Summary of Full Year Results FY Ended March 2012

May 14, 2011
SEGA SAMMY HOLDINGS INC.

(1)Fiscal Year Ended March 2012 Full Year Results

□Highlights

Sales and profits decreased year-on-year, but operating income increased for this fiscal year.

Announced downward revision of forecast of operating results as announced on March 30, 2012 due to the impact of the flooding in Thailand and sluggish sales of packaged games.

□Major Business Measures

As we publicized recently, we have converted **TAIYO ELEC** into a wholly owned subsidiary and acquired treasury stocks.
In the 4Q, we converted our subsidiary **Phoenix Resort** in an aim to utilize it for development and operation of resort complexes, which is a business realm we are trying to cultivate.
The negative goodwill of **around 1.3 billion yen** incurred in line with the conversion to a subsidiary was posted as extraordinary gain.
In addition, we determined to implement structural reform of SEGA CORPORATION's Consumer Business in the wake of drastic change in the home video packaged game market and deterioration in operating results in SEGA SAMMY's Consumer Business.

□Consolidated Income Statements

Net Sales: **395.5 billion yen** (**decreased by 0.3%** year-on-year)
Operating Income: **58.3 billion yen** (**decreased by 15.1%** year-on-year)
Ordinary Income: **58.1 billion yen** (**decreased by 14.7%** year-on-year)
Net Income: **21.8 billion yen** (**decreased by 47.5%** year-on-year)

Posted extraordinary loss of **18.5 billion yen** due to restructuring loss and such was posted while posting the extraordinary gain of **3.3 billion yen** due to gain on negative goodwill and such.
Year-end dividends are forecast at **20 yen** as planned.

□Breakdown of Extraordinary Loss

This fiscal year, we posted **6.3 billion yen** in restructuring loss at SEGA CORPORATION, **3.3 billion yen** for amortization of goodwill and **3.3 billion yen** in impairment loss.
Furthermore, the amortization of goodwill was conducted since we could no longer expect the excess profitability that we assumed when purchasing its shares as a result of reevaluating the profitability and corporate value of the consolidated subsidiary SEGA TOYS.

□Cost and Expenses

R&D expense/Content production expense increased year-on-year due to implementation of booking impairment loss on work in process assets concerning packaged games in line with structural reform of SEGA CORPORATION's Consumer Business.
Cap-ex increased year-on-year partly due to the start of construction of a new plant and new distribution center of Sammy Corporation.
Meanwhile, from the next fiscal year, the Company and its domestic consolidated subsidiaries will change the useful life of property, plant and equipment from the one that was mainly based on the Corporation Tax Act in Japan to the useful life that is determined with consideration of economic life.
Additionally, depreciation method for property, plant and equipment is also going to be changed mainly from the declining-balance method to the straight-line method.
These changes are to be made because of the review to align to the reality of the depreciation for property, plant and equipment taking the planned major capital investment as the opportunity.

□Consolidated Balance Sheet

Compared to the previous fiscal year end, current assets increased **12.1 billion yen** due to increase in accounts receivable, while noncurrent assets increased **26.8 billion yen** due to the start of construction of a new plant and making of Phoenix Resort into a wholly owned subsidiary.
As a result, total assets at the end of this fiscal year increased **38.8 billion yen** to **497.4 billion yen.**
Net assets increased **10.9 billion yen** to **296.3 billion yen**.
Equity ratio came to **58.9%**, as we continue to maintain a sound level.

□Consolidated Cash Flows

Cash flow from operating activities was **plus 38.0 billion yen** as accounts receivable increased **40.3 billion yen** while we posted income before income taxes and minority interests of **42.9 billion yen**.
Cash flow from investing activities was **minus 59.0 billion yen** due to payments of **44.1 billion yen** for acquisition of securities (such as negotiable certificate of deposits) and **24.0 billion yen** for acquisition of tangible fixed assets.
Cash flow from financing activities was **plus 0.9 billion yen**, due to payments of **13.6 billion yen** in redemption of bonds and **10.2 billion yen** in payment of dividends while we had income of **34.4 billion yen** due to long-term loans payable.
As a result, the balance of cash and cash equivalents at the end of this fiscal year decreased **19.4 billion yen** from the previous fiscal year end to **146.5 billion yen**.
Meanwhile, free cash flow was **minus 21.0 billion yen**.

□Pachislot and Pachinko Machines

Net Sales: **212.1 billion yen** (-)
Operating Income: **71.0 billion yen** (**increased by 10.6%** year-on-year)

Operating income margin increased thanks to strong sales of mainstay pachislot titles and cost improvement due to reuse
Year-on-year pachislot unit sales **decreased about 2,000 units** year-on-year to **300,000 units** due to

postponing the launch of some titles to the next fiscal year due to the impact of the Thailand flooding.
We led a significant recovery in the pachislot market by selling **177,000 units** of **"Pachislot Hokuto No Ken"**, and posting strong sales of **"Pachislot Monster Hunter."**
Furthermore, of the **95,000 units** in aggregate order receipts for **"Pachislot Monster Hunter"** thus far, we have posted **56,000 units** for this period.
On the other hand, the pachinko machines sales market is weak against the backdrop of increased demand for pachislot and overall year-on-year unit sales **decreased about 11,000 units** year-on-year to **332,000 units**.
According to our estimate, **sales share itself is expected to improve** despite the decline in unit sales thanks to solid sales of multiple titles.

<u>□Amusement Machine Sales</u>
Net Sales: **49.9 billion yen** (**increased by 5.7%** year-on-year)
Operating Income: **7.4 billion yen** (**increased by 1.4%** year-on-year)

Sales of mainstay title **"StarHorse3 Season Ⅰ A NEW LEGEND BEGINS."** launched in 3Q and the utilization of revenue sharing models remained strong.
Sales of cards and other consumables were also strong in the wake of recovery in the amusement center market.
Furthermore, the distribution of earnings through utilization of revenue sharing models accounted for about **11%** of domestic machine net sales for the full year.

<u>□Amusement Center Operations</u>
Net Sales: **44.6 billion yen** (**decreased by 2.2%** year-on-year)
Operating Income: **0.3 billion yen** (-)

SEGA domestic same store sales were **100.5%** compared to the previous fiscal year, due to robust sales of prize category machines such as the UFO Catcher.
The number of domestic amusement facilities totaled **241** at the end of this fiscal year, as a result of **opening 5** facilities and **closing 12** facilities.

<u>□Consumer Business</u>
Net Sales: **85.6 billion yen** (**decreased by 3.6%** year-on-year)
Operating loss: **15.1 billion yen** (operating income of **1.9 billion yen** in the previous fiscal year)

In the packaged games field, sales decreased in volume **1,470,000** year-on-year to **17,240,000** copies as a result of overall weak sales of new titles.
In 4Q, we reevaluated the profitability of packaged game titles in development, then booked impairment loss on work in process assets concerning some titles, and posted **4.9 billion yen** as costs.
In the digital games field, **"Kingdom Conquest"**, continues strong, with the cumulative number of downloads as of the end of March reaching **more than 2.5 million.**
We also started making pachinko/pachislot game sites for mobile phones/PCs made compatible with

smartphones.
In the toy business, sales of mainstay products such as **"Anpanman Series"** and **"Jewelpod"** were strong, but other sales were generally weak.
In the animation business, licensing revenue from **"Anpanman"** and **"Detective Conan"** was strong.

(2)Fiscal Year Ending March 2013 Full Year Forecasts

□Consolidated Income Statements

Net Sales: **470.0 billion yen** (**increased by 18.8%** year-on-year)
Operating Income: **66.0 billion yen** (**increased by 13.2%** year-on-year)
Ordinary Income: **65.0 billion yen** (**increased by 11.9%** year-on-year)
Net Income: **40.0 billion yen** (**increased by 83.5%** 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.

□Pachislot and Pachinko Machines

Net Sales: **286.5 billion yen** (**increased by 35.1%** year-on-year)
Operating Income: **70.0 billion yen** (**decreased by 1.4%** year-on-year)

The pachislot market is showing a clearer recovery trend. We estimate that market unit sales of pachislot came to **1.25 million units** in the previous fiscal year.
We anticipate that this environment will be sustained, and unit sales on the overall market this fiscal year to remain flat at **1.25 million units** year-on-year, and installed units to **increase 2.0% to 1.50 million units**.
In contrast, as for the pachinko market, market unit sales in the previous fiscal year were estimated at **2.54 million units** due to weak performance against the backdrop of increased demand for pachislot.
Since the strong environment of pachislot is expected to continue this fiscal year as well, we project unit sales on the overall market to **decrease 9.4%** year-on-year to **2.30 million units**, and installed units to remain flat at **3.10 million units**.

Operating income margin will fall this fiscal year when compared to the previous fiscal year when sales of mainstay pachislot titles increased. In addition, we also plan for operating expenses such as R&D expense to increase year-on-year as we aim to improve sales shares in the medium term.
For pachislot machines, we plan to introduce **13 titles** and sell **473 thousand units**. We are off to a smooth start this fiscal year, from the current 1Q, with the continued shipment of **"Pachislot Monster Hunter"** and sales of **"Pachislot CODE GEASS Lelouch of the Rebellion."**
On the other hand, even on the assumption that a weak market environment will persist for pachinko machines, we forecast sales of **450 thousand units** this fiscal year as we plan the launch of **15 titles** including major mainstay titles.
Furthermore, we expect sales of mainstay pachinko titles to concentrate in the second fiscal half since

they are scheduled after the start of operations of the new plant.

We will continue to engage proactively in reuse of materials and efforts to make materials universal regardless of brand.

<u>□Amusement Machine Sales</u>

Net Sales: **40.5 billion yen** (**decreased by 18.8%** year-on-year)
Operating Income: **1.3 billion yen** (**decreased by 82.4%** year-on-year)

Both operating income margin and amount of income are forecast to significantly decline temporarily, since we have no plans for sales of new major titles this fiscal year due to our product development cycle.
This fiscal year, we will continue to seek to expand sales of **"StarHorse3 Season I A NEW LEGEND BEGINS."** launched in the previous fiscal year, and expect stable contribution to earnings by revenue sharing model.
We will also strengthen sales of small and medium-sized titles and mainstay titles such as for prize machines and medal machines.

<u>□Amusement Center Operations</u>

Net Sales: **44.5 billion yen** (**decreased by 0.2%** year-on-year)
Operating Income: **1.0 billion yen** (**increased by 233.3%** year-on-year)

The reason why we forecast an increase in operating income is because of the impact of decrease in depreciation expenses in line with changes in accounting policy.
When comparing with the conventional accounting policy, depreciation expenses have **declined 2.8 billion yen** for this segment.
SEGA domestic same store sales is projected at **99.0%** compared to the previous fiscal year, considering such as the popularity of prize machines will run its course and the increase from the rebound effect from the Great East Japan Earthquake in the previous fiscal year.
The number of domestic amusement facilities is expected to **total 237** at the end of this fiscal year, since we plan on **opening 7** facilities and **closing 11** facilities.
We also plan to **renovate 26** of domestic amusement facilities in addition to Tokyo Joypolis will make effort strategically to expand net sales.

<u>□Consumer Business</u>

Net Sales: **85.0 billion yen** (**decreased by 0.7%** year-on-year)
Operating Income: **0.5 billion yen** (operating loss of **15.1 billion yen** in the previous fiscal year)

First of all, we will explain about the structural reform that was announced in March 30, 2012.
Expenses in accordance with the reform were posted entirely in the previous fiscal year as extraordinary loss and costs, but measures to "streamline organizations" and "reduce the number of titles" will be facilitated this fiscal year.
As for streamlining organizations, we will streamline organizations in the field of packaged game sales in the U.S. and European markets and this will create a smaller company positioned for sustained

profitability.
We plan to explain the new structure when we announce the 1st Quarter results.
As for the reduction of the number of packaged game titles, we plan on **introducing 24 titles** this fiscal year, which would mark a **decline of 21 titles** from the previous fiscal year, such as by canceling the development of some titles.
In addition, as publicized simultaneously with the 1st Quarter results, we have decided to make a company split of the major functions of the network business operated as SEGA in the past and transfer it to **SEGA Networks, Ltd.** that will be **newly launched in July.**
We believe that this will establish a structure toward maximizing profits from the network business, since it will speed up management decision making that is essential in this business and allow for us to conduct detailed response customer needs.

In the field of packaged games sales, overall unit sales are expected to **fall 830 thousand units** year-on-year to **894 thousand units,** since we will be reducing sales to titles that are expected to bring solid operating results both in Japan and abroad.
In the field of digital game sales, we plan on introducing **"Phantasy Star Online 2"** in June.
This title is mainly for PCs, but we position this as a mainstay title for this fiscal year toward realizing maximization of earnings from the network, such as seeking to link it to PS Vita.
We also plan on introducing roughly **20 or more new titles** this fiscal year for smartphones and social games, including the multiple Conquest series in which we seek to build a franchise centered on the track results of **"Kingdom Conquest."**

In the toy business, we will strengthen our efforts in mainstay products such as **"Anpanman"** and implement measures to improve profitability by reviewing value chains.
In the animation business, we will focus on business developments centered on new movie and TV series, as well as producing footage for pachinko and pachislot machines.
Furthermore, as publicized simultaneously with the 1st Quarter results, we have agreed with **"Paradise Group"**, which conducts the operations of casinos and management of hotels and spas in South Korea, to launch a joint venture concerning the development business of a resort complex including casinos in the Incheon City area of South Korea.
We will launch a joint venture that will conduct planning, development and operation of the project and the Company will participate in management of the joint venture as the **second largest shareholder** with an **investment share of 45%**. The Company is continuing further negotiations with **Paradise Group** concerning specific planning of the facility, development budget, development schedule, dispatch of board members and employees and other specific items.
We believe that this event will have no significant impact on the Company's operating results in the current period.

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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.