Summary of FY Ending March 2013 Interim Results

November 19, 2012

SEGA SAMMY HOLDINGS INC.

(1) Regarding FY Ending March 2013 Interim Results

■Results Highlights

Year-on-year, sales and profits decreased.

However, results are favorable compared to the forecasts announced at the beginning of the period. The Company has recently announced its upward revision of interim the forecasts of operating income and ordinary income.

■Major Business Measures

Acquisition of treasury stocks, which had been undertaken since June 7 2012, was completed as of July 31, after reaching the upper limit of 10,000,000 shares.

■Consolidated Income Statements (Summary)

Net Sales: **136.5 billion yen** (Y-o-Y Change: **-10.6%**)
Operating Income: **7.8 billion yen** (Y-o-Y Change: **-48.3%**)
Ordinary Income: **7.2 billion yen** (Y-o-Y Change: **-51.0%**)
Quarterly Net Income: **3.8 billion yen (**Y-o-Y Change: **-2.6%**)

Sales in the “Other” segment increased year-on-year due to the conversion of Phoenix Resort K.K. into a wholly owned subsidiary.

The Company plans to pay an interim dividend of 20 yen per share as scheduled.

■Costs and Expenses

R&D expense/content production expense, cap-ex, depreciation and advertising were lower in comparison to forecasts.

R&D expense was almost the same level year-on-year.
R&D expense was lower than initial forecasts, mainly due to revisions to development schedule in the pachislot and pachinko machines business.

Cap-ex increased year-on-year, mainly due to the launch of a new plant and new distribution center in the pachislot and pachinko machines business.
Cap-ex is significantly lower than initial forecasts, given that investments in molds, etc. were postponed to the second half and beyond because of revisions in the development schedule of some titles, and investments in the new plant was partially revised in the pachislot and pachinko machines business.

With regard to depreciation, we have revised our forecast due to an error in the compilation method of depreciation in the amusement center operations business at the time of the initial forecast. This has had no impact on other forecasts

including the operating income forecast.
Depreciation is largely in line with the revised forecast.

Advertising expense is significantly lower year-on-year and compared to the initial forecast given that the sales schedule of some titles was revised in the pachislot and pachinko machines business as well as the consumer business.

Depreciation is about **1.6 billion yen** lower than usual due to the change in accounting method as of this fiscal year.

■Consolidated Balance Sheet (Summary)

Compared to the end of the previous fiscal year, current assets decreased by **67.9 billion yen** due to decrease of accounts receivable etc.

Fixed assets increased by **18.7 billion yen** due to Sammy's construction of a new plant and investments in Paradise Sega Sammy.

As a result, total assets as of the end of the second quarter decreased by **49.1 billion yen** from the end of the previous fiscal year to **448.3 billion yen.**

Total assets were down by **21.1 billion yen** to **275.2 billion yen.**

Equity ratio remains at a sound level, standing at 60.6% as of the end of the second quarter.

■Pachislot and Pachinko Machines

Net Sales: **54.3 billion yen** (Y-o-Y Change: **-27.4%**)
Operating Income: **10.4 billion yen** (Y-o-Y Change: **-49.5%**)
As for the pachislot business, unit sales fell short of forecasts at the beginning of the period despite strong sales of "**Pachislot Ring ni Kakero 1 –The Twelve Gods of Greek Series-**" because sales of other titles were postponed to the second half.

As for the pachinko business, unit sales fell short of forecasts since the market environment revolved around major titles amid absence of the Company's plan to sell major titles and mainstay titles.

On the other hand, profit levels were higher than the forecast at the beginning of the period, due in part to reduction of sales expenses including advertising expense.

■Amusement Machine Sales

Net Sales: **18.7 billion yen** (Y-o-Y Change: **-3.1%**)
Operating Income: **800 million yen** (Y-o-Y Change: **-46.7%**)

Operating income exceeded forecast at the beginning of the period despite the absence of sales of major titles, thanks to strong sales of **"maimai"** introduced this quarter and "**StarHorse3 Season I A NEW LEGEND BEGINS.**" released in the previous period. Another contributing factor was the timing of posting some R&D expenses which was changed to the second half as opposed to the first half.

Distribution of earnings due to utilization of the revenue sharing model remained solid, and amusement machines and prize category in the domestic market accounted for about 15% of net sales.

■Amusement Center Operations

Net Sales: **21.7 billion yen** (Y-o-Y Change: **-6.5%**)
Operating Income: **800 million yen** (Y-o-Y Change: **-50.0%**)

SEGA domestic same-store sales were weak at 93.8% year-on-year, mainly due to the sluggish performance in the prize category.
There were **238** domestic facilities at the end of the second quarter following one opening and four closures.

■Consumer Business

Net Sales: **35.3 billion yen** (Y-o-Y Change: **+5.7%**)
Operating Loss: **700 million yen** (Operating loss of **6.0 billion yen** in the same period the previous year)

In the packaged game software business, sales of Olympic-related titles and distribution titles were solid, while the Company reduced the number of titles as a measure of structural reform being implemented since the end of the previous fiscal year.

In the digital games business, which the Company positions as a growth area, "**Kingdom Conquest**" for smartphones continues to receive high acclaim, and the mainstay titles of this period "**Phantasy Star Online 2**" for which service started in July has received extremely high acclaim.

In addition, the timing of posting some advertising expenses, etc. was changed to the second half, as opposed to the initially anticipated first half. As a result of the above, the first half results for the Consumer Business largely exceeded forecasts at the beginning of the period.

(2) FY Ending March 2013 Full-Year Forecasts

■Major Business Measures

We would like to explain the status of our development of resort complex including casinos in Incheon, South Korea with our partner Paradise Group, announced in May 2012.

The joint venture for carrying out this project has already been established and is scheduled to **launch operations in 2016**.

According to the current forecast, total investment amount in the project is estimated at **800 billion won**, and we are planning to invest about **140 billion won.**
In addition to the capital injection by the Company and Paradise Group, we are considering utilizing loans, etc. for the joint venture.

■Consolidated Income Statements (Summary)

Net Sales: **470 billion yen** (Y-o-Y Change: **+18.8%**)

Operating Income: **66 billion yen** (Y-o-Y Change: **+13.2%**)

Ordinary Income: **65 billion yen** (Y-o-Y Change: **+11.9%**)

Net Income: **40 billion yen** (Y-o-Y Change: **+83.5%**)

As for the forecast of full year consolidated operating results, the Company will need to assess sales trends for mainstay products that are slated to go on sale in and after the third quarter. The Company will promptly announce any revisions if they are deemed necessary.

We plan to pay year-end dividends of 20 yen per share for a total annual dividend of 40 yen per share as projected at the beginning of the period.

■Pachislot and Pachinko Machines

In the pachislot business, the Company has announced the release of "**Pachislot GHOST IN THE SHELL -STAND ALONE COMPLEX-**" and plans to introduce mainstay titles as well.

In the pachinko business, the Company plans to sell multiple major and mainstay titles including "**Pachinko CR Shin-Juoh**"

The Company will also continue to make efforts to improve profits, including cost improvement efforts centered on reuse of components such as liquid crystal displays.

■Amusement Machine Sales

Profits and profitability in the amusement machine sales business are expected to decline significantly, albeit temporarily, in the current period, in the absence of sales of new major titles due to our product development cycle.

■Amusement Center Operations

In October, we established "**Sega Entertainment CO.,LTD**" by integrating Sega's amusement center operations with "**AG Square**" and "**SEGA BeeLINK**," that were subsidiaries involved in the Group's amusement center operations.

Sega Entertainment CO.,LTD will undertake significant reform of the amusement center operations business through speedy decision making and create new business opportunities in new amusement center formats.

■Consumer Business

In the packaged game software business, the Company plans sales of "**Sonic & All-Stars Racing Transformed**" and "**Football Manager 2013**" for the overseas market as well as sales of "**Ryu ga Gotoku 5: Yume,Kanaeshimono**" for the domestic market.

In the digital game business, we will begin PSV and smartphone compatibility as part of our cross platform development strategy of this period's mainstay title "**Phantasy Star Online 2**"

Introduction of four titles including “**Kingdom Conquest II**” will be concentrated in the third quarter.

As for the pachinko and pachislot game site for mobile phones and PC “**777town**” we will enhance efforts for smartphone compatibility such as boosting Android compatibility.

With regard to the digital game business, we conducted a company split of main functions of the network business operated by SEGA and transferred such to the newly established SEGA Networks, Ltd. as of July 2, 2012. We will make proactive efforts to enhance our digital game business by speeding up management decision making that is required of the digital game business and provide detailed services that address the diversifying needs of customers.

In the toy business, we will focus on expanding sales of products such as “**Jewelpod**” and “**Anpanman**” series.
In the animation business, we expect increased distribution of revenue from the movie “ANPANMAN: Revive Banana Island!” and we will strive to increase profitability by improving production efficiency.

END

※The contents in this material are the judgment and forecasts of the Company’s management based on currently available information. As a result, these contents involve risk and uncertainty, and the actual results may differ materially from these contents and comments due to various factors.