Summary of Full Year Results FY 2011

May 16, 2011
SEGA SAMMY HOLDINGS INC.

(1)Fiscal Year 2011 Full Year Results

□Highlights

Sega Sammy managed to increase sales and profits during the fiscal year under review in comparison with the previous fiscal year.

With regards to the pachislot and pachinko machine business, pachinko unit sales dropped below the level of the last fiscal year. However, the number of pachislot units sold greatly exceeded the previous year.

As for the amusement machine sales business, distribution of earnings through the utilization of the revenue sharing model showed a strong performance.

Amusement center operation business had little impact by the earthquake but returned to profitability primarily to an decrease of operating expenses.

In the consumer business, domestic game software sold well. However, sales of new titles was weak overseas, given the severe market environment.

□Major Business Measures

3 major business measures we implemented during the fiscal year under review.

We have been acquiring treasury stocks beginning from December 2010. On March 15, 2011, we reached the upper limit established for stocks and completed the acquisition process.

Also, as we explained during the financial results announcement for the third quarter, we converted **Sammy NetWorks**, **SEGA TOYS** and **TMS ENTERTAINMENT** into wholly owned subsidiaries. The three companies, which were listed subsidiaries, were converted on December 1, 2010 through share exchange.

In addition, we cancelled **17 million** treasury stocks as of December 10, 2010.

□Consolidated Income Statements

Net Sales: **396.7 billion yen** (**increased by 3.1%** year-on-year)
Operating Income: **68.7 billion yen** (**increased by 87.2%** year-on-year)
Ordinary Income: **68.1 billion yen** (**increased by 89.7%** year-on-year)
Net Income: **41.5 billion yen** (**increased by 105.4%** year-on-year)

During the fiscal period under review, extraordinary gains of **3.7 billion yen** was posted, due to factors such as gain on reversal of subscription rights to shares. Extraordinary losses posted amounted to **14.3 billion yen** due to factors such as cost of product compensation related.

Moreover, total goodwill produced by the conversion of the three companies into wholly owned subsidiaries I mentioned earlier is **10.8 billion yen**. We are planning to amortize this within 5 years starting from the 4th quarter of the fiscal year under review. We amortized **540 million yen** during this last quarter. In addition, we are estimating to amortize **2.16 billion yen** in next fiscal year.

As for dividends, we are planning year-end dividends of **20 yen**, making the projected annual dividend **40 yen**.

□Consolidated tax return system / Comprehensive Income

In addition, we are planning to adopt the consolidated tax return system from the next fiscal year. As a result, realizability of deferred tax assets has been reviewed, and tax expenses have been reduced by **12.1 billion yen** compared with previous years.

Also, comprehensive income increased **11.9 billion yen** compared to net income primarily to an increase of paper gain in SANRIO securities which we own.

□Extraordinary Loss / Impact of the Earthquake

We posted total extraordinary losses such as cost of product compensation related to **"Pachislot Sakura Wars 3."** and impairment loss related to assets of the Kids Card in the fiscal year under review.

Furthermore, we posted loss on liquidation of subsidiaries in relation to sellout of amusement center operations business in the U.S. next fiscal year.

As for the impact of the earthquake, we posted extraordinary losses of **1.2 billion yen**.

The pachislot and pachinko machine business and amusement machine sales business during this fiscal year was not greatly affected. However, with regards to the amusement center operation business, we implemented measures such as temporarily closing business at some stores and shortening business hours. Also, in the consumer business, we postponed sales of **"Ryu ga Gotoku OF THE END"**, a title for Japan, to the next fiscal year.
Overall, the impact of the earthquake on the results of the fiscal year under review was minor.

□Consolidated Balance Sheet

Current assets increased **16.8 billion yen** due primarily to the review of realizability of deferred tax assets associated with the introduction of filing the consolidated tax return scheduled from the next fiscal year.
Meanwhile, noncurrent assets increased by **18.6 billion yen** due primarily to the increase of the value of the investment securities etc

As a result, total assets increased **35.5 billion yen** from the previous period end to **458.6 billion yen**.

Net assets increased **28.7 billion yen** from the end of the previous fiscal year, to **285.4 billion**, as a result of increase in shareholder's equity thanks to the posting of net income for the current fiscal year, the exchange of shares, and an increase in valuation difference on available-for-sale securities.

Equity ratio was **60.0%**, continuing to maintain a healthy level.

□Consolidated Cash Flows

Cash flow provided by operating activities was **87.6 billion yen**, due to the recording of net income of **57.4 billion yen** and a reduction of accounts receivable of **10.0 billion yen**.

Cash flow used by investment activities was **29.5 billion yen**, due to payments for purchases of tangible fixed assets of **10.9 billion yen** and securities (negotiable certificates of deposit) of **24.3 billion yen**.

Cash flow used by financing activities was **57.1 billion yen**, due to such factors as payments for redemption of bonds of **20.6 billion yen** and purchase of treasury stocks of **24.5 billion yen**.

As a result, the balance of cash and cash equivalents at the end of this period decreased by **1.1 billion yen** compared to the end of the previous period to reach **165.9 billion yen**.

In addition, free cash flow resulting from the sum of cash flow provided by operating activities and cash flow used by investment activities increased by **10.8 billion yen** compared to the end of the previous period to reach **58.1 billion yen**.

□Pachislot and Pachinko Machines

Net Sales: **212.0 billion yen** (**increased by 32.3%** year-on-year)
Operating Income: **64.2 billion yen** (**increased by 117.6%** year-on-year)

Pachislot performed soundly amid market recovery. For example, unit sales of both **"Pachislot SOUTEN-NO-KEN"** and **"Pachislot Shin Onimusha"** exceeded **90,000 units** cumulatively. The overall unit sales increased year-on-year by around **139,000 units** to **302,000 units**.

As for pachinko machines, sales of **"Pachinko CR Hokuto No Ken Kenshiro"**, a middle type launched during the fourth quarter, sold well, in addition to the **"Pachinko CR Hokuto No Ken Raoh" series** launched in the second quarter. We sold around **200,000 units** for the entire **"Pachinko CR Hokuto No Ken" series** alone. The overall unit sales decreased year-on-year by around **17,000 units** to **343,000 units**. This was caused by the postponement of the launching of some titles to the next fiscal year for strategic purposes.

We posted extraordinary losses in relation to **"Pachislot Sakura Wars 3"** during the fourth quarter. However, we are commencing various activities to prevent a reoccurrence of such by developing a stricter product check system within the company, and by establishing a double check system with the cooperation of outside evaluation organizations.

□Amusement Machine Sales

Net Sales: **47.2 billion yen** (**increased by 4.7%** year-on-year)
Operating Income: **7.3 billion yen** (**increased by 4.3%** year-on-year)

During the fiscal year under review, other than selling the mainstay title, **"SENGOKU TAISEN"**, utilization of the revenue sharing model showed a strong performance throughout the year. Furthermore, the prize category also sold well.

Of the net sales for domestic amusement machines and the prize category, the distribution of earnings through utilization of the revenue sharing model comprised around **14%**.

Additionally, operations in China began in the fourth quarter.

□Amusement Center Operations

Net Sales: **45.6 billion yen** (**decreased by 16.6%** year-on-year)
Operating Income: **300 million yen** (operating loss of **1.3 billion** yen in the previous fiscal year)

Net sales decreased year-on-year but returned to profitability of operating income from operating loss previous year due to reduction of operating expenses.

Sales of the prize category, such as UFO catchers, proved strong throughout the year, but in the wake of the Great East Japan Earthquake, sales in March, 2011 slumped. As a result, sales of SEGA domestic same-stores dropped to **99.3%** that of the preceding fiscal year.

Six new domestic stores were opened and **17** closed. As a result, the number of facilities as of the end of the fiscal year under review was **249**.

As for the impact of the earthquake, it is just as I explained earlier.

With regards to overseas operations, we closed **4 facilities** during the fiscal year under review. Furthermore, we have decided to sell amusement center operations business in the U.S. next fiscal year with the aim of further improving profitability.
In addition, sale of the business are completed as of May 16, 2011.

□Consumer Business

Net Sales: **88.8 billion yen** (**decreased by 26.9%** year-on-year)
Operating Income: **1.9 billion yen** (**decreased by 69.8%** year-on-year)

For the home video game software business, overseas, we sold **"SHOGUN 2: Total War"** and domestically, we sold **"Phantasy Star Portable 2 Infinity"** during the fourth quarter. While domestic sales did well, overseas sales of new titles slumped. Due to this, the game software unit sales fell year-on-year by **8,040,000 units** to end at **18,710,000 units**.

Furthermore, in view of the current market environment, we reviewed assets such as content production expenses pertaining to some overseas titles which we had been developing and posted expenses amounting to **3.1 billion yen** as a cost during the fiscal year under review.

During the fourth quarter, we began full-fledged activities to be able to respond to new platforms, including smartphones and SNS. We supplied several titles such as **"Kingdom Conquest"** for iOS, as well as **"SEGA PLAY! Baseball"** for Facebook.

Furthermore, the pay-per-use service for **"Sammy 777 Town"** for mobile phones was well received by customers. In the toys business, there was a high sales of **"BAKUGAN"** domestically, and in the animation business, distribution of earnings from **"Detective Conan"** and royalty revenue from domestic and overseas sales of **"BAKUGAN"** were strong.

(2)Fiscal Year 2012 Full Year Projections

□Consolidated Income Statements

Net Sales: **450.0 billion yen** (**increased by 13.4%** year-on-year)
Operating Income: **60.0 billion yen** (**decreased by 12.7%** year-on-year)
Ordinary Income: **59.0 billion yen** (**decreased by 13.4%** year-on-year)
Net Income: **33.0 billion yen** (**decreased by 20.5%** year-on-year)

Concerning dividend forecasts, the interim and year-end dividends are projected to be **20 yen** per share, and the annual dividend is projected to be **40 yen** per share.

□Major Business Measures

We have decided to convert TAIYO ELEC into a Wholly Owned Subsidiary of Sammy.
In accordance with this decision, we also decided the disposal of treasury stocks to Sammy Corporation.
Sammy will become the wholly owning parent of TAIYO ELEC, in consideration of Sega Sammy's common stock.

The Share Exchange enables us to implement strategic investment and business development from a medium- to long-term perspective that aim for the maximization of group profitability for the SEGA SAMMY group.

Therefore, we think that the Share Exchange should deliver significant benefits in terms of consequently enhance the corporate value of the SEGA SAMMY group.

□Costs and Expenses Projections

R&D expense, content production expense and advertising expense will increase compared to previous fiscal year mainly from Pachislot and Pachinko Machine Business ant Consumer Business which are projecting to introduce some major titles.

□Pachislot and Pachinko Machines

Net Sales: **235.0 billion yen** (**increased by 10.8%** year-on-year)
Operating Income: **59.0 billion yen** (**decreased by 8.1%** year-on-year)

Although the market will be temporarily shrunk as a impact by the earthquake, pachislot market will keep recovering and slightly severe conditions continue to surround pachinko market as a overall trend.

Therefore we project that unit sales of the entire market this fiscal year will decrease by **5%** year-on-year to reach **900,000 units**. We also project that the number of bases installed will maintain the total of **1,390,000 units**.

We project that unit sales for the entire market will decrease by **7%** to end at **2,500,000 units**, and that the number of bases installed will decrease by **6%** to end at **2,950,000 bases**.

With regards to pachislot machines, we are planning introduction of **13 titles** for the current period, including large-scale titles. Furthermore, we project that unit sales will decrease year-on-year by **13,000 units** to end at **290,000 units**.

With regards to pachinko machines, we are planning introduction of **15 titles**, including titles that were postponed over from the previous fiscal period.
By planning large-scale titles and multiple mainstay titles, we project that unit sales will increase year-on-year of **111,000 units** to end at **455,000 units**.

During the first quarter, our company has plans to introduce pachislot title **"Pachislot ARMORED TROOPER VOTOMS"** and **"Pachislot ALIYAN BEGINS"**, while we have plans to introduce pachinko titles " **Pachinko CR Ring ni Kakero 1 -Golden Japan Jr. Series-**", "**Pachinko CR Sengoku Ranbu KOMPEKI NO SOZIN**" and **"CR BLACK LAGOON"**.

We project that the operating income margin for the current fiscal year will fall in comparison to the previous fiscal year. This is mainly due to forecasts material procurement cost will increase due to an effect of the earthquake. Furthermore, we expect the increase of selling, general and administrative expense such as R&D expenses.

□Amusement Machine Sales

Net Sales: **50.0 billion yen** (**increased by 5.9%** year-on-year)
Operating Income: **4.0 billion yen** (**decreased by 45.2%** year-on-year)

For the current fiscal year, we are planning to launch mainstay titles such as **"StarHorse3 SeasonⅠ A NEW LEGEND BEGINS."** but number of mainstay titles or high margin CVT KIT titles will decrease compared to previous fiscal year due to product development cycle.
In addition, material cost will temporarily increase as a result of change of the circuit board in several titles.

We do not plan new titles for revenue sharing model this fiscal year but contribution to earnings through utilization of the revenue sharing model are expected to continue.

As for overseas operations, we will make progress on activities to start full-fledged sales in China, such as by continuing to apply for licenses of titles or sales of some titles.

□Amusement Center Operations
Net Sales: **42.0 billion yen** (**decreased by 7.9%** year-on-year)
Operating Loss: **1.6 billion yen** (operating income of **300 million** yen in the previous fiscal year)

SEGA domestic same-stores sales is projected to be **96.3%** that of the previous fiscal year due to trends in personal consumption resulting from the earthquake.

With regards to domestic facilities, we are planning to open **6 facilities** and close **17 facilities**. As a result, the number of facilities as of the end of the current fiscal year is expected to equal **238**.

In addition, out of the **249** domestic facilities that existed at the beginning of the fiscal year, **9 facilities** have temporarily closed business due to the impact of the earthquake as of May 13, 2011.

With regards to introduction of major titles, we are projecting the cap-ex and depreciation will increase.

□Consumer Business
Net Sales: **120.0 billion yen** (**increased by 35.1%** year-on-year)
Operating Income: **4.5 billion yen** (**increased by 136.8%** year-on-year)

For the home video game software business, we are planning to launch the major title, **"Mario & Sonic at the London 2012 Olympic Games™"**. Due to this, we are projecting an increase of **4,580,000 units** year-on-year to end at a sales of **23,290,000 units**. In the first quarter, we are planning to launch **"Ryu ga Gotoku OF THE END"** and **"Virtua Tennis™ 4"**, but we are scheduled to introduce mainstay titles primarily in the latter half of the year.

We are also planning to continue proactively carrying out activities for smartphones and SNS. For example, we are planning to start a new pachinko and pachislot games for smartphones.

Other than the aforementioned, for the online business, we are planning to begin the service **"Football**

Manager Online" in South Korea from autumn 2011.

In the toys business, we will strengthen activities of mainstay products such as **"BAKUGAN"** and **"Zoobles"** . In the animation business, we are planning production of several new titles, such as films for theaters and a series for television.

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* The contents of this material and comments made during the questions and answers etc of this briefing session are the judgment and projections of the Company's management based on currently available information. The contents involve risk and uncertainty and the actual results may differ materially from these contents / comments.