Major Questions Concerning Actual Results for Year Ended March 2012 and Forecast for Year Ending March 2013

June 20, 2012

Investor Relations, SEGA SAMMY HOLDINGS INC.

Actual Results for the Year Ended March 2012

■ General Matters

Q: What factors led to the decreases in sales and income compared to the previous fiscal year (year ended March 2011)?

A: Sales and income decreased mainly due to overall weak sales of new titles in primarily the packaged game software field of the Consumer Business. Furthermore, in light of the severe market environment and earnings performance, we have decided to implement structural reform of SEGA's Consumer Business, we reevaluated the profitability of game titles in development, then booked impairment loss on work in process assets concerning some titles, and posted approximately 4.9 billion yen as costs for this fiscal year.

Q: Approximately 6.3 billion yen was posted as extraordinary loss as restructuring loss. What was this specifically?

A: In light of the rapid changes in the home video packaged game software market and severe earnings performance, we determined that in order to actualize earnings recovery of the Consumer Business in the following period and after and return to a growth path, it is essential to streamline organizations in the field of selling packaged game software in the U.S. and European markets, while shifting to a structure that corresponds to change in environment, including strengthening development in the field of digital content. Based on this judgment, we decided to implement structural reform.

Q: What were the operating results of Phoenix Resort K.K., which became a wholly owned subsidiary at the end of March?

A: In this fiscal year, it is excluded from the scope of consolidated subsidiaries in the statements of income and is consolidated only in the balance sheets. Furthermore, the negative goodwill of around 1.3 billion yen incurred in line with the conversion to a subsidiary was posted as extraordinary gain.

Q: What factors led to the increases in R&D expense/Content production expense and the capital expenditure amount compared to the previous fiscal year (year ended March 2011)?

A: R&D expense/Content production expense increased mainly due to implementation of booking of impairment loss on work in process assets of some packaged game software titles in line with structural reform of SEGA CORPORATION's Consumer Business and posted approximately 4.9 billion yen as costs. In addition, the capital expenditure amount was mainly due to start of a new plant and new distribution center of Sammy Corporation. The investment amount for construction of the new plant and new distribution center totals 16.2 billion yen, of which the investment amount for this fiscal year was 5.6 billion yen.

■ Pachislot and Pachinko Machines Business

Q: What factors led to the increase in income despite net sales being flat compared to the previous fiscal year (year ended March 2011)?

A: Income margin rose mainly due to mainstay pachislot titles, which have high income margin and strong sales resulting in income increase.

Q: What was the level of impact of the Great East Japan Earthquake and Thailand flooding?

A: The impact of the Great East Japan Earthquake was only at a minimal level in terms of both price and procurement of parts and materials. On the other hand, the Thailand flooding caused difficulty in procuring specific pachislot parts and materials, resulting in launch of some titles being postponed to the next fiscal year. Furthermore, as the problem is now resolved, there will be no impact on the current fiscal year's operating results.

■ Amusement Machine Sales Business

Q: What factors led to the fall in operating income margin compared to the previous fiscal year (year ended March 2011)?

A: In this fiscal year, in addition to the number of CVT titles, which have a high income margin, being fewer compared to the previous fiscal year, there was temporary increase in material cost due to a change of circuit boards for some titles.

■ Amusement Center Operations Business

Q: What factors led to operating income being flat despite the decrease in sales compared to the previous fiscal year (year ended March 2011)?

A: Although net sales fell below that of the previous fiscal year due to a reduction in the number of centers, reinforcement of the management capabilities of existing centers led to solid SEGA domestic same-store sales at 100.5% compared to the previous fiscal year. Operating income remained flat as a result.

■ Consumer Business

Q: What factors led to the decrease in sales and posting of significant loss compared to the previous fiscal year (year ended March 2011)?

A: A loss was posted because net sales and operating income both fell below that of the previous fiscal year mainly due to weak sales in the packaged game software field primarily overseas. In addition, we have decided to implement structural reform in the field of packaged game software in the U.S. and European markets, we reevaluated the profitability of game titles in development, then booked impairment loss on work in process assets concerning some titles, and posted approximately 4.9 billion yen as costs for this fiscal year.

Q: What measures will be taken against the huge deficit in the Consumer Business?

A: In order to actualize earnings recovery of the Consumer Business in the following period and after and return to a growth path, it is essential to streamline organizations in the field of home video packaged game software in the U.S. and European markets, while shifting to a structure that corresponds to change in environment, including strengthening development in the field of digital content. Based on this judgment, we decided to implement structural reform of SEGA's Consumer Business.

Q: What is "streamlining the organization" specifically? Will personnel downsizing and such be conducted? And will new expenses and such arise?

A: By streamlining the organization in the field of packaged game software in the U.S. and European markets, a structure capable of generating stable earnings will be constructed. We plan to explain the new structure when we announce the 1st Quarter results. Please note that all expenses relating to the structural reform are posted in this fiscal year.

Forecast for the Year Ending March 2013

■ General Matters

Q: What factors led to the forecast of increases in sales and income compared to the previous fiscal year (year ended March 2012)?

A: Concerning net sales, an increase in sales is projected mainly due to an increase in pachislot and pachinko unit sales in the Pachislot and Pachinko Machines Business. Concerning operating income, on the other hand, in the Consumer Business, we expect to return to profitability as a result of structural reform leading to R&D expense/Content production expense and other operating expenses decreasing and earnings contribution of the network and other digital field, and such growth in the segment is the main factor underlying the forecast of an increase in income.

Q: What is the business plan and investment plan for Phoenix Resort in the current fiscal year?

A: We will continue to maintain and develop the measures formulated from the angle of sports that are already being implemented. In addition, while retaining the intrinsic value as a resort, we will pursue ongoing utilization of facilities and measures exhibiting added-value potential. The specific methods of utilization and measures will be discussed carefully without rash judgment and synergistic effects will be created through such means as effectively utilizing the entertainment-related assets held by the Group.

Q: The establishment of a joint venture with Paradise Group has been announced. What are the purpose, outlook and other specific details?

A: The Group considers the business of operating resort complexes including casinos as a new profit-making opportunity. As part of efforts to create the foundation for such, we decided to make investment in capital of “Paradise Sega Sammy” (planned). Furthermore, we will participate in management of the joint venture as the second largest shareholder with an investment share of 45% of the total. We are continuing further negotiations with Paradise Group concerning specific planning, development budget, development schedule, dispatch of board members and employees and other specific items related to the establishment of the joint venture.

■ Pachislot and Pachinko Machines Business

Q: What factors led to the forecast of a decrease in income despite a substantial increase in sales compared to the previous fiscal year (year ended March 2012)?

A: An increase in sales is projected due to an increase in the number of pachislot and pachinko unit sales. However, in the current fiscal year, in addition to income margin falling compared to the previous fiscal year, when sales of mainstay pachislot titles grew, R&D expense and other operating expenses are projected to be increased in anticipation of greater sales share in the medium-term.

■ Amusement Machine Sales Business

Q: What factors led to the forecast of decreases in sales and income compared to the previous fiscal year (year ended March 2012)?

A: Decreases in sales and income are projected due to there being no plans to sell major new titles that have high income margin due to our product development cycle. We see the forecast for the current fiscal year as being only a temporary level owing to circumstances specific to the Company, since the size of the domestic market remains stable. Development is already under review in consideration of changes in the market environment and user needs from a medium-term perspective.

■ Amusement Center Operations Business

Q: What factors led to the forecast of an increase in income despite net sales being flat compared to the previous fiscal year (year ended March 2012)?

A: Factors include, while pursuing improvement in income margin through reinforcement of management capabilities, etc., change in the accounting policy for depreciation and amortization leading to depreciation and amortization decreasing by 2.8 billion yen in the current fiscal year compared with conventional accounting policy.

■ Consumer Business

Q: What factors led to the forecast of a significant improvement (return to profitability) in operating income despite a decrease in sales compared to the previous fiscal year (year ended March 2012)?

A: In the packaged game software field, by implementing structural reform focused primarily on the U.S. and Europe, we will be reducing sales to titles that are expected to bring solid operating results and thereby reduce operating expenses, as well as step up efforts in the digital field, which is a growth market, in an aim to return to profitability in the current fiscal year.

Q: How will efforts in the digital field change as a result of establishment of SEGA Networks, Ltd., which is scheduled for July?

A: With the spin-off of SEGA Networks, we seek to maximize earnings through such means as speeding up decision-making in the digital game field, making the transition from the conventional "development-based" to "operation-based" structure and promptly responding to customer needs.

Q: What is the policy on "complete gacha" and the impact of such on operating results?

A: Mechanisms equivalent to "complete gacha" were employed as additional elements to some services, but all such equivalent mechanisms were terminated on May 31. This matter will have no impact on operating results.

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* The contents in this material are the judgments and projections of the Company's management based on currently available information. These contents involve risks and uncertainties, and the actual results may differ materially from these contents/comments.