Summary of Results through 1st Quarter of FY 2011

August 2, 2010
SEGA SAMMY HOLDINGS INC.

◆Highlights

In the first quarter, net sales increased year-on-year and we returned to profitability.

In the Pachislot and Pachinko machines business, although pachinko unit sales decreased compared to the results of the previous fiscal year, income rose and we returned to profitability, partly due to the significant increase in pachislot unit sales. In addition, profit margin improved due to the effects of reuse centered on liquid crystal, etc.

In the Amusement Machines Sales business, income increased and we returned to profitability, partly due to the strength in distribution of earnings from the revenue sharing model.

In the Amusement Center Operations business, although net sales decreased in accordance with the reduction of the number of facilities, from the aspect of operating profits and losses, we returned to profitability, due to such factors as the review of the facility portfolio and a reduction of operating expenses.

In the Consumer Business, sales increased and losses were reduced compared to the previous fiscal year, but sales of new titles overseas were weaker than projections due to the severe market environment.

◆Consolidated Income Statement

The actual results through 1Q in FY2011 are as follows.

Net Sales: **91.3 billion yen** (**increased by 51.2%** year-on-year)
Operating Income: **14.9 billion yen** (operating loss of **7.8 billion yen** in the previous 1Q)
Ordinary Income: **14.6 billion yen** (operating loss of **8.0 billion yen** in the previous 1Q)

We posted a quarterly net income of **7.0 billion yen** against the previous fiscal year's quarterly net loss of **10.2 billion yen**, as a result of recording an extraordinary loss of **1.2 billion yen**, which included asset retirement obligations, and the company returned to profitability.

◆Revised Projections through 2Q

Based on the results of the first quarter and recent performance, the Company made an upward revision to the projections through the second quarter as of July 30.

Due to such factors as the review of the sales schedule in accordance with the change in specifications of mainstay pachinko machines, the pachinko machine sales volume for the first half of the year ending March 31, 2011 is forecast to be around **200,000 units**. On the other hand, pachislot machine sales volume is forecast to be **180,000 units**, thanks to robust sales of Group products amid recovery in pachislot machine operations.

In the consumer business, sales of new titles have been weak in overseas markets, and thus we expect the game software sales volume to be **5,000,000 units**. Amusement machine sales and amusement center operations are generally performing within expectations.

The profit margin of the pachislot and pachinko machine business improved due to better than expected sales volume of pachislot machines, which have a higher profit margin compared to pachinko machines, a decrease in costs due to reuse of parts and reduction of parts procurement costs, and a review of pricing strategy.

As a result, revised projections through the second quarter are as follows.

Net sales: **205.0 billion yen** (**increase by 15.0 billion yen** from the initial projections)
Operating Income: **34.0 billion yen** (**increase by 19.5 billion yen** from the initial projections)
Ordinary Income: **33.5 billion yen** (**increase by 19.5 billion yen** from the initial projections)
Net Income: **17.0 billion yen** (**increase by 11.5 billion yen** from the initial projections)

As for the consolidated full-year projections, the Company plans to review such based on progression of performance for the fiscal first half. The Company will promptly announce new consolidated full-year projections after verifying the lineup of products that are scheduled to be launched in the second half and later, and their sales schedules, etc.

◆Consolidated Balance Sheet

Total assets decreased by 8.3 billion yen to 414.8 billion yen from the end of the previous fiscal year. Equity ratio was 57.6% at the end of the 1Q. We continuously keep strong financial position.

◆Pachislot and Pachinko Machines Business

Net Sales: **48.9 billion yen** (**increased by 149.5%** year-on-year)
Operating Income: **15.1 billion yen** (operating loss of **1.0 billion yen** in the previous 1Q)

In pachislot machines, although the launch of some titles was postponed to the second quarter and later, pachislot unit sales **increased by about 104,000 units** year-on-year to **109,000 units** as a result of strong sales of this fiscal year's mainstay title **"Pachislot SOUTEN-NO-KEN"** and **"Pachislot Shin Onimusha"** released in the previous fiscal year.

In pachinko machines, pachinko unit sales **decreased by about 4,000 units** to **49,000 units** as a result of launching **"CR Dejihane SOUTEN-NO-KEN"** and **"CR Cinderella Boy 2."**

In the first quarter, cost reductions of **about 2.8 billion yen** against projections were realized, partly due to reduction of parts procurement costs and reuse of liquid crystal.

We revised the forecasts for the fiscal first half to increase cumulative pachislot unit sales by **80,000 units** to **180,000 units.** In the second quarter, we plan to sell mainstay titles such as **"Pachislot SPIDER-MAN 3"** and **"Ring ni Kakero -Golden Japan Jr. Series-"** on top of additional order receipts for **"Pachislot SOUTEN-NO-KEN"** and **"Pachislot Shin Onimusha."**

Unit sales of pachinko machines in the fiscal first half are revised to **decrease by 30,000 units** to **200,000 units**. In the second quarter, we have already launched **"Pachinko CR GATCHAMAN UNMEI-NO-KIZUNA"**and sold out all units. Additionally, we launched this fiscal year's mainstay title **"Pachinko CR HOKUTO-NO-KEN RAOH"** with new chassis and sold out all **90,000 units**. We have terminated sales of the recently launched **"Pachinko CR HOKUTO-NO-KEN RAOH"** as of July due to self regulation of the union, but we plan to launch **"Pachinko CR HOKUTO-NO-KEN RAOH KOKUO VERSION"** developed according to new internal specifications made by pachinko industry association in September.

In the Pachislot and Pachinko Machines business overall, we continue to advance efforts to reduce costs centered on reuse, as well as respond flexibly in terms of pricing strategy according to each title.

◆Amusement Machines Sales Business

Net Sales: **9.7 billion yen** (**increased by 24.4%** year-on-year)
Operating Income: **1.3 billion yen** (operating loss of **1.0 billion yen** in the previous 1Q)
*From this fiscal year, the kids card business, which had been included in the Amusement Center Operations business, was transferred to the Amusement Machine Sales business.

In the first quarter, we newly introduced **"HATSUNE MIKU Project DIVA Arcade"** under the revenue sharing model, and saw solid distribution of earnings due to utilization of **"BORDER BREAK"** launched in the previous fiscal year. In addition, sales of CVT kits for **"SANGOKUSHI WAR 3 WAR BEGINS"** and consumables such as cards were strong.

Furthermore, in net sales of the domestic Amusement Machines Business, the ratio of distribution of earnings due to utilization of the revenue sharing model was **about 17%** in the first quarter.

We expect continued contribution to profits from the revenue sharing model in the second quarter. The launch of this fiscal year's mainstay title **"SENGOKU TAISEN"** is planned for the third quarter.

◆Amusement Center Operations Business

Net Sales: **11.1 billion yen** (**decreased by 21.3%** year-on-year)
Operating Income: **0.1 billion yen** (operating loss of **0.1 billion yen** in the previous 1Q)

Although net sales decreased in accordance with the reduction of the number of facilities, from the aspect of operating profits and losses, we returned to profitability, due to such factors as the review of the facility portfolio and a reduction of operating expenses.

SEGA domestic same-store sales were **97.2%**, stronger than the first half projections but falling below the level of the previous fiscal year.

As a result of the closure of **6 facilities** and opening of **one facility** in the first quarter, the number of domestic facilities at the end of the first quarter came to **255 facilities**.

As for current conditions, sales from prizes used for UFO CATCHERS are generally strong. For instance, at some facilities such as in Akihabara, sales of **"HATSUNE MIKU Project DIVA Arcade"** prizes such as figure that were heavily introduced in line with the introduction of the amusement machines are growing.

In the second quarter, we aim to strengthen the operating capabilities and regional competitiveness of each facility, such as by operating facilities in accordance with the area and its attributes centered on mainstay titles.

◆Consumer Business

Net Sales: **20.7 billion yen** (**increased by 15.0%** year-on-year)
Operating Loss: **0.6 billion yen** (operating loss of **4.5 billion yen** in the previous 1Q)

In the Home Video Game business, we launched **"IRON MAN 2"** and **"Alpha Protocol"** for the overseas market. Game software unit sales increased to **3,290,000 units**, **up 640,000 units** from the previous fiscal year when there were no launches of mainstay titles, but sales of new titles overseas fell below projections due to the severe market environment.

The development of a new platform for such applications as smartphones and SNS is progressing.

R&D costs and content production expenses in the segment totaled **4.4 billion yen**, representing a year-on-year decrease of **1.4 billion yen**. Reduction in overseas personnel announced in the previous fiscal year was completed as of the end of April.
As for forecasts for the first half, game software accumulated unit sales were revised to **5,000,000 units down by 1,320,000 units** from initial projections in light of the severe overseas market environment, etc.
In the second quarter, we plan to release domestically **"HATSUNE MIKU -Project DIVA- 2nd"** in July and **"Kurohyo: Ryu ga Gotoku Shinsyo"** in September.
As for other mainstay titles, we plan to release multiple titles centered on the second half, including **"VANQUISH"** in October and **"Sonic Colors"** in the winter.
We will continue our efforts to reduce R&D costs and content production expenses.

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