FOCUSED ON GROWTH

SAMMY

ANNUAL REPORT 2000

(((PROFILE)))

There are many ways to have fun, and one can never be sure where the journey will end. Blazing new trails in entertainment means daring to go beyond the conventional, and having the spirit and power to innovate. Sammy takes the idea of "enterprising spirit" to heart. While expanding the domains of pachislot, pachinko and amusement, we will accept the challenges of creating new business in the entertainment field, and through it, unique value. Sammy—a company with the will to change and meet the needs of its times.

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Caution with Regard to Forward-Looking Statements
Statements in this annual report with respect to Sammy's plans, strategies, beliefs and estimates that are not historical facts are forward-looking statements. They constitute management's assumptions based on information currently available and involve risks and uncertainties. There are a number of factors that could cause actual results to differ materially from such statements.

REVIEW OF OPERATIONS

1

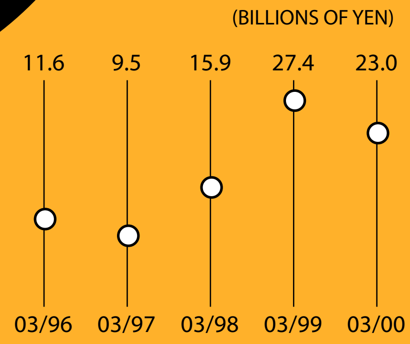
PACHISLOT

Sammy's superlative product development has led to many successes through predicting market needs.

The number of pachislot machines installed in pachinko parlors rose 13%, coming to 1,140,000.

To bolster the pachislot machine business, we formed an alliance to produce these units with the Japanese subsidiary of Aristocrat Leisure Industries Pty Ltd.

NET SALES



Pachislot

Continued growth in the pachislot market

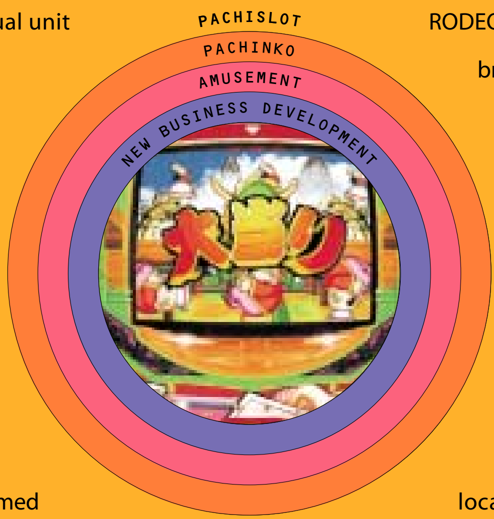
The ranks of pachislot fans continue to grow, thanks to the rush to introduce a new genre of pachislot machines with attractive game features. As a result, total shipments in 1999 rose to over 970,000 units and the number of pachislot machines installed in pachinko parlors increased to 1.14 million as of the end of 1999.

Sammy shipped 73,000 units in the fiscal year ended March 2000. While sales fell 16.0% to ¥23,010 million, our pachislot market share in terms of annual unit sales topped 7.5%.

Development of new gaming concept machines

In new concept products, *Gegege no Kitaro*, the first pachislot machine integrating an LCD, was launched in January 2000. It has proved enormously successful, with sales topping 20,000 units, at a value of ¥6,366 million, in just three months. This success reconfirmed our prowess in new product development for the pachislot sector, and demonstrated why the industry has come to view Sammy as a byword for innovative new products.

With the rush to create new concept machines, the pachislot market is growing. This has attracted other manufacturers and the competition is heating up. To assure that we prevail and expand market share, we will bolster our already strong brand image, drawing on our superior development capabilities and successful use of popular characters to attract pachislot fans.



Partnerships and acquisitions

In another move, in March 2000, we entered into a partnership in pachislot machine manufacturing with Aristocrat Japan Co., Ltd.*, the Japanese subsidiary of Australia-based Aristocrat Leisure Industries Pty Ltd, the world's second largest slot machine manufacturer. In 2000, we will set up a joint venture with Aristocrat Japan to market pachislot machines. Furthermore, in July 2000, we acquired Barcrest Co., Ltd., a pachislot machine manufacturer, and converted it into a wholly-owned subsidiary. The company was renamed RODEO Co., Ltd. This will allow us to add the RODEO brand pachislot machines to our product line-up. The possession of two brands will help us increase the frequency of new model launches and expand our market share.

National marketing network

Previously, Sammy's main route to marketing pachislot machines was through a national network of 300 sales agents. In the fiscal year ended March 2000, we set up nine local sales offices under our seven-branch network. These seven branches and nine local sales offices will allow us to increase the share of direct sales and improve the operating income ratio. By finely integrating direct marketing and the sales agent channel, we will be in a position to target more customer sectors and increase our market share.

Our two-pronged approach—developing new models to achieve higher levels of customer satisfaction and strengthening marketing power—is designed to assure further growth and to establish the pachislot business as a stable source of earnings.

*Now called Aristocrat Technologies Co., Ltd.

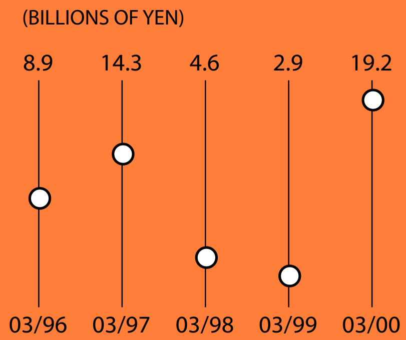
PACHINKO

During the fiscal year ended March 31, 2000, Sammy made a fully-fledged entry to the pachinko machine business. Net sales in this category rose 556.2% to ¥19,227 million.

Image-developing technology gained in the amusement business is put to good use in the pachinko machine business as well.

Our new factory, due to commence production in April 2001, will treble our current production capacity.

NET SALES

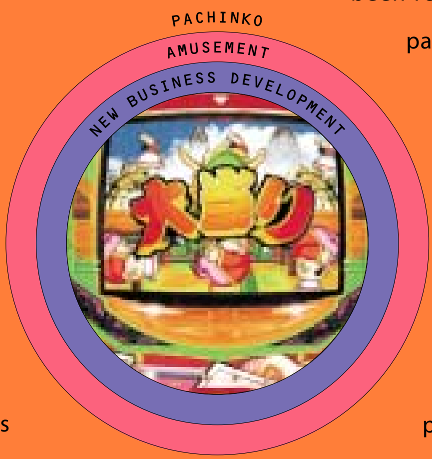


Pachinko

Recovery in the pachinko market

In recent years, the restraints on the gambling aspect of pachinko have driven away fans. However, in January 1999, regulations were considerably relaxed on "payout limiters." The year under review was the first in which this change really made its effects felt. Approval for pachinko machines with attractive gaming aspects became easier to attain, which put the brakes on the decline in the number of pachinko fans. Recovery in this market is already underway.

Fully-fledged entry into the pachinko market



Pachinko machine sales in the fiscal year ended March 2000 rose an impressive 556.2% to ¥19,227 million. Since the company's full market entry, the contribution of the pachinko business to total sales increased from 8.0% in the previous fiscal year to 40.2% in the fiscal year ended March 2000. Pachinko machines have thus become a second main product line after pachislot. The *CR Oribe Kinjiro* model launched in March 1999 won a large following, attracted by the widely popular character it used. Shipments in the fiscal year ended March 2000 topped 23,000 units, valued at ¥4,296 million. We launched another successful model *CR Otoko Wa Tsuraiyo S* in September 1999. The hero of this immensely popular film series (48 episodes over a 30 year period) provides the motif. Cumulative sales topped 32,000 units, valued at ¥5,614 million. In February 2000, we launched the *CR SD Gundam S* model . This model offers superior game features. Sales in just the two months following the launch topped 39,000 units, valued at ¥6,698 million.

Sammy's share of the pachinko market rose to a record 3.6% in the year ended March 2000. We expect our share of this important market to rise steadily as we strengthen R&D and launch products better tuned to the preferences of our fans.

The pachinko business is the key to drive medium-term growth

To speed up pachinko machine development, Sammy has been reinforcing the development team and expanding fundamental research.

At the same time, we plan to expand our production capacity to ensure timely supply capabilities. A new factory equipped with advanced warehouse functions is due to commence production in April 2001, catering to the flood of orders that follow new model launches. This new facility will possess three times the capacity of our current factory, with a daily production capacity of 3,000 pachinko machines and 1,000 pachislot machines.

Sammy's strength in marketing lies in our ability to approach the 17,000 pachinko and pachislot halls nationwide with detailed product presentations of both pachislot and pachinko machine lines. We are tapping into this network to build closer relations with hall operators throughout Japan, thus creating a springboard for the next stage of growth.

Pachinko is a massive market, with 3.7 million units in operation. Our medium-term corporate goal is to carve out a significant position in this popular entertainment market.

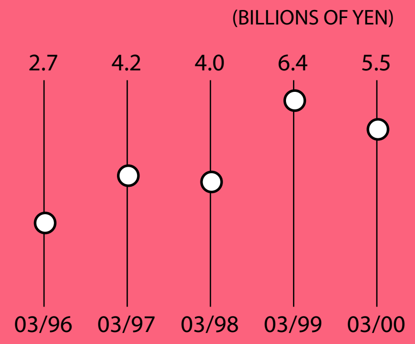
AMUSEMENT

Our excellence in medal game machine development is demonstrated by favorable reviews from customers.

Our two directly operated amusement arcades make important contributions to market research activities.

In home video game software, business expansion is supported by our specialized subsidiaries.

NET SALES



Amusement

A new structure for the amusement business

The amusement business comprises three segments: amusement arcade equipment, home video game software and amusement arcade operations. In April 1999, we restructured our amusement business based on the theme of introducing strategic subsidiary management. This move added new stability to our profit structure.

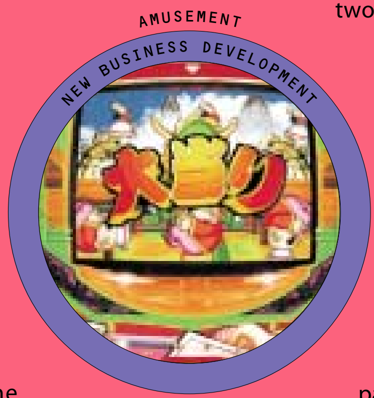
In the fiscal year under review, sales of amusement arcade equipment declined 29.9% to ¥3,223 million, while sales of home video game software increased 23.2% to ¥1,981 million. Arcade operation sales were up 52.4% to ¥320 million.

Amusement arcade equipment and amusement arcade operation

Sammy's Amusement Business Division involves the planning, development and manufacture of a wide variety of medal and prize game machines. This division is also responsible for research and development related to image technology and the operation of amusement arcades.

The industry as a whole experienced continued stagnation, but Sammy succeeded in differentiating itself from its competitors by developing favorite medal machines such as the *Kids Medal Collection*, a children's medal game, and the *Sixties Dream*, a large medal game.

In April 1999, Sammy consolidated its amusement arcade equipment sales force in Japan into Sammy Amusement Services Co., Ltd. (SAS), to create a more dynamic sales organization with closer ties to customers. Shopping centers, representing a major growth market, are providing a focus for the expansion of sales routes at present. In addition, SAS is concentrating on plans to boost arcade operations through the rental of new games machines and consigned game corner activities, which will benefit from the experience gained in amusement arcade operations. Overseas, Sammy U.S.A. Corporation is engaged in fully-fledged sales of amusement arcade equipment. *Sports Arena*, the prize game machine, was so well received that over 10,000 units of this game have been shipped, primarily to the United States, since it was launched in 1997. European sales expansion and the development of all-new product styles are two areas due to see new focus in the future.



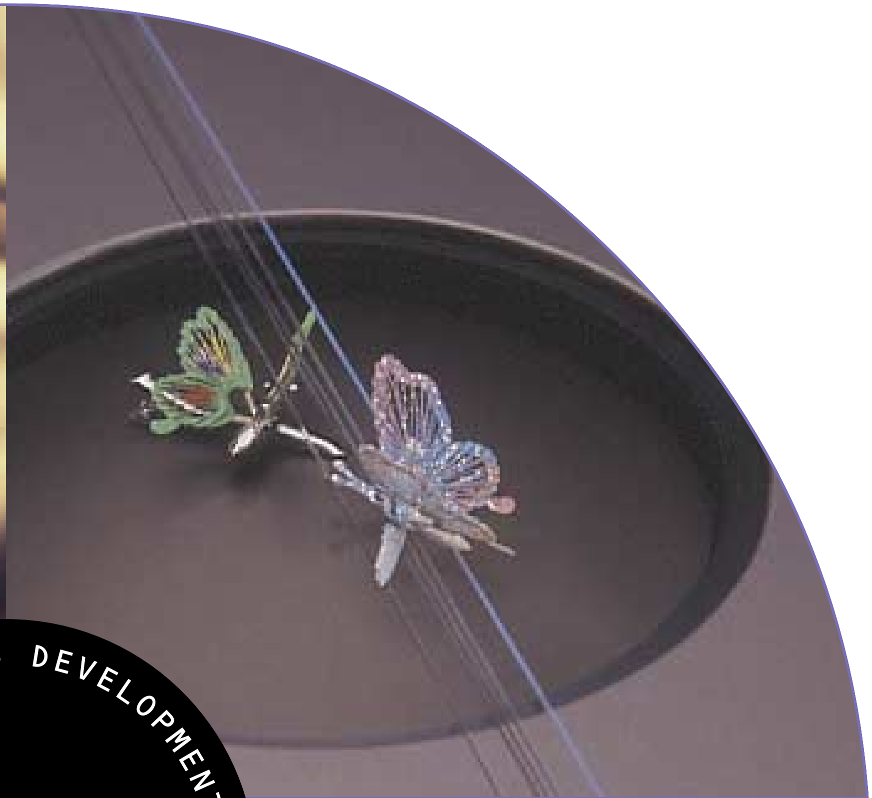
Home video game software

In home video games, Spike Co., Ltd., is leading our development programs. To further strengthen software development, Spike established Vaill CO., LTD. as its software development subsidiary. We also commenced several other important initiatives, partnerships with overseas software houses and game creators among them. This will give us the flexibility needed to cope with a changing environment, including the transition to next-generation platforms.

Sammy's Amusement Business Division also handles business related to Bandai Co., Ltd.'s 16-bit portable game machine, *Wonder Swan*. Sammy is a major partner, and supplies the Bandai group with peripherals, including recharging equipment and communications cables. We also launched three game software packages for this platform. The amusement business will remain a focus for Sammy, and is due in time to rival the pachinko and pachislot businesses in the contributions it makes to earnings.

In October 1999, we entered the music content business with the establishment of Underground Liberation Force Inc.

NEW BUSINESS DEVELOPMENT



In this photo, only the pink butterfly is real. The green butterfly is an illusion created with "Volumatrix," optical 3D technology developed by OPD Corp.

Creativity and foresight are the main ingredients in the high-quality entertainment we offer. Making a contribution to fulfilling lives is one of our fundamental management principles.

NET SALES

(BILLIONS OF YEN)

03/00	03/01 (Predicted)	03/02 (Predicted)
0.05	0.80	1.60

We started up new businesses in the field of entertainment in 2000. Plans call for these businesses to eventually rank alongside core areas such as pachinko, pachislot and amusement businesses.

New Business Development

Sammy's new business concepts

Sammy is currently active in developing new businesses in the entertainment field in order to achieve further growth throughout the group during the 21st century. In order to ensure speedy realization of business plans and reliable implementation of policies, Sammy is supplementing in-house business development by leveraging mergers and acquisitions and the establishment of subsidiaries to handle particular businesses. This makes it possible to pursue new business development strategically from a group perspective. At the same time we have clarified the concepts pertaining to types of new business for development, as follows:

Type 1—Businesses offering new technologies and know-how beneficial in the field of entertainment.

Type 2—Businesses offering pioneering entertainment-based content in the IT domain, centering around the keywords "play" and "communication."

Type 3—Merchandising businesses, including character goods and toys produced through licensing of the rights arising from content.

Based on these concepts, we are undertaking a range of new business development projects across the group.

Developing Type 1 businesses

We entered the image business by acquiring exclusive marketing rights in Japan for the "Volumatrix," optical 3D image system developed by Optical Products Development Corp. (OPD), a U.S.-based firm. In addition to marketing hardware and licensing, we are creating synergies with our existing businesses, such as 3D animation and game software, to make the new business profitable as quickly as possible. During the financial year ending March 2001, it is intended that Quat Technology Inc., a company we established in May 2000, will develop and bring to market middleware that smooths the computer graphics production process from creation of the graphics themselves to programs. With this middleware, Quat will be able to support the production of computer graphics in a field in which increasingly realistic images are demanded.

Developing Type 2 & 3 businesses

In order to develop pioneering entertainment-based content and merchandising, we decided to enter the musical content industry. In October 1999 we established a subsidiary, Underground Liberation Force Inc. (ULFR), which will handle musical content. ULFR will create a new music business for the 21st century, including production of music as well as such spin-off activities as merchandising based on music and artists, and the provision of music content via the Internet.

August 2000 saw the launch of *A-1 League*, an interactive game content service distributed through cellular phones with Internet access. This is a service which gathers game content ideas from users as well as offering game content to them. The aim is to make optimal use of the growing popularity of Internet-enabled mobile phones, delivering new content to make the world of IT more enjoyable than ever before. Dimps CORP., established in July 2000, is a joint venture with Bandai Co., Ltd., Sony Computer Entertainment Inc. and Sega Enterprises. Dimps will focus on developing multi-platform digital content, including home video game software.

The Sammy Group successfully implemented its plan for the fiscal year ended March 2000. Significant increases in both sales and earnings resulted. Sammy's development-centered structure, excellence in new product development and ability to adapt existing technology to new applications will continue to be key strengths in the years to come. These strengths will provide the basis for our efforts to implement speedier management. In so doing, we will raise our corporate value.

Here at the Sammy Group, we intend to push forward with creating a corporate organization which will support further expansion. This will tie into achieving consolidated net sales of ¥125,000 million in the fiscal year ending March 2003, the final year of our medium-term management plan, and creating a presence for Sammy as a comprehensive entertainment company.

Hajime Satomi
President & CEO

The business environment for pachinko, pachislot and amusement

With the implementation of deregulation in January 1999, the pachinko machine industry benefited from the approval of new types of pachinko machine. Unit sales have increased as a result, and the market is staging a recovery. With the approval of a variety of game machines designed to draw in fans and an increase in the number of machines installed in parlors, the pachislot industry is steadily growing. In the amusement business, growth in the amusement arcade equipment segment has run out of steam at present. However, with the release of new games consoles, prospects are good in home video game software.

Business results for fiscal year ended March 31, 2000

I am pleased to report that the Sammy group achieved all the business targets we set for ourselves and ended the fiscal year with significant gains in sales and earnings. In the fiscal year ended March 31, 2000, consolidated net sales rose by 30.1% to ¥47,805 million. Operating income climbed by 15.5% to ¥6,128 million. Net income rose by 98.9% to ¥2,498 million.

During the year, Sammy group made major inroads into the pachinko market. Sales of our pachinko machines rose sharply, as their superior game features and use of well-known characters proved popular. As a result, our market share rose to a record 3.6%. In pachislot, our core business, we managed to raise our market share to 7.5%, thanks to new product development. This included the launch of the first LCD-equipped models in the industry.

In the amusement business, sales of amusement arcade equipment declined in a still sluggish market. However, sales of home video game software rose, thanks to several hit titles.

The unique characteristics and management strategies of the Sammy group

Our strengths lie in:

R&D: More than 40% of our employees are engaged in research and development, a ratio expected to reach about 50% in the near future.

New product development: We have an excellent track record in new product development, under the concept of "New Products Always from Sammy." Sammy's R&D organization is geared to come up with new gaming concepts not seen in competitor products, and thus respond to the needs of our fans.

Application technologies: By tapping the know-how cultivated in our three principal business divisions, pachinko, pachislot and amusement, Sammy optimizes the synergies between them and promotes technology sharing in areas related to new business development.

We are focusing on raising corporate value through time-focused management. Our medium-term management plan envisions consolidated sales of ¥125,000 million in the fiscal year ending March 2003, an achievement that will establish our presence as "The Entertainment Company." In achieving these goals, we will focus on building an organization which assures the continued growth of the Sammy group as a whole. We will be aggressive in seeking M&A opportunities, establishing subsidiaries, and in partnering with other firms in order to strengthen existing businesses and quickly commercialize new business opportunities.

The strategies of each of our business divisions are as follows:

Pachislot

Multi-brand strategy: In July 2000, we converted Barcrest Co., Ltd., a pachislot machine manufacturer, into a wholly-owned subsidiary and changed its corporate name to RODEO Co., Ltd. This will allow us to market two brands of pachislot machines, Sammy and RODEO.

Launch new concept products ahead of the competition: In this area, we plan to increase the number of development teams. Simultaneously, we will develop models offering new gaming concepts and entertainment elements, making our pachislot machines even more fun.

Partnerships and joint ventures: In pachislot production, we are partnering with Aristocrat Japan Co., Ltd.*, a subsidiary of Aristocrat Leisure Industries Pty Ltd, the world's second largest manufacturer of slot machines. We are also going to build a joint venture marketing firm with Aristocrat Japan, which will result in continued growth for both companies.

*Now called Aristocrat Technologies Co., Ltd.

Pachinko

Increase new model launches: We will bolster our R&D organization in order to increase launches of new models approved by the authorities.

Reinforce sales and marketing: We plan to build a national network marketing pachislot and pachinko in order to raise the proportion of direct sales and increase market share. Plans call for raising our share (in unit terms) of the pachislot market to 20% and of the pachinko market to 10% by the fiscal year ended March 2003.

Increase production capacity: Construction of a new production facility, with three times the production capacity of our current factory, slated to come on stream in April 2001, has commenced. The state-of-the-art factory will offer a mass-production system, enhance production efficiency and raise the recycled parts ratio. The combination of these factors will cut total production costs. Strict quality control standards have been introduced in preparation for obtaining ISO9002 certification.

Amusement

Home video game software: Recently, we have gained the subsidiaries Vaill CO., LTD. and Dimps CORP. These new companies and existing subsidiaries have given us the infrastructure necessary for game development and for specializing in specific fields of home video game software. We also market popular foreign software. These initiatives are helping us stand out from the competition.

Amusement arcade equipment: Here we will continue to focus on medal games for children and large medal games machines. In marketing, we will concentrate on the shopping center channel. We are also going global in amusement arcade equipment, stepping up sales in Europe and Southeast Asia. In the U.S. market we are expanding sales of prize games featuring popular characters.

Strategy for new businesses

To realize further expansion in the entertainment field, we plan to enter three new businesses: images, music and game content. We have already diversified into the 3D image systems and music content businesses. During the fiscal year ending March 2001, we will commence the development and provision of "middleware" for use in computer graphics production. Another new move will be the transmission of game content to Internet-enabled mobile phones. We expect these new and next-generation business lines to quickly turn profitable, given their synergy with our existing businesses.

Environmentally friendly management

As a manufacturing company, Sammy is committed to developing environmentally friendly production and marketing systems. We feel that devising a recycling system is particularly important, since amusement machines have very short lives. Consequently, we are developing efficient production systems based on interchangeable parts, as part of our initiative to promote recycling. Environmental protection will continue to be an important consideration in our management decisions.

Message to shareholders

The primary goal of management is to raise corporate value in order to maximize shareholder value. We have also implemented several initiatives to assure that we continue to grow rapidly as "The Entertainment Company." We have strengthened the powers of the board of directors and introduced a system of executive officers in order to speed up decision-making and strengthen the system of monitoring business operations. We went public on December 16, 1999, registering our shares on the JASDAQ Stock Market. As a public company, we shall strive to share profit with our shareholders, while at the same time making every effort possible to contribute to society at large. We will also strengthen investor relations by assuring enhanced disclosure in line with operational principles that are fair, free and global.

I look forward to your cooperation as we forge ahead.

June 2000

Hajime Satomi
President & CEO

FINANCIAL HIGHLIGHTS

(¥ millions)	Non-consolidated 1998/3	1999/3	Consolidated 2000/3
Net sales	¥24,474	¥36,750	**¥47,805**
Gross profit	12,644	19,430	**21,855**
Operating income	3,660	5,307	**6,128**
Net income	2,870	1,256	**2,498**
Total assets	¥21,421	¥25,595	**¥40,563**
Total shareholders' equity	6,987	8,013	**18,570**
Total number of shares outstanding (shares)	756,230	7,562,300	**12,643,450**
Shareholders' equity per share (¥)	9,239.32	1,059.65	**1,468.79**
Net income per share (¥)	3,818.41	166.15	**212.11**
Dividends per share (¥)			
Old stock	250.0	25.0	**40.0**
New stock	126.0	–	**–**
EBITDA	¥ 4,206	¥ 6,563	**¥ 7,582**
EBITDA margin (%)	17.2	17.9	**15.9**
Number of employees	349	481	**592**

Notes: 1. EBITDA=Operating income+Other income+Depreciation

2. Non-consolidated shareholders' equity per share and net income per share (EPS) for the year ended March 1998 and consolidated shareholders' equity per share and net income per share (EPS) for the year ended March 2000 are calculated using the average number of shares outstanding throughout the years in question.

3. On July 30, 1998, a stock split was conducted, with each share of par value ¥500 being split into 10 shares of par value ¥50.

4. The 1:1.5 stock split on shares of par value ¥50 carried out on October 25, 1999 created 3,781,150 new shares. In addition, the public offering conducted on December 16, 1999 resulted in the issue of 1,300,000 new shares.

Operating Environment

In the fiscal year ended March 2000, despite weak personal consumption, the Japanese economy put the worst behind it and headed toward a gradual recovery, thanks to the government's economic pump priming measures and reform of the nation's financial system. However, the economy did fall short of entering a phase of autonomous recovery underpinned by private sector demand.

Despite the severe economic environment, the last fiscal term proved to be the year when the pachinko industry started to reap the full benefits of the deregulatory measures introduced at the beginning of 1999. Pachinko parlors increased installations of pachinko machines designed for their game aspect, markedly pushing up shipments. At the same time, the pachislot industry enjoyed its second favorable year in a row, led by the introduction of pachislot machines that offered more game features. In the amusement sector, the sticker vending machine boom faded, and while music and dance simulation game machines were big hits the sector continued to be sluggish. In the home video game software market, the performance of most products was lackluster, and hits were limited to the latest episodes of a few popular series. However, the release of "PlayStation 2" by Sony Computer Entertainment Inc. and the announcement of a next-generation platform by Nintendo Co., Ltd. has brightened the outlook for the amusement sector.

Consolidated sales

Consolidated sales in the fiscal year ended March 2000 increased by 30.1% to ¥47,805 million. Although sales in the pachislot business fell by 16.0% to ¥23,010 million, sales in the pachinko business were up 556.2% to ¥19,227 million. Thus total Pachislot & Pachinko business sales rose 39.2% from the previous fiscal year to ¥42,237 million. Sales in the amusement arcade equipment business declined 29.9% to ¥3,223 million reflecting a sluggish business environment. Sales in the home video game software business, an area in which business expansion was based around subsidiary Spike Co., Ltd., rose 23.2% to ¥1,981 million. Amusement arcade operation accounted for most of the revenue in the "Others" segment, in which sales were up 73.3% to ¥364 million.

Cost of sales

Cost of sales increased by 49.8% to ¥25,950 million, pushing up the cost of sales ratio by 7.2% to 54.3%. Sharply higher sales of pachinko machines, which have a higher cost of sales ratio than pachislot machines, was the primary factor in driving up the cost of sales ratio.

Selling, general and administrative expenses

Selling, general and administrative expenses rose by 11.4% from the previous fiscal year to ¥15,727 million. However, the selling, general and administrative expenses to net sales ratio dropped 5.5% to 32.9% due to the large rise in the latter.

Consolidated net income

Consolidated net income increased by 98.8% to ¥2,498 million. The company issued 1.3 million new shares for the public offering in December 1999, which took net income per share to ¥212.11.

Financial Position

Total assets as of March 31, 2000 were ¥40,563 million, an increase of 58.5% as compared with the end of the previous fiscal year. Cash and cash equivalents increased by ¥5,315 million, due in part to the capital increase achieved in the December 1999 public offering. Trade receivables—Notes and Accounts—increased by ¥7,731 million reflecting a series of hit models of pachinko and pachislot machines introduced around the end of the fiscal year. Thus total current assets rose by 70.2% to ¥31,528 million. Fixed assets increased by 42.0% to ¥4,464 million as we acquired land for the construction of a new factory. Investments and other assets increased 16.4% to ¥4,571 million. The increase is due mainly to accounting for ¥807 million in deferred tax assets following the introduction of the deferred tax accounting method.

Liabilities rose by 24.9% from the previous fiscal year to ¥21,924 million. The primary contributory factors were a ¥2,359 million increase in Trade Payables—Notes and Accounts—reflecting increased procurement to cope with rising sales. Interest-bearing debt declined by 19.7% from the previous fiscal year to ¥5,438 million. Shareholders' equity at the end of the fiscal year was ¥18,570 million, 131.7% more than the previous year. The chief factor in this rise was an issue of shares at market price.

Cash flows

Although part of net income before income taxes was offset by expenditures for acquisition of fixed assets, cash and cash equivalents on a consolidated basis totaled ¥9,142 million at the end of term, 138.9% more than the year before. This was due to the recording of income before income taxes and minority interests to the sum of ¥5,925 million.

Sources and uses of cash in the consolidated fiscal year under review are as follows.

● Cash flow from operating activities

Cash flow from operating activities decreased by 55.0% to ¥2,533 million. The principal sources of cash from operating activities were ¥1,040 million in depreciation, a ¥1,134 million decline in inventory, and a ¥2,093 million increase in accounts payable, in addition to ¥5,925 million in income before income taxes and minority interests.

● Cash flow from investment activities

Cash used in investment activities rose by 0.1% to ¥2,927 million. This included ¥2,288 million for the purchase of land for a new factory and ¥272 million resulting from increased investments.

● Cash flow from financing activities

Net cash provided by financing activities totaled ¥5,765 million, compared to net cash used in financing activities of ¥761 million in the previous year. The principal sources and uses of cash included ¥7,371 million proceeds from new stock issue, a ¥863 million decrease in short-term loans and a ¥493 million decline in long-term debt.

Capital expenditures

Capital expenditures in the fiscal year under review totaled ¥2,198 million mainly for the purchase of land for the new factory. We expect capital expenditures during the year ending March 2001 to come to approximately ¥5,000 million. This figure will be accounted for largely by the construction and equipping of this factory.

The Y2K Issue

Management addressed the Y2K problem as a major management issue for the group as a whole and took appropriate measures to assure that all our systems were Y2K compliant. As a result, the transition to 2000 was smooth and glitch-free. We shall continue to view crisis control as a major management issue and continue to actively address any potential problems.

(((CONSOLIDATED BALANCE SHEETS)))

SAMMY CORPORATION and its subsidiaries
March 31, 2000 and 1999

ASSETS	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current assets:			
Cash and cash equivalents	¥ 9,142	¥ 3,827	$ 86,245
Time deposits	201	238	1,896
Marketable securities (Note 8)	26	41	245
Trade receivables:			
Notes	7,284	1,405	68,717
Accounts	6,559	4,707	61,877
Allowance for doubtful accounts	(282)	(115)	(2,660)
Inventories (Note 3)	6,040	7,193	56,981
Deferred income taxes — current (Note 7)	514	29	4,849
Other current assets	2,044	1,200	19,284
Total current assets	31,528	18,525	297,434
Property and equipment (Note 4)**:**			
Land	2,459	783	23,198
Buildings	1,389	1,322	13,104
Machinery and equipment	375	360	3,538
Rental equipment for amusement arcades	801	1,074	7,556
Others	2,113	1,938	19,934
	7,137	5,477	67,330
Accumulated depreciation	(2,673)	(2,334)	(25,217)
	4,464	3,143	42,113
Investments and other assets:			
Investment securities (Note 8)	330	290	3,113
Other investments	1,433	1,185	13,519
Software	706	730	6,661
Lease deposits	1,113	992	10,500
Deferred income taxes — non-current (Note 7)	807	—	7,613
Others	242	895	2,283
Allowance for doubtful accounts	(60)	(165)	(566)
	4,571	3,927	43,123
	¥40,563	¥25,595	$382,670

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	1999	Thousands of U.S. dollars (Note 1) 2000
Current liabilities:			
Short-term bank loans (Note 4)	¥ 5,438	¥ 6,481	$ 51,302
Trade payables:			
Notes	5,773	2,575	54,462
Accounts	2,259	3,098	21,311
Others	2,608	1,497	24,604
Income taxes payable (Note 7)	3,279	980	30,934
Accrued expenses	411	367	3,877
Accrued employees' bonuses	416	274	3,925
Other current liabilities	117	356	1,104
Total current liabilities	¥20,301	¥15,628	$191,519
Long-term debt	—	288	—
Retirement benefits	565	491	5,330
Deferred income taxes — non-current (Note 7)	—	8	—
Other non-current liabilities	1,058	1,104	9,981
Translation adjustment	—	39	—
Minority interests in consolidated subsidiaries	69	24	651
Commitments and contingent liabilities (Notes 5 and 9)			
Shareholders' equity (Note 6)**:**			
Common stock, par value ¥50;			
Authorized — 30,000,000 shares			
Issued — 12,643,450 shares in 2000			
and 7,562,300 shares in 1999	4,842	2,079	45,679
Additional paid-in capital	5,837	1,229	55,066
Retained earnings	7,892	4,705	74,453
	18,571	8,013	175,198
Treasury stock, at cost	(1)	—	(9)
Total shareholders' equity	18,570	8,013	175,189
	¥40,563	¥25,595	$382,670

(((CONSOLIDATED STATEMENTS OF INCOME)))

SAMMY CORPORATION and its subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Net sales	¥47,805	¥36,750	$450,990
Cost of sales	25,950	17,320	244,811
Gross profit	21,855	19,430	206,179
Selling, general and administrative expenses	15,727	14,123	148,368
Operating income	6,128	5,307	57,811
Other income (expenses):			
Interest and dividend income	40	50	377
Interest expense	(150)	(152)	(1,415)
Share of earnings of silent partnership	223	170	2,104
Loss on disposal of property and equipment	(82)	(265)	(774)
Loss on disposal of inventories	—	(2,566)	—
Expenses incurred through initial public offering	(109)	—	(1,028)
Other — net	(125)	(116)	(1,179)
	(203)	(2,879)	(1,915)
Income before income taxes and minority interests	5,925	2,428	55,896
Income taxes (Note 7)**:**			
Current	3,811	1,158	35,953
Deferred	(375)	—	(3,538)
	3,436	1,158	32,415
Income before minority interest	2,489	1,270	23,481
Minority interest	9	(14)	85
Net income	¥ 2,498	¥ 1,256	$ 23,566

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	¥212.11	¥166.15	$2.00
Cash dividends applicable to the year	40.00	25.00	0.38

See accompanying notes.

(((CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY)))

SAMMY CORPORATION and its subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen			
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings
Balance at April 1, 1998	756,230	¥ 2,079	¥ 1,229	¥ 3,692
Net income	—	—	—	1,256
Cash dividends paid	—	—	—	(188)
Bonuses to directors and corporate auditors	—	—	—	(55)
10 for 1 stock split, July 30, 1998	6,806,070	—	—	—
Balance at March 31, 1999	7,562,300	2,079	1,229	4,705
Cumulative effect of adopting deferred income tax accounting	—	—	—	928
Net income	—	—	—	2,498
Cash dividends paid	—	—	—	(189)
Bonuses to directors and corporate auditors	—	—	—	(50)
1.5 for 1 stock split, October 25, 1999	3,781,150	—	—	—
New shares issued in an initial public offering on December 16, 1999	1,300,000	2,763	4,608	—
Balance at March 31, 2000	**12,643,450**	**¥4,842**	**¥5,837**	**¥7,892**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1999	$19,613	$11,594	$44,387
Cumulative effect of adopting deferred income tax accounting	—	—	8,755
Net income	—	—	23,566
Cash dividends paid	—	—	(1,783)
Bonuses to directors and corporate auditors	—	—	(472)
New shares issued in an initial public offering on December 16, 1999	26,066	43,472	—
Balance at March 31, 2000	**$45,679**	**$55,066**	**$74,453**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SAMMY CORPORATION and its subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Cash flows from operating activities:			
Income before income taxes and minority interests	¥5,925	¥2,428	$55,896
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	1,040	990	9,811
Loss on write-off of goodwill	568	—	5,358
Loss on disposal of property plant and equipment etc.	101	265	953
Devaluation of marketable and investment securities	—	39	—
Loss on disposal of inventories	—	2,566	—
Share of earnings of silent partnership	(223)	(170)	(2,104)
Others	318	571	3,000
Net changes in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable	(7,891)	165	(74,443)
Decrease (Increase) in inventories	1,134	(331)	10,698
Increase (Decrease) in notes and accounts payable	2,093	(396)	19,745
Increase in other assets	(257)	(90)	(2,424)
Increase in other liabilities	1,336	420	12,604
Sub-total	4,144	6,457	39,094
Interest and dividends received	39	54	368
Payment of interest	(141)	(150)	(1,330)
Payment of income taxes	(1,509)	(730)	(14,236)
Net cash provided by operating activities	2,533	5,631	23,896
Cash flows from investing activities:			
Payment for purchase of property, plant and equipment	(2,288)	(2,025)	(21,585)
Proceeds from sales of property, plant and equipment	12	43	113
Payment for purchase of intangible assets	(204)	(673)	(1,924)
Proceeds from sales of marketable securities	14	—	132
Payment for purchase of investment securities — net	(32)	(68)	(302)
Increase (Decrease) in cash and cash equivalents due to acquisition of consolidated subsidiaries	(2)	67	(19)
Decrease (Increase) in loans receivable — net	(192)	25	(1,811)
Decrease in time deposit — net	37	54	349
Increase in other investments — net	(272)	(348)	(2,566)
Net cash used in investing activities	(2,927)	(2,925)	(27,613)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	—	450	—
Payment of long-term debt	(493)	(187)	(4,651)
Decrease in short-term bank loans	(863)	(768)	(8,142)
Proceeds from sale of common stock	7,371	—	69,538
Cash dividends paid	(189)	(188)	(1,783)
Other	(61)	(68)	(575)
Net cash provided by (used in) financing activities	5,765	(761)	54,387
Effect of exchange rate changes on cash and cash equivalents	(56)	(66)	(529)
Net increase in cash and cash equivalents	5,315	1,879	50,141
Cash and cash equivalents at beginning of year	3,827	1,948	36,104
Cash and cash equivalents at end of year	¥9,142	¥3,827	$86,245

See accompanying notes.

SAMMY CORPORATION and its subsidiaries
March 31, 2000 and 1999

NOTE 1 — BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Sammy Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of an overseas consolidated subsidiary are based on its accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the country of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The accompanying consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements are not customarily prepared in Japan. The consolidated cash flow statements for 1999 has been prepared for the purpose of inclusion in the consolidated financial statements, although such statement was not customarily prepared in Japan and not required to be filed with MOF prior to 2000.

The translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2000, which was ¥106 to U.S. $1.00. The convenience translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany balances, transactions and profits have been eliminated in consolidation.

Effective for the year ended March 31, 2000, all companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting right or existence of certain conditions. There was no effect of applying this rule to the Company's consolidated financial statements.

(b) Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents. In accordance with the "Standards for Preparation of Consolidated Cash Flow Statements, etc." (the "New Standards"), effective from the year ended March 31, 2000, the Company is required to prepare consolidated cash flow statements. The prior year's consolidated cash flow statement, which was prepared for readers outside Japan although such statement was not required, has been restated to conform to the 2000 presentation.

(c) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to specific items, and an amount calculated by applying the percentage of collection losses experienced in the past to the remaining accounts.

(d) Marketable Securities and Investment Securities

Marketable securities and investment securities that have quoted market prices are stated at the lower of cost or market value, cost being determined by the moving-average method. Other securities, including investments in subsidiaries, are stated at moving-average cost.

(e) Inventories

Inventories are stated at cost determined by the average method.

(f) Property and Equipment, and Depreciation

Property and equipment are carried at cost. Depreciation is computed primarily using the declining-balance method, promulgated in the Corporation Tax Law except that useful lives of certain rental equipment for amusement arcades are three years shorter than those prescribed by the Corporation Tax Law, reflecting their economic obsolescence. In addition, buildings acquired after March 31, 1998 are depreciated using the straight-line method.

(g) Accounting for Certain Lease Transactions

Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases.

(h) Retirement Benefits

Retirement benefits consist of employees' retirement benefits and directors' and corporate auditors' retirement benefits. The liability for the employees' retirement benefits amounting to ¥222 million in 2000 and ¥167 million in 1999 is stated at 100% of the aggregate amount which would be required in accordance with the Company's regulation for employees' retirement benefit if the employees voluntarily severed their employment as of the balance sheet date. The liability for the directors' and corporate auditors' retirement benefits amounting to ¥343 million in 2000 and ¥324 million in 1999 is provided based on an accrual basis in accordance with the Company's regulation. The liability for the directors' and corporate auditors' retirement benefits is regarded as the reserve regulated by the Article 287-2 of the Commercial Code.

(i) Income Taxes

The Company provided income taxes at the amounts currently payable for the year ended March 31, 1999. Effective April 1, 1999, the Company adopted the new accounting standard, which recognizes tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Under the new accounting standard, the provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1999 is reflected as an adjustment of ¥928 million ($8,755 thousand) to the retained earnings brought forward from the previous year. Prior years' financial statements have not been restated.

The effect for the year ended March 31, 2000 was to increase net income by ¥370 million ($3,491 thousand) and retained earnings by ¥928 million ($8,755 thousand).

The Company's subsidiary in the USA has adopted tax effect accounting since its inception. Deferred tax current asset and deferred tax non-current liability on the Company's consolidated balance sheets include those of the subsidiary amounting to ¥23 million and ¥6 million at March 31, 2000 and ¥29 million and ¥8 million at March 31, 1999, respectively.

(j) Software Development Costs

In accordance with the Implementation Guidelines on Accounting for Research and Development and Software Development costs issued by JICPA on March 31, 1999, effective in the year ended March 31, 2000, the Company charges to income as incurred its product development costs for Pachislot, Pachinko, and home video game softwares. Prior to April 1,1999, such costs were capitalized as work in process and expensed as part of cost of sales.

The Company's product development costs include elements that are closely related to the enhancement of picture and sound quality. These elements are an integral part of the software program development and not readily separable from one another. Based on the analysis of the nature and components of the development costs, however, the Company has determined that the majority of its product development costs are attributed to the requirements for advanced and complex computer programming for new products. As such, unless the costs that are clearly determinable as the "contents" related, the Company treats all of such product development costs as the software development costs defined in the new accounting pronouncement.

With respect to the software development costs that were incurred prior to April 1, 1999, the Company will continue to capitalize such cost as work in process and amortize such cost over 3 years or less after completion based on the expected sales quantity.

Due to the change in the accounting for software development costs, selling, general and administrative expenses increased, compared with the previous accounting policy, by ¥770 million, and operating income and net income before taxes decreased by ¥770 million.

The accounting treatment for software development costs for the Company's internal use remains the same as the prior year. The capitalized cost is amortized evenly over the useful life of 5 years.

(k) Per Share Data

Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each year. Accordingly, net income per share for the year ended March 31, 2000 was based on the average number of shares of common stock outstanding during the period. The effects of stock split made on October 25, 1999 and July 30, 1998 on the number of outstanding shares have been retroactively reflected assuming they were made as of the beginning of the respective years.

Cash dividends per share represent actual amounts applicable to each year.

(l) Reclassification

Certain reclassifications have been made in the 1999 consolidated financial statements to conform to the 2000 presentation.

NOTE 3 — INVENTORIES

Inventories at March 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Merchandise	¥ 305	¥ 223	$ 2,877
Finished products	502	1,025	4,736
Raw materials	3,156	3,347	29,774
Work in process	2,054	2,569	19,377
Supplies	23	29	217
	¥6,040	¥7,193	$56,981

NOTE 4 — SHORT-TERM BANK LOANS

Short-term bank loans outstanding are generally represented by notes, with interest at rates ranging from 1.375% to 2.375% and from 1.214% to 3.700% for the years ended March 31, 2000 and 1999, respectively.

NOTE 5 — CONTINGENT LIABILITIES

The Company was contingently liable for guarantees of debt of employees in the amount of ¥1 million ($9 thousand) and as endorses of notes discounted with banks amounting to ¥1,359 million ($12,821 thousand) at March 31, 2000.

NOTE 6 — SHAREHOLDERS' EQUITY

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company and in accordance with the Commercial Code of Japan.

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as common stock. The portion which is to be designated as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are credited to additional paid-in capital.

The Code provides that certain amount of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors paid for each period is to be appropriated as a legal reserve until the reserve equals 25% of common stock issued. This reserve amounted to ¥72 million ($679 thousand) as of March 31, 2000, and is not available for dividends, but may be used to eliminate a deficit by resolution of shareholders' meeting or may be transferred to common stock by resolution of the Board of Directors. Legal reserve is included in retained earnings.

NOTE 7 — INCOME TAXES

Income taxes in the accompanying consolidated statements of income comprise corporation, enterprise and inhabitants taxes. The aggregated normal effective tax rates were approximately 42% for 2000 and 47% for 1999.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2000:

Statutory tax rate	**42.0%**
Permanent differences such as entertainment expense	**1.8**
Tax on undistributed earnings of family corporation	**5.1**
Amortization of goodwill on consolidation	**4.0**
Per capita inhabitant tax	**0.8**
Other	**4.2**
Effective tax rate	**57.9%**

Significant components of the Company's deferred tax assets and liability as of March 31, 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Deferred tax assets:		
Expensed tangible assets to be capitalized for tax purpose	¥ 474	$ 4,472
Retirement benefits	207	1,953
Excess bonuses accrued	97	915
Excess depreciation expense disallowed for tax purpose	100	943
Accrued enterprise taxes	267	2,519
Tax loss carryforward on a subsidiary	914	8,623
Other	190	1,792
Sub-total	2,249	21,217
Deferred tax liability:		
Valuation allowance	928	8,755
Net deferred tax assets	¥1,321	$12,462

NOTE 8 — MARKET VALUE INFORMATION

Book value, market value and net unrealized gains of quoted securities at March 31, 2000 and 1999 were as follows:

	Millions of yen					
	2000			1999		
	Book value	Market value	Unrealized gains	Book value	Market value	Unrealized gains
Current assets:						
Shares	¥ 26	¥ 39	¥ 13	¥29	¥29	¥—
Non-current assets:						
Shares	147	515	368	64	64	—
	¥173	¥554	¥381	¥93	¥93	¥—

	Thousands of U.S. dollars (Note 1)		
	2000		
	Book value	Market value	Unrealized gains
Current assets:			
Shares	$ 245	$ 368	$ 123
Non-current assets:			
Shares	1,387	4,858	3,471
	$1,632	$5,226	$3,594

NOTE 9 — INFORMATION FOR CERTAIN LEASES

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2000 and 1999 with respect to the finance leases accounted for in the same manner as operating leases were as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
At March 31, 2000:			
Machinery and equipment	**¥102**	**¥53**	**¥49**
At March 31, 1999:			
Machinery and equipment	¥ 62	¥56	¥ 6

	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Accumulated depreciation	Net book value
At March 31, 2000:			
Machinery and equipment	**$962**	**$500**	**$462**

Future lease payments under the finance leases which are accounted for in the same manner as operating leases as of March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Due within one year	**¥19**	¥4	**$179**
Due after one year	**30**	2	**283**
	¥49	¥6	**$462**

Lease payments under finance leases which are accounted for in the same manner as operating leases, for the years ended March 31, 2000 and 1999 were ¥17 million ($160 thousand) and ¥9 million, respectively.

NOTE 10 — SUBSEQUENT EVENT

On May 17, 2000 the Board of Directors resolved to submit the following appropriations of retained earnings at March 31, 2000 to the general shareholders meeting to be held on June 26, 2000 for their approval.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Transfer to legal reserve	**¥ 59**	**$ 557**
Cash dividends (¥40.0 per share)	**506**	**4,774**
Directors' and corporate auditors' bonuses	**¥ 80**	**$ 755**

NOTE 11 — SEGMENT INFORMATION

A. Operations by product

Current fiscal year (From April 1, 1999 to March 31, 2000)

	Millions of yen						
	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales –							
(1) Outside customers	¥42,237	¥3,223	¥1,981	¥364	¥47,805	¥ —	¥47,805
(2) Inter segment	—	—	1,158	—	1,158	(1,158)	—
Total	42,237	3,223	3,139	364	48,963	(1,158)	47,805
Cost and expenses	30,938	3,843	4,537	514	39,832	1,845	41,677
Operating income (loss)	11,299	(620)	(1,398)	(150)	9,131	(3,003)	6,128
Assets	20,344	2,450	3,630	876	27,300	13,263	40,563
Depreciation	250	51	67	379	747	293	1,040
Capital expenditure	2,069	121	60	125	2,375	133	2,508

	Thousands of U.S. dollars (Note 1)						
	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales –							
(1) Outside customers	$398,462	$30,405	$18,689	$3,434	$450,990	$ —	$450,990
(2) Inter segment	—	—	10,925	—	10,925	(10,925)	—
Total	398,462	30,405	29,614	3,434	461,915	(10,925)	450,990
Cost and expenses	291,868	36,254	42,802	4,849	375,773	17,406	393,179
Operating income (loss)	106,594	(5,849)	(13,188)	(1,415)	86,142	(28,331)	57,811
Assets	191,925	23,113	34,245	8,264	257,547	125,123	382,670
Depreciation	2,358	481	632	3,575	7,047	2,764	9,811
Capital expenditure	19,519	1,142	566	1,179	22,406	1,264	23,660

Prior fiscal year (From April 1, 1998 to March 31, 1999)

	Millions of yen						
	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales –							
(1) Outside customers	¥30,336	¥4,595	¥1,609	¥210	¥36,750	¥ —	¥36,750
(2) Inter segment	124	78	—	—	202	(202)	—
Total	30,460	4,673	1,609	210	36,952	(202)	36,750
Cost and expenses	20,662	6,242	2,018	362	29,284	2,159	31,443
Operating income (loss)	9,798	(1,569)	(409)	(152)	7,668	(2,361)	5,307
Assets	10,757	2,806	5,036	184	18,783	6,811	25,595
Depreciation	208	552	48	88	896	94	990
Capital expenditure	581	1,306	21	166	2,074	30	2,104

(Note)

1. The Company has 4 segments based on its internal control structure, and nature of products and market.
2. Main products and line of business by segment
   (1) Pachinko and pachislot .... Manufacture and sale of pachinko and pachislot machines
   (2) Amusement arcade equipment .... Manufacture, sale and leasing of game machines used in amusement arcades
   (3) Home video game software .... Production and sale of home video game software
   (4) Others .... Mainly operation of amusement arcades
3. General corporate expenses of ¥2,361 million ($21,500 thousand), which mainly consist of expenses incurred by the parent company's administrative department are included in "Corporate and eliminations."
4. Corporate assets of ¥6,811 million ($125,123 thousand), which mainly consist of cash and cash equivalent, marketable securities, investment securities and corporate properties, are included in "Corporate and eliminations."

B. Geographical segment information

Geographical segment information was not presented as the sales and assets of consolidated domestic subsidiaries for the years ended March 31, 2000 and 1999 exceed 90% of consolidated net sales and assets.

C. Overseas sales

The overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2000 and 1999 were less than 10% of consolidated net sales.

ARTHUR ANDERSEN

Asahi & Co

A Member Firm of Arthur Andersen

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors

SAMMY CORPORATION

We have audited the accompanying consolidated balance sheets of SAMMY CORPORATION (a Japanese corporation) and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of SAMMY CORPORATION and subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a basis consistent during the periods, except as noted in the following paragraph.

As explained in Note 2, in the year ended March 31, 2000, SAMMY CORPORATION and subsidiaries prospectively adopted new Japanese accounting standards for consolidation, income taxes and research and development cost.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co

Tokyo, Japan
June 27, 2000

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

CORPORATE DATA

Head Office:
23-2, Higashi-Ikebukuro 2-chome,
Toshima-ku, Tokyo 170-8436, Japan

Established:
November 1, 1975

Capital:
¥4,841,658,600
(As of March 31, 2000, non-consolidated)

Employees:
452
(As of March 31, 2000, non-consolidated)

Common Stock:
Authorized: 30,000,000 shares
Issued: 12,643,450 shares
(As of March 31, 2000)

Number of Shareholders:
9,390
(As of March 31, 2000)

Transfer Agent of Common Shares Handling Office:
The Toyo Trust and Banking Co., Ltd.
Corporate Agency Department
10-11, Higashisuna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Phone: 03-5683-5111

Principal Business:
- Development, manufacture and sales of pachinko machines, pachislot machines, arrange ball machines, and peripheral equipment
- Development, manufacture and sales of home video game software
- Development, manufacture, sales and export of amusement arcade equipment
- Operation of amusement arcades

Network:

Factory and Distribution Center:
Sayama

Branches:
Sapporo, Sendai, Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka

Sales Offices:
Aomori, Koriyama, Tsukuba, Takasaki, Shizuoka, Kyoto, Kobe, Takamatsu, Miyazaki

Subsidiaries:
Sammy USA Corporation
MAXBET Co., Ltd.
Sammy Amusement Service Co., Ltd.
Spike Co., Ltd.
Underground Liberation Force Inc.
Vaill Co., Ltd.
Quat Technology Inc.
RODEO Co., Ltd.
Dimps Corp.

Management:

President & CEO:
Hajime Satomi

Senior Managing Director:
Toru Katamoto

Managing Directors:
Keishi Nakayama
Kiyofumi Sakino

Standing Corporate Auditors:
Mamoru Makaya
Ryoichi Arai

Corporate Auditor:
Etsuo Sakai

Senior Executive Officers:
Norihiko Harada
Kenkichi Yoshida

Executive Officers:
Yasunori Kawamura
Katsunori Muraki
Koji Tanizawa
Yoshitaka Kawamura
Yasuhiro Katayama
Masakazu Yoshino

(As of June 27, 2000)

For further information, please contact:
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