Summary of FY 2010 1st Quarter Results

August 3rd, 2009

SEGA SAMMY HOLDINGS INC.

■Highlights

Net sales fell 19.0% over the comparable period to ¥60.4 Billion, and the company posted operating loss of ¥7.8 Billion. Based on the previous accounting policy, operating loss becomes ¥8.5 Billion, operating loss decreased compared with previous fiscal year. Results are generally in line with our plan because major products will be released in second half mainly.

Looking by segment by segment, in the pachislot business, with no launch of new models planned during the 1Q, we continued to sell the product introduced in the previous fiscal year. As a result, overall pachislot machine sales decreased year over year. On the other hand, pachinko machine sales increased year over year by introducing several new titles despite the decision to delay the release of one title until the 2Q.

In amusement machine business, with no major titles scheduled for launch in the 1Q, we largely sold cards and other consumables for amusement machine as well as sales of the product we introduced in the previous fiscal year.

In amusement facilities business, existing store sales continued to be below last year level.

In consumer business, unit sales decreased compared with last fiscal year when there were some major titles.

■Consolidated Income Statement

FY2010 1Q results are as follows.

Sales : ¥60.4 Billion (¥74.6 Billion a year earlier)

Operating Loss (New accounting policy): ¥7.8 Billion

Operating Loss (Old accounting policy): ¥8.5 Billion (¥10.2 Billion a year earlier)

Ordinary Loss (New accounting policy): ¥8.0 Billion

Ordinary Loss (Old accounting policy): ¥8.7 Billion (¥9.8 Billion a year earlier)

Net Loss (New accounting policy): ¥10.2 Billion

Net Loss (Old accounting policy): ¥10.9 Billion (¥10.5 Billion a year earlier)

The results are in line with our plan. No adjustment has been made to the first half and full year forecast.

■Cost and Expenses

Both Cap-ex and depreciation decreased substantially over comparable period resulting from amusement facility closure.

R&D expense and content production expense decreased year on year, mainly in amusement machine segment

and consumer segment, based on previous accounting policy and current accounting policy.
Advertising expense also decreased year on year, mainly in consumer business.

■Consolidated Balance Sheet

With change in accounting policy, content production expenses of ¥700 Million were posted under inventories as work in process in amusement machine segment and consumer segment.

Capital-to-asset ratio was 53.9% at the end of the 1Q, which increased from 52.4% at the end of the previous fiscal year (March-end). We continuously keep strong financial position.

■Pachislot Pachinko

Sales : ¥19.6 Billion (¥12.0 Billion a year earlier)
Operating Loss : ¥1.0 Billion (operating loss of ¥4.3 Billion a year earlier)

Sales in the pachinko pachislot segment were up 63.3% year over year to ¥19.6 Billions with increase in pachinko sales. The company posted operating loss of ¥1.0 Billion, up from operating loss of 4.3 Billion last fiscal year. Sales were below our plan due to decision to postpone the launch of one pachinko title. However, profit were above our plan with review of pricing strategy.

In pachislot machine business, with no launch of new titles planned during the 1Q, we have received repeat orders for 4 thousand units of Sammy branded "Pachinslot Twin Angels 2" resulting from high utilizations after installation at parlors . As a result, overall pachislot sales were limited to 5,111 units down by about 9,937 units from last fiscal year.

In pachinko machine business, we have sold about 30 thousand units of "CR Kido Shinsengumi Moeyo Ken 2" under TAIYO ELEC brand and also sold about 15 thousand units of Sammy branded "Pachinko CR Hakushon Daimaou 3". We have postponed the introduction of "CR Showa Densetsu Minami Haruo" under GINZA brand to the 2Q. Consequently, overall pachinko sales increased by 34,044 units year on year to 53,748 units.

As for 1st half outlook, in the pachislot machine business, sales of Sammy branded "Uruseiyatsura2" are being proceeded well and above our plan. We are going to release "Pachislot Eureka Seven", which was recently approved by "Security Electronics and Communications Technology Association", at the end of September.
In this pachinko machine business, sales of Sammy branded "CR GAMERA THE BATTLE PACHINKO" were strong and sold up. And we are going to launch "Pachinko CR Kyutei Nyokan Chamgum no Chikai", one of major titles of this fiscal year, under Sammy brand at the beginning of September.

■Amusement Machines

Sales : ¥7.8 Billion (¥13.7 Billion a year earlier)

Operating Loss (New accounting policy): ¥1.0 Billion

Operating Loss (Old accounting policy): ¥1.2 Billion (operating income of ¥0.7 Billion a year earlier)

Net sales were ¥7.8 Billion, down 43.1% year on year and we posted operating loss of ¥1.0 Billion. Based on the previous accounting policy, operating loss becomes ¥1.2 Billion.

In the 1Q, with no major titles scheduled for launch in the 1Q, we largely sold cards and other consumables for amusement machine as well as sales of the product we introduced in the previous fiscal year. Sales results were in line with our plan.

R&D expense and contents production expense decreased by ¥200 million based on previous accounting policy from last fiscal year. With accounting change, about ¥200 million of content production expenses were posted under inventories as work in process in the 1Q.

We will seek to provide several types of machines from high-valued machine to family-oriented machine that can meet a lot of needs coming from wide user base, and also will seek to provide machines and business models that enhance investment efficiency for operators and secure sources of long-term and stable earnings for the Group as an amusement machine manufacturer.

As example of new business model, we will launch “BOARDER BREAK” in September. With this machine, we will utilize reusable chassis that are compatible with several software to be provided in the future and we will also provide operators with revenue sharing model. With BOARDER BREAK, we will newly bring in item based charge in addition to hourly based charge we have already provided. And we will reduce cost by utilizing new circuit board.

■Amusement Facilities

Sales : ¥14.1 Billion (¥17.4 Billion a year earlier)

Operating Loss : ¥0.1 Billion (operating loss of ¥1.5 Billion a year earlier)

Sales in Amusement facility business segment were down 19.0% year over year to ¥14.1 Billion. With positive effects resulting from decrease in Cap-ex, depreciation, and decrease in operating expenses by early retirement program we implemented in the previous fiscal year, profitability of this segment improved. We posted operating loss of ¥100 Million compare with operating loss of 1.5 Billion over comparable period. Loss amount decreased.

Same store sales were 95.6% in April, 98.8% in May and 93.0% in June. Same store sales performed at a little bit higher level than our initial target, but continued to be below last year level. We continued to close amusement facilities with low profitability and future potential. We closed 25 facilities in the 1Q. After that, we have 298 facilities at the end of the 1Q.

We will increase operational capability for crane game, medal game and other games further, which some of existing facilities began to show good performances in that point. By doing that, we will improve our ability to pull in more customers. We will continue to close and sell facilities with low profitability and future potential.

And, we will introduce newly 9 titles of kids game products including 1 title launched in the 1Q already by collaborating with companies in other industries for the purpose of revitalization of kid game market that SEGA cultivated with “The King of Beetles "MUSHIKING” and “LOVE AND BERRY Dress Up and Dance!”. However, this kids game business is based on rental scheme. Therefore, we will see the revenue contribution in next fiscal year onward.

■Consumer Business

Sales : ¥18.0 Billion (¥30.5 Billion a year earlier)

Operating Loss (New accounting policy): ¥4.5 Billion

Operating Loss (Old accounting policy): ¥5.0 Billion (operating loss of ¥4.1 Billion a year earlier)

Sales in Consumer business segment were down 41.0% year over year to ¥18.0 Billion. And the company posted operating loss of ¥4.5 Billion. Based on previous accounting policy, operating loss becomes ¥5.0 Billion. Operating loss expanded from last year that had some major titles.

In the 1Q, although sales of catalogue titles were below our expectations, overall sales were in line with plan. We released “Virtua Tennis 2009” for overseas market, “Proyakyu Team wo Tsukuro2” and “HATSUNE MIKU –Project DIVA-” for Japanese market.

We implemented organizational reform and built a robust operational framework by bringing together the sales and development functions through integration among domestic business department, overseas business department and R&D department and putting the new integrated department under same division, and we will strengthen alliances across Japan, North America and Europe.
R&D expense and content production expense in this segment in the 1Q decreased by ¥3.6 Billion year on year based on previous accounting policy. With accounting change, about ¥500 million of content production expenses were posted under inventories as work in process in the 1Q.

In the 2Q, we will release “The Conduit” for overseas market and “Puyopuyo 7” for Japanese market. We plan to introduce major titles of this fiscal year for global market such as “Mario & Sonic at the Olympic Winter Games”, “BAYONETTA” and other titles in second half.

This is summary of fiscal year 2010 1st quarter results.