Major Questions Concerning Financial Settlement for Year Ended March 31, 2010 and Projections for Year Ending March 31, 2011

Fiscal Year Ended March 31, 2010

Concerning Results (Consolidated)

Q: What factors led to the decline in sales compared to the previous fiscal year (year ended March 31, 2009)?

A: Net sales decreased year-on-year mainly in the Amusement Machines Business, Amusement Facilities Business and Consumer Business.

The Amusement Machines Business saw sales decrease compared to the previous fiscal year, when big titles were launched.

The Amusement Facilities Business saw sales decrease mainly due to reduction in number of facilities.

As for the Consumer Business, domestic sales was generally strong, but sales of new releases overseas was below our expectations amid the severe market environment, and the launch of some titles was postponed to the next fiscal year, leading to decreased sales.

Q: What factors led to increased profits despite decreased sales compared to the previous fiscal year (year ended March 31, 2009)?

A: This is due to improved profit margins in each segment.

In the Pachislot Pachinko Business, profit increased as profit margin improved, due to increase in pachislot unit sales, increase in pachinko board sales ratio, decrease in parts procurement costs, reduction in operating expenses in line with withdrawal from the peripheral business and review of pricing strategies.

As for the Amusement Machines Business, profit increased in addition to strong distribution earnings from revenue sharing titles and strong sales of CVT kits for major titles, profit margin improved due to reduced R&D expenses and content production expenses due to change in accounting policy, etc.

As for the Amusement Facilities Business, losses shrunk due to review of facility portfolio and reduction in operating expenses.

The Consumer Business returned to profitability, due to streamlining of development by narrowing down the number of titles for the Japanese market and reduction of R&D expenses and content production expenses, etc.

Pachinko Pachislot Business

Q: In the year ended March 31, 2010, what factors led to increased profits despite decreased sales compared to the previous fiscal year?

A: Sales decreased due to decrease in pachinko unit sales and increase in (low-priced) pachinko board sales ratio. However, profits increased as profit margins improved due to increase in pachislot unit sales, increase in sales ratio of high-margin pachinko boards, reduction in parts procurement costs, withdrawal from the peripheral business and review of profitability strategies, etc.

Q: What factors led to big increase in profits although net sales fell short of projections at the beginning of the fiscal year?

A: Net sales fell short of projections as pachislot and pachinko unit sales did not achieve targets as a result of postponing release of a part of a major title to the next fiscal year. On the other hand, profits exceeded projections as profit margins improved due to increase in Sammy brand pachislot unit sales, increase in high-margin pachinko board sales ratio, reduction in parts procurement costs and advertising costs and review of pachinko profitability strategies.

Q: What was the objective of making GINZA a subsidiary again and what is your future policy?

A: We have made Ginza a wholly-owned subsidiary as a strategic brand in the multi-brand development for further profit expansion of the Pachislot Pachinko Business. We will continue to strengthen the Sammy brand business while promoting multi-brand development through the strengthening of collaboration with subsidiaries TAIYO ELEC, RODEO and GINZA.

Q: What were the results for pachinko board sales ratio for the year ended March 31, 2010?

A: Pachinko board sales ratio was 69.1% against 10.5% in the previous fiscal year (ended March 31, 2009).

Q: What factors led to increase in pachinko board sales ratio?

A: In the year ended March 31, 2009, we released "Pachinko CR Hokuto no Ken" as the first title under the new development structure at Sammy, selling a series total of 260,000 units. The hit of this product deepened market penetration of our pachinko body frames subject to board exchanges. Since, the board sales ratio has been increasing as we have continuously supplied hit titles under the same structure.

Amusement Machines Business

Q: In the year ended March 31, 2010, what factors led to increased profits despite decreased sales compared to the previous fiscal year?

A: Sales decreased since big titles were not launched in the fiscal year ended March 31, 2010. But profits increased as profit margins improved, due to distribution of earnings from utilization of revenue sharing titles and strong sales of CVT kits for major titles, as well as a decrease in R&D expenses and content production expenses in accordance with the change in accounting policy, etc.

Q: What factors led to sales and profits exceeding projections in the year ended March 31, 2010?

A: Both sales and profits exceeded projections, mainly due to distribution of earnings from revenue sharing title and strong sales of CVT kits for major titles.

Q: What type of model is a revenue share model?

A: A revenue share model is a business model in which machines are sold at a deeply discounted price, and revenue is shared with the operator in accordance with the utilization of the product. The model was introduced for the purpose of increasing investment efficiency of the operator and securing long-term and stable earnings for the Company, the amusement machine manufacturer. Sega has ownership of the contents, but the operator has ownership of the machines. Sega does not incur machine depreciation costs.

Amusement Facilities Business

Q: In the year ended March 31, 2010, what factors led to reduction in losses despite decreased sales year-on-year?

A: Although sales decreased due to reduction in number of facilities, losses were reduced thanks to a review of the facility portfolio and the effects of reduction in operating expenses such as depreciation expenses and selling, general and administrative expenses.

Q: The number of domestic facilities shut down in the fiscal year ended March 31, 2010 was fewer than planned. Why?

A: At the beginning of the fiscal year, we had planned to shut down 82 domestic facilities in the year ended March 31, 2010, but we ended up closing 66 facilities as a result of continuing operations of some facilities that saw improvement in economic conditions, etc.

Consumer Business

Q: In the year ended March 31, 2010, what factors led to increased profits despite decreased sales year-on-year?

A: Overall domestic sales of game software was strong, but overseas sales was below our expectations in the wake of severe market environment and launch of a title was postponed to the next fiscal year, leading to a net sales decrease year-on-year.

On the other hand, profit improved due to streamlining of development by narrowing down the number of titles for the Japanese market and reduction of R&D expenses and content production expenses.

Q: Why did the number of game software unit sales in the year ended March 31, 2010 fall short of the projection?

A: Sale for Japanese market was steady, but sales of new titles was particularly weak in the North American market amid severe market environment, and the planned launch of some titles in the overseas market was postponed.

Fiscal Year Ending March 31, 2011

Concerning Forecast (Consolidated)

Q: What factors will lead to increased profits and sales compared to the previous fiscal year (year ended March 31, 2010)?

A: We expect increased sales particularly due to increase in pachislot and pachinko unit sales in the Pachislot Pachinko Business. Regarding profits, we expect increased profits mainly due to increase in pachislot and pachinko unit sales as well as our efforts to reduce parts procurement costs mainly in the pachislot and pachinko business. We also expect increased profits in the Consumer Business due to efforts to reduce operating expenses as well as improved profitability anticipated for listed subsidiaries.

Q: Are there extraordinary losses carried over, etc. due to business reform?

A: Expenses related to business reform, etc. decided in the previous fiscal year (year ended March 31, 2010) were set aside in the previous fiscal year.

Q: What are your dividend projections for the year ending March 31, 2011?

A: We plan a second quarter and year-end dividend of 20 yen per share, up 5 yen per share from the previous fiscal year (year ended March 31, 2010), for a total of 40 yen per share for the full year.

Q: What are the assumed exchange rates for the projections for the year ending March 31, 2011?

A: We assume a US dollar/yen=90 yen, pound/yen＝135 yen, Euro/yen＝120 yen

Pachinko Pachislot Business

Q: What is the projection for pachinko board sales ratio for the current fiscal year (ending March 31, 2011)?

A: We estimate the board sales ratio at 30.4% for the full year since we plan on introducing new frames in the current fiscal year.

Q: Do you also expect cost reductions through decreases in parts procurement costs and reuse, etc. in the current fiscal year (ending March 31, 2011)?

A: We plan to implement the same level of efforts as the previous fiscal year in the current fiscal year. With effective utilization of parts as the utmost premise, we will seek standardization from the development stage and strive to reduce disposal risks and strengthen inventory management.

Amusement Machines Business

Q: What factors lead to the decreased profit projection despite increased sales year-on-year in the year ending March 31, 2011?

A: The projection is mainly due to increase in cost allocation for indirect departments as well as increase in expenses and decrease in profit margins compared to the previous fiscal year, when R&D expenses and content production expenses largely decreased in accordance with the change in accounting policy. (Profit margin: 15.5%⇒10.4%)

Amusement Facilities Business

Q: What is the breakdown for the closure of overseas facilities?

A: We shut down 8 North American facilities in the current fiscal year (ending March 31, 2011) for the purpose of improving profitability of the overseas facilities business. The expenses for this have been set aside (extraordinary losses: around 800 million yen) in the previous fiscal year (ended March 31, 2010).

Q: What are the shifts in cap-ex and depreciation expenses in the Amusement Facilities Business?

A:

	Cap-ex	Depreciation expenses
Projection for year ending March 31, 2011 (current fiscal year):	6.6 billion yen	6.9 billion yen
Results for year ended March 31, 2010 (previous fiscal year):	7.7 billion yen	8.2 billion yen
Results for year ended March 31, 2009 (two fiscal years prior):	14.8 billion yen	15.9 billion yen

Consumer Business

Q: What factors lead to the increased profit projections despite the projection of a huge decrease in sales year-on-year for the year ending March 31, 2011?

A: We expect increased profits for the year ending March 31, 2011, due to streamlining of development such as by narrowing down titles for the overseas market (49 in previous fiscal year ⇒ 38 in current fiscal year), reducing R&D costs and content production expenses, as well as reducing fixed operating expenses by closing development subsidiaries overseas and organizational restructuring in North America and Europe, and improving profitability at listed subsidiaries.

Q: In the projections for the year ending March 31, 2011, why is the decrease in net sales contained at this level despite the projection that game software unit sales will decrease by 10 million units year-on-year?

A: In the year ending March 31, 2011, net sales for game software is expected to decrease around 25 billion yen, as game software unit sales are projected at 16.96 million units, down 9.79 million units year-on-year. On the other hand, the overall Consumer Business is expected to see a sales decrease of 21.5 billion yen, as we expect increased sales of 3 billion yen in the network and other areas.

Q: What are the Company's sales plans for contents toward new platforms such as SNS and Smart-Phone?

A: We will proactively facilitate responses to new platforms in addition to mobile phone terminals (all carriers) we had already been working on, utilizing the quality assets and development capacities Sega has accumulated, in order to increase interface with end users. We also plan to provide contents to open platforms of other companies in the future.

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