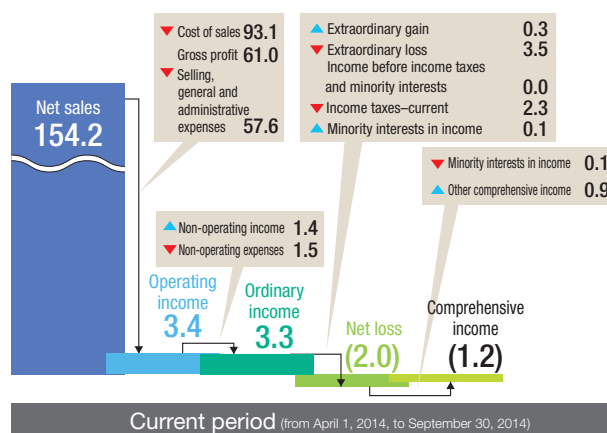
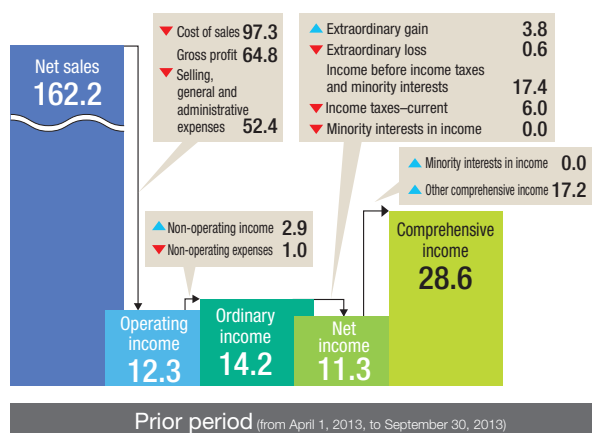
● Noncurrent liabilities increased by ¥22.4 billion.

Factors ▶ Funds raised by issuing corporate bonds and other factors

Equity ratio was 61.5%, down 1.7 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)



Net loss

Net loss amounted to ¥2.0 billion.

Factors ▶ Due to the recording of provision for dismantling of fixed assets under extraordinary loss for certain parts of the facilities in PHOENIX SEAGIA RESORT

Consolidated Operating Results and Financial Data

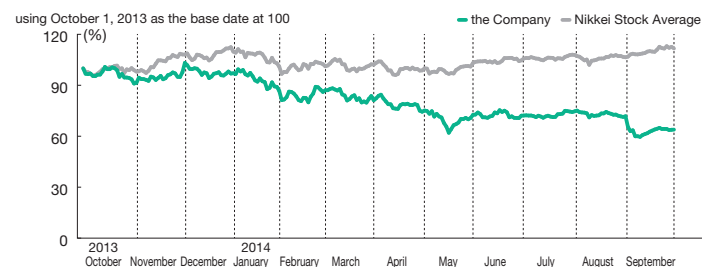
		Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		Fiscal year ended March 31, 2014		Fiscal year ending March 31, 2015	
		First half	Full year	First half	Full year	First half	Full year	First half	Full year	First half	Full year (Forecast)
Operating results (billions of yen)	Net sales	217.8	396.7	152.6	395.5	136.5	321.4	162.2	378.0	154.2	370.0
	Operating income	46.8	68.7	15.1	58.3	7.8	19.0	12.3	38.5	3.4	18.0
	Operating income to net sales (%)	21.5	17.3	9.9	14.7	5.7	5.9	7.6	10.2	2.2	4.9
	Ordinary income	46.0	68.1	14.7	58.1	7.2	20.9	14.2	40.5	3.3	17.0
	Net income	24.3	41.5	3.9	21.8	3.8	33.4	11.3	30.7	(2.0)	4.0
Expenses (billions of yen)	Research and development expenses/ Content production expenses *1	18.6	41.1	19.7	53.3	19.1	45.2	25.1	59.2	28.4	67.2
	Capital expenditure	6.5	19.6	9.4	36.1	21.6	32.8	22.6	38.1	14.7	33.3
	Depreciation and amortization *2	7.3	15.9	6.4	16.1	7.4	18.1	7.5	16.1	8.1	18.3
	Advertising expenses *3	7.3	15.1	7.6	17.2	5.6	13.1	7.6	16.0	10.0	22.0
Financial Data (billions of yen)	Total assets	465.6	458.6	460.9	497.4	448.3	528.5	529.6	542.9	551.2	
	Liabilities	184.4	173.1	178.0	201.0	173.1	208.4	184.5	194.6	207.6	
	Net assets	281.1	285.4	282.9	296.3	275.2	320.0	345.0	348.2	343.5	
	Equity ratio (%)	55.8	60.0	60.8	58.9	60.6	59.7	64.3	63.2	61.5	
Cash Flows (billions of yen)	Cash flows from operating activities	55.5	87.6	(8.9)	38.0	2.9	18.6	23.6	75.2	5.5	
	Cash flows from investing activities	(4.6)	(29.5)	11.4	(59.0)	12.6	6.3	(25.0)	(38.5)	(19.9)	
	Cash flows from financing activities	(20.4)	(57.1)	11.6	0.9	(9.1)	(1.1)	(4.0)	(11.5)	17.5	
	Cash and cash equivalents at end of period	196.3	165.9	179.8	146.5	152.3	174.2	170.6	202.7	208.2	
Per Share Data (yen)	Net income per share	96.66	163.19	15.79	86.73	15.74	137.14	46.76	126.42	(8.52)	16.40
	Net assets per share	1,031.45	1,093.23	1,115.46	1,167.59	1,125.09	1,304.44	1,401.90	1,409.27	1,387.64	
	Dividends per share	20	40	20	40	20	40	20	40	20	40

*1 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).

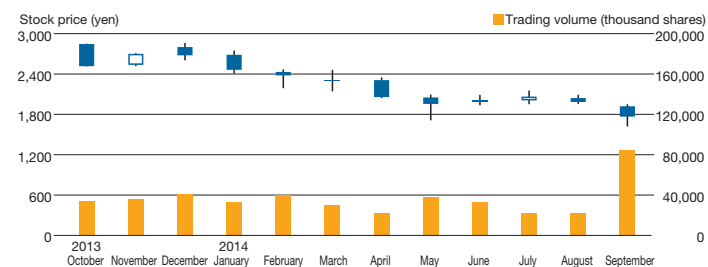
*2 From fiscal year ended March 31, 2014, amortization cost of digital titles is not included in depreciation and amortization (from fiscal year ended March 31, 2014, amortization cost of digital titles is included in research and development expenses/Content production expenses).

*3 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 September 30, 2014)

Company Name	SEGA SAMMY HOLDINGS INC.																										
URL	http://www.segasammy.co.jp/english/																										
Established	October 1, 2004																										
Capital	¥29.9 billion																										
Number of Employees	7,721 (Consolidated)																										
Directors and Auditors	<table> <tr> <td>Hajime Satomi</td> <td>President and Chief Executive Officer</td> </tr> <tr> <td>Naoya Tsurumi</td> <td>COO & Senior Executive Vice President</td> </tr> <tr> <td>Akira Sugano</td> <td>CFO & Executive Vice President</td> </tr> <tr> <td>Haruki Satomi</td> <td>Executive Vice President</td> </tr> <tr> <td>Shigeru Aoki</td> <td>Executive Vice President</td> </tr> <tr> <td>Hideki Okamura</td> <td>Executive Vice President</td> </tr> <tr> <td>Hisao Oguchi</td> <td>Executive Vice President CCO (Chief Creative Officer)</td> </tr> <tr> <td>Yuji Iwanaga</td> <td>Outside Executive Vice President</td> </tr> <tr> <td>Takeshi Natsuno</td> <td>Outside Executive Vice President</td> </tr> <tr> <td>Tomio Kazashi</td> <td>Standing Corporate Auditor</td> </tr> <tr> <td>Toshio Hirakawa</td> <td>Corporate Auditor</td> </tr> <tr> <td>Yukito Sakau</td> <td>Corporate Auditor</td> </tr> <tr> <td>Mineo Enomoto</td> <td>Corporate Auditor</td> </tr> </table>	Hajime Satomi	President and Chief Executive Officer	Naoya Tsurumi	COO & Senior Executive Vice President	Akira Sugano	CFO & Executive Vice President	Haruki Satomi	Executive Vice President	Shigeru Aoki	Executive Vice President	Hideki Okamura	Executive Vice President	Hisao Oguchi	Executive Vice President CCO (Chief Creative Officer)	Yuji Iwanaga	Outside Executive Vice President	Takeshi Natsuno	Outside Executive Vice President	Tomio Kazashi	Standing Corporate Auditor	Toshio Hirakawa	Corporate Auditor	Yukito Sakau	Corporate Auditor	Mineo Enomoto	Corporate Auditor
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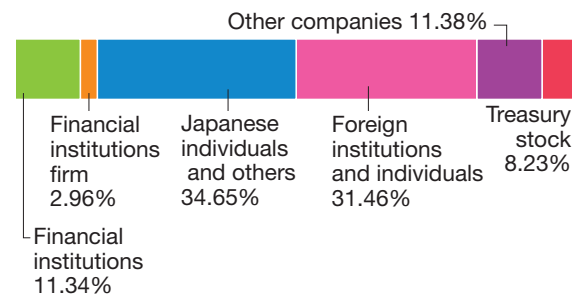
Information on Outstanding Shares (As of September 30, 2014)

Number of shares authorized for issuance	800,000,000 shares
Total number of shares issued and outstanding	266,229,476 shares
Number of Shareholders	103,341 (Odd-lot shareholders: 80,713)

Principal Shareholders

Name of Shareholder	Shares Held	Shareholding Ratio (%)
Hajime Satomi	33,619,338	12.62
SEGA SAMMY HOLDINGS INC.	21,920,137	8.23
FSC Co., Ltd.	12,972,840	4.87
HS Company	10,000,000	3.75
Merrill Lynch International Equity Derivatives	5,553,244	2.08

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 summer 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

- February ● Announcement of results for the nine months ending December 31, 2014
- May ● Announcement of results for the fiscal year ending March 31, 2015
- June ● Ordinary General Meeting of Shareholders/Release of the Business Report for the fiscal year ending March 31, 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
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"), 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.