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Business Report 2004

Report and Reference From the 29th
Ordinary General Meeting of Shareholders

The information herein relates to a business combination (the "Transaction") to be effected under Japanese law whereby Sammy Corporation and SEGA CORPORATION (together, the "Companies") will become wholly-owned subsidiaries of a newly formed Japanese corporation (the "Holding Company"). The Transaction and information to be distributed in connection with the Transaction are subject to Japanese disclosure requirements that are different from those of the United States. Financial statements and financial information, if any, included herein have been prepared in accordance with Japanese accounting standards that may not be comparable to financial statements or financial information of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws in respect of the Transaction, since the Companies and the Holding Company will be located in Japan, and some or all of their respective officers and directors may be residents of Japan. You may not be able to sue the Companies, the Holding Company or their respective officers or directors in a Japanese court for violations of the U.S. securities laws. It may be difficult to compel the Companies, the Holding Company or any of their respective affiliates to subject themselves to a U.S. court's judgment.

You should be aware that the Companies or the Holding Company may purchase securities otherwise than pursuant to the Transaction, such as in open market or privately negotiated purchases.

To Our Shareholders

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This is a translation of the original business report in the Japanese language mailed on June 10, 2004 to shareholders in Japan, and is for reference purposes only.

In fiscal 2004, ended March 31, 2004, unit sales in the pachislot business were sharply higher than initial forecasts. The combined total of Sammy brand, Rodeo brand and OEM machines (those marketed under the brands of our business partners) rose to approximately 591,000 units, nearly 125,000 units more than in the previous year. Our pachislot machine *Hokuto No Ken* (Fist of the North Star), which went on sale in October 2003, was especially well received, selling over 259,000 units during the year. This officially makes *Hokuto No Ken* the bestselling pachislot game in the industry's history, with many more units expected to ship in the current fiscal year. In January 2004, we entered into a fundamental agreement for a business tie-up with International Game Technology (IGT), the world's top slot machine manufacturer. Our aim is to leverage cooperative production of pachislot machines with IGT's Japan-based affiliate and the sharing of information to expand Sammy's business.

In the pachinko business, we continued to bolster development and steadily raised Sammy Corporation's brand profile as a pachinko machine manufacturer. These actions lifted pachinko unit sales a substantial approximate 166,000 units over the previous year, to 248,000 units. Unit sales in both pachinko and pachislot were the highest on record for Sammy.

CR-MOJYUOH, a pachinko machine incorporating the game play of pachislot big hits *JYUOH* and *MOJYUOH*, was a particularly strong seller. Launched in January 2004, this machine sold 82,000 units, Sammy's best performance yet in this genre.

In the New Entertainment World of Sammy (NEWS) business, in addition to the *REVOLUTION II* series of pachislot and pachinko machines specially redesigned for use in amusement arcades and the *Kids'* series of

token-based medal game machines for children, April 2003 saw the worldwide launch of Sammy's new arcade game machine *ATOMISWAVE*, one of our strategic products. Meanwhile, in home videogame software, alongside new titles in our popular *Jissen Pachislot Hisshoho!* series of pachislot simulations, we released our first titles in the action game genre, *SPY FICTION* and *SEVEN SAMURAI 20XX*.

These actions drove our top- and bottom-line performance sharply higher on the year. Net sales jumped 51.0% to ¥227,174 million, with ordinary income up 39.4% to ¥71,440 million. Net income, meanwhile, climbed 40.6% to ¥34,866 million.

During the fiscal year, we conducted 1.5-for-1 stock split with no consideration (date of record: December 31, 2003) as a means of both returning profits to our loyal and supportive shareholders, and improving liquidity of our shares and broadening Sammy's investor base. As for dividends, we paid an interim dividend of ¥40 per share and plan to pay a year-end dividend of ¥50 per share. This includes a commemorative dividend of ¥10 per share to mark record-breaking unit sales of the *Hokuto No Ken* pachislot machine in addition to the ordinary dividend of ¥40 per share. And as announced elsewhere, we have presented Sammy's own *Edy* debit cards (¥1,000 denomination) to shareholders possessing at least one trading unit (100 shares) as of March 31, 2004.

Sammy Corporation and SEGA CORPORATION have resolved at the meetings of their respective Board of Directors on May 18, 2004 to establish SEGA SAMMY HOLDINGS INC. as a joint holding company through a share-for-share exchange and conduct a business combination as wholly owned subsidiaries of the Holding Company, subject to approvals of the shareholders and relevant regulatory authorities, and, in connection therewith,



President and CEO, Hajime Satomi

have entered into a Share-for-Share Exchange Agreement.

The integration of management resources will enable Sammy and SEGA to complement each other's businesses, capture synergies and improve efficiency in domestic and overseas operations, and strengthen the Group's financial and management base to help bring growth strategies to fruition. Ultimately, these benefits will solidify the Group's position as a truly global, comprehensive entertainment company and maximize enterprise value.

In closing, on behalf of the Sammy Group, I ask for your continued support of our future endeavors.

A handwritten signature in black ink that reads "Hajime Satomi". The signature is written in a cursive, flowing style.

Business Combination Through Establishment of a Joint Holding Company

Sammy Corporation (President: Hajime Satomi, Headquarters: Tokyo, hereinafter “Sammy”) and SEGA CORPORATION (President: Hisao Oguchi, Headquarters: Tokyo, hereinafter “SEGA”) have resolved at the meetings of their respective Board of Directors on May 18, 2004 to establish SEGA SAMMY HOLDINGS INC. (the “Holding Company”) as a joint holding company through a share-for-share exchange (the “Transaction”) and conduct a business combination (the “Business Combination”) as wholly owned subsidiaries of the Holding Company, subject to approvals of the shareholders and relevant regulatory authorities, and, in connection therewith, have entered into a Share-for-Share Exchange (*Kyodo Kabushiki-Iten*) Agreement.

Sammy and SEGA have reached an agreement on the Business Combination for the purpose of maximizing corporate value by combining the management resources and maximizing synergistic benefits in order to further strengthen their position as a globally integrated entertainment company.

Sammy and SEGA have minimal overlap and competition with each other’s businesses and are expected to achieve complementary results. The Business Combination aims to harmonize both companies’ technical development capabilities with Sammy’s high growth potential and profitability, and SEGA’s globally renown brand name, while concurrently pursuing synergistic benefits and business efficiencies in order to accelerate both companies’ international business development, thereby enabling both companies to fortify their combined presence as an integrated entertainment company.

The Business Combination is scheduled to proceed as follows. On June 25, 2004, Sammy will hold a shareholders’ meeting, followed by a meeting of SEGA’s shareholders on June 29, 2004. The effective date of delisting of Sammy and SEGA shares will be September 27, 2004. The effective date of the Transaction, the commercial registration of the Holding Company and listing of the Holding Company shares is scheduled for October 1, 2004.



Sammy President and CEO Hajime Satomi (left) and SEGA President and Representative Director Hisao Oguchi at the press conference announcing the business combination between the two companies on May 19, 2004.

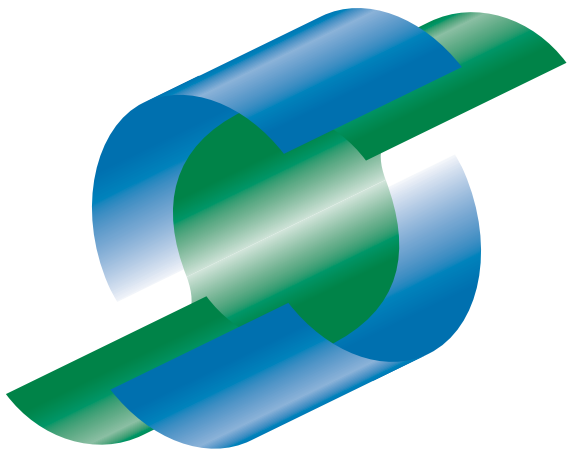
Sammy and SEGA may change the above schedule upon discussion should any significant issues arise as the Business Combination planning process proceeds.

One Holding Company share will be allotted in exchange for each Sammy share, and 0.28 Holding Company shares will be allotted in exchange for each SEGA share. The Holding Company will adopt the unit system and one unit will comprise 100 shares.

Based on the results of valuation analysis conducted by financial advisors appointed by the respective companies, Sammy and SEGA had extensive negotiations and came to an agreement on the above Exchange Ratio. Each company received a fairness opinion on the Exchange Ratio from a financial point of view from their respective financial advisors: Morgan Stanley Japan Limited for Sammy and Daiwa Securities SMBC Co. Ltd. for SEGA.

It should be noted that should any material changes related to various assumptions underlying the calculations of the Exchange Ratio occur, the Exchange Ratio may be subject to change following further discussions between Sammy and SEGA.

[Outline of the Holding Company]



SEGA SAMMY
H O L D I N G S

(1) Name:
SEGA SAMMY HOLDINGS INC.

(2) Function:
Provide an overall group management function through planning, operation and administration of the entire group, managing and controlling business operations of each company with each subsidiary's authority and responsibility clearly defined, thereby optimizing the efficiency of the overall group.
Devise and execute a group strategy to spur profit growth and achieve the effects of integration in a timely manner by utilizing management resources.

(3) Headquarters:
Minato-ku, Tokyo

(4) Directors and Statutory Auditors (Current Positions):
Chairman, President and Representative Director
 Hajime Satomi (SEGA Chairman and Representative Director, Sammy President and Representative Director)
Vice Chairman and Director
 Hisao Oguchi (SEGA President and Representative Director)
Senior Managing Director
 Keishi Nakayama (Sammy Senior Managing Director)
Managing Director
 Kiyofumi Sakino (Sammy Managing Director)
Director
 Hideki Okamura (SEGA Senior Executive Officer)
Director
 Kenkichi Yoshida (Sammy Managing Director)
Director
 Yasuo Tazoe (SEGA Executive Officer)
Standing Statutory Auditor
 Kazutada Ieda
Statutory Auditor
 Akio Kioi
Statutory Auditor
 Ryoichi Arai
Statutory Auditor
 Toshio Hirakawa

(Note) The Statutory Auditors candidates listed above are the outside Statutory Auditors as defined in paragraph 1 of Article 18 of the Audit Special Exceptions Law of Japan (Law No. 22 of 1974).

(5) Number of Staff:
approximately 50 persons

(6) Capital Stock:
10 billion yen

(7) Fiscal Year-end:
March 31

(8) Auditing Firm:
KPMG AZSA & Co.

(9) Business Prospects after the Transaction:
Business prospects after the Transaction will be announced as they become available after further discussion.

(1) Review of Operations

During the fiscal year ended March 31, 2004, persistent weakness hindered a recovery in personal income and employment in Japan. Concerns over possible tax hikes and uncertainty surrounding the country's pension system were other factors that sapped vitality from consumer spending. Exports, however, flourished as overseas economies rebounded, supporting improved corporate earnings particularly among manufacturers. These trends have fueled growing anticipation that overseas demand will soon jumpstart a full economic recovery.

In the pachislot and pachinko industry, a shift towards large-scale gaming centers has driven an increase in the total number of machines in Japan for five years running. An inevitable consequence of this trend is that the number of stand-alone pachinko halls declined for the eighth consecutive year, as small and medium-sized operators were weeded out of the market.

January 2004 saw the announcement of some amendments to the law governing the pachislot and pachinko industry in Japan that will come into force in July 2004. The amendments are expected to toughen basic mea-

asures for preventing unfair practices and impose controls on the gaming nature of machines.

The amusement arcade industry as a whole, meanwhile, saw positive signs emerge. Network gaming, a key market sector, is getting a boost from the appearance of a host of new game and service genres, with a stable growth track also apparent in token-based medal games. In amusement facilities, in addition to aggressive development of primarily large-scale amusement centers and other new facilities, growth remains strong in shopping center-based facilities aimed at younger audiences.

The home videogame software industry is witnessing a gradual weakening in hardware sales as time elapses since the launch of the current cycle of major game consoles. The software market is also contracting overall due to a lack of noteworthy titles, with the exclusion of follow-ups to previous hit games.

In this operating environment, the Sammy Group positioned several themes to guide its concerted effort to enhance the Group's presence as a global, compre-

hensive entertainment company. These themes were namely maintaining Sammy's leading share in pachislot machines, currently the Group's core business; raising the profile of the Sammy brand and its sales share in pachinko machines; and attaining profitability as quickly as possible in the NEWS business, which Sammy is striving to expand worldwide.

In pachislot machines, Sammy developed products with a renewed emphasis on game play and entertainment value in light of upcoming amendments to laws in Japan governing gaming machines. The focus of these efforts was Sammy's 3 "D" Project, designed to generate surprise and excitement among pachislot players. From this project, Dream Reel, which features an unprecedented range of actions, and Doughnut Vision, incorporating the industry's largest doughnut-shaped, 20-inch LCD, were among the technologies announced by Sammy during the year as it launched pachislot machines built around innovative concepts.

In pachinko machines, Sammy continued efforts from the previous year to bolster its R&D structure. Atten-

tion was also given to enhancing the product lineup by raising the number of machines receiving regulatory approval, and amassing expertise in the development of pachinko machines. To lay the groundwork for meeting diversifying market needs, the Sammy Group made its first attempts at the development of so-called "Variant 2" and "Variant 3" pachinko machines, also known in the market as the "*Hanemono*" and "*Kenrimono*" machine varieties. The market launch of these innovative machines, with features that bring an unprecedented level of interaction to the pachinko gaming experience, led to a substantial leap in unit sales during the year, as efforts to reinforce R&D capabilities in this area paid off.

In the NEWS business, Sammy drove operations forward to nurture this business into a pillar for supporting the Group's sustainable growth. During the year, Sammy released the amusement arcade machine *ATOMISWAVE*, a strategic product and the pinnacle of years of R&D, as the starting point for the Group's global business strategies.

Sammy branched out into the commercial facility

development business with its first project, *Sammy Ebisu Plaza*, which is set to become the flagship facility in this business. The Group also aggressively pursued other initiatives for generating new demand across the breadth of the field of entertainment.

As a result of the above, as compared with the previous fiscal year, net sales increased by 51.0% to ¥227,174 million, ordinary income increased by 39.4% to ¥71,440 million, and net income increased by 40.6% to ¥34,866 million.

(2) Review of Operations by Business Segment

Pachislot machines

Guided by the key concept, “If it’s new, it’s from Sammy,” the Group took optimal advantage of its dominant development strengths creating new technologies and functions, and providing products with a heightened degree of game play and entertainment value. In pachislot machines, these actions resulted in the sale of over 259,000 units of *Hokuto No Ken (Fist of the North Star)* in fiscal 2004 alone. This performance makes *Hokuto No Ken*, launched in October 2003, the biggest-selling pachislot machine in the industry’s history, with many more units expected to ship in the current fiscal year. The machine features an LCD interface that accurately recreates the atmosphere of the wildly popular “*Fist of the North Star*” comic book, as well as

a “Battle Bonus” round, a never-before-seen function for pachislot machines. These outstanding features combine to produce the quality game play that has won *Hokuto No Ken* such high marks. Sammy rolled out other new products, including *King Camel*, a machine incorporating Dream Reel, the first product from Sammy’s 3 “D” Project, and *Gamera High Grade Vision*, equipped with Doughnut Vision, the second technological development from this project.

As a result of the above, as compared with the previous year, net sales increased by 37.0% to ¥168,687 million. Monetary and unit sales both represented record highs for Sammy.

Main Pachislot Machines and Units Sold	
Variety	Units Sold
<i>Hokuto No Ken</i> (Sammy)	259,000
<i>King Camel</i> (Sammy)	42,000
<i>Slotter Kintaro RX</i> (Rodeo)	52,000
<i>Gamera High Grade Vision</i> (Rodeo)	30,000
<i>Mach GoGoGo</i> (OEM)	44,000
Others	162,000
Total	591,000



Pachislot machine
Hokuto No Ken
 ©Buronson, Tetsuo Hara
 ©Sammy

Pachinko machines

Sammy responded to calls for greater diversity from the pachinko machine market by launching a number of distinctive machines equipped with new functions available nowhere else.

One hit was *CR-MOJYUOH*, Sammy's best-selling pachinko machine series to date with over 82,000 units sold. This series incorporates the game play of the big hit *JYUOH* and *MOJYUOH* pachislot machines, and allows players to select the game mode of their choice. Another pachinko series introduced was *CR*

Rikidozan, conceptually based on legendary Japanese pro-wrestler Mitsuhiro Rikidozan. This series shatters the conventional thinking on pachinko machines by replacing the traditional jackpot interface with an LCD of Rikidozan facing off against an opponent, whereby a victory for Rikidozan translates into a jackpot for the player.

The foregoing helped this business match the pachislot machine business, with record-high monetary and unit sales. As compared with the previous year, net sales jumped by 197.9% to ¥49,059 million.

Main Pachinko Machines and Units Sold	
Variety	Units Sold
<i>CR-MOJYUOH</i> series	82,000
<i>CR Rikidozan</i> series	39,000
<i>CR City Hunter</i> series	36,000
<i>CR Sonic</i> series	27,000
Others	62,000
Total	248,000



Pachinko machine
CR-MOJYUOH
©Sammy



Pachinko machine
CR Rikidozan
©RIKI Enterprise
©Sammy

Amusement arcade equipment

Sammy continued to witness healthy growth in the *REVOLUTION II* series of pachislot and pachinko machines specially redesigned for use in amusement arcades, as well as robust growth in its *Kids'* series of token-based medal game machines for children. The Sammy Group also launched worldwide sales of its new amusement arcade machine platform *ATOMISWAVE* during the fiscal year. Dedicated software for this new platform included titles such as *Guilty Gear Isuka*, a game compatible with *AW-NET*, a service that enables users to link arcade games to mobile content via a network connection.

As a result of the above, as compared with the previous year, net sales increased by 27.5% to ¥6,536 million.



Amusement arcade
equipment
ATOMISWAVE

Home videogame software

Sammy launched for sale in Japan, North America and Europe *SEVEN SAMURAI 20XX* and *SPY FICTION*, its first foray into the action game genre. Sammy also released three titles in its popular *Jissen Pachislot Hisshoho!* series of pachislot simulations. Despite these actions, lingering weakness in the domestic market and the lackluster sales of game controllers and other peripherals decreased net sales by 47.7% to ¥2,570 million.



Home videogame software
SEVEN SAMURAI 20XX
©Sammy/Dimps Corporation 2004
©KUROSAWA PRODUCTION Inc./
Character concept by
Moebius/Opening&Ending Theme
Music by Ryuichi Sakamoto

(3) Capital Expenditures

Capital expenditures during the fiscal year totaled ¥9,358 million. This figure is largely attributed to the acquisition of buildings and other items accompanying the start of Sammy's commercial facility development operations in the fiscal year under review. In response to the increase in pachislot and pachinko unit sales and the greater recycling of older machines, Sammy boosted the efficiency of its sales activities to win orders by investing in a network that links pachislot and pachinko machine buyers. On the production side, Sammy invested in major upgrades for the production line at the Kawagoe Factory to enhance productivity, and also opened three new distribution centers in Saitama, Osaka, and Fukuoka prefectures.

(4) Financing

In June and August 2003, Sammy issued unsecured bonds with an aggregate amount of ¥15,000 million. In March 2004, Sammy issued convertible bonds with stock acquisition rights due 2009 with an aggregate amount of ¥40.0 billion on the London Stock Exchange. Furthermore, a total of ¥14,543 million was paid in due to the exercise of stock acquisition rights following the allotment to shareholders in the previous fiscal year.

(5) Issues to be Addressed

In July 2004, the pachislot and pachinko industry will see some amendments come into force for the law governing the industry in Japan. These amendments are expected to toughen measures for preventing unfair practices and impose controls on the gaming nature of machines. In the wake of these changes, more weight than ever will be given to game play and entertainment value as vital elements differentiating pachislot and pachinko machines in the marketplace. This is likely to bring technological disparities among industry manufacturers to the fore.

In pachislot machines, concerns have been raised that the genre's popularity may suffer due to the impact of these impending amendments on several pachislot varieties. However, backed by the runaway success of *Hokuto No Ken*, the best-selling pachislot machine in the industry's history, the Sammy Group is confident that its advanced technology will enable it to win staunch approval from the market even after the amendments have taken effect by continuing to roll out captivating products. In the years ahead, the Sammy Group will remain committed to maintaining its top market share in terms of annual unit sales, bringing its dominant R&D capabilities to bear to develop new functions and strengthening the brand equity that Sammy has built to date.

In pachinko machines, the aforementioned amendments will eliminate gaming machine classifications and prompt other changes that will enable a greater degree of variation

in machine development. This should result in machines that break the conventional mold by incorporating innovative concepts. Going forward, the Sammy Group will strive as always to boost its development capabilities in this area, launching products with creative concepts that could only originate from Sammy. The goal is to be the market leader in pachinko machines as well, raising the profile of the Sammy Group as a name to watch in pachinko and pachislot alike.

Sammy recognizes that in addition to bolstering the business base and achieving constant growth in the pachislot and pachinko businesses, generating new earnings streams from businesses in other areas of entertainment will be indispensable to growing as a truly comprehensive entertainment company.

Guided by this policy, Sammy acquired 22.4%, or 39,148,600 of the issued and outstanding shares of SEGA CORPORATION in December 2003, making that company an equity-method affiliate. Collaborations between the two companies in the past have led to the appearance of SEGA's popular character, *Sonic the Hedgehog*, in Sammy's pachinko machines and other developments. Sammy's recent equity investment in SEGA will reinforce cooperative ties across the full range of business fields, expanding and accelerating growth in entertainment-related businesses outside pachislot and pachinko, and strengthening Sammy's expansion into overseas markets.

In amusement arcade equipment, Sammy is involved in a concerted effort to transform *ATOMISWAVE*, the

arcade game platform launched during the March 2004 fiscal year, into the de facto standard. In addition to the full-scale operation of *AW-NET*, poised to become a predominant network gaming format in the coming years, Sammy is securing business ties with influential software development houses in Japan to gain a full lineup of dedicated software to aggressively develop *ATOMISWAVE* in previously uncultivated areas and locations.

In home videogame software, Sammy is steadily releasing pachislot simulations and has stepped up development in other game genres. Sammy is also expanding business with an eye on profitability by using partnerships with influential game software developers to further enhance the already outstanding content of its software releases.

In the fiscal year ended March 31, 2004, Sammy commenced operations in its commercial facility development business. In July 2004, it plans to open *Sammy Ebisu Plaza* in Dotonbori, Osaka. This plaza, as a comprehensive entertainment center, counting a "food theme park," an "amusement zone" and a fitness club among its facilities, will become a focal point of Sammy's operations in the commercial facility development business.

Going forward, as it produces more "entertainment spaces" that fuse commercial developments and amusement centers, the Sammy Group will utilize the synergistic effects of each facility type to attract customers, in the process improving the efficiency of its operations.

(6) Business Results and Financial Position

Fiscal year		FY2001	FY2002	FY2003	FY2004
		(Apr. 1, 2000 to Mar. 31, 2001)	(Apr. 1, 2001 to Mar. 31, 2002)	(Apr. 1, 2002 to Mar. 31, 2003)	(Apr. 1, 2003 to Mar. 31, 2004)
Net sales	(¥ million)	67,706	142,394	150,462	227,174
Ordinary income	(¥ million)	18,981	51,705	51,230	71,440
Net income	(¥ million)	9,873	23,375	24,797	34,866
Net income per share	(¥)	389.45	442.39	470.76	460.89
Total assets	(¥ million)	73,361	116,268	106,235	276,277
Net assets	(¥ million)	29,037	56,660	66,604	116,526

(Notes)

- Net income per share is calculated based on the average number of shares outstanding during the relevant fiscal year, excluding treasury stock. In fiscal 2001, a 2-for-1 stock split was conducted on November 20, 2000. In fiscal 2002, 1,000,000 new shares were issued via public offering on June 29, 2001, and a 2-for-1 stock split was conducted on November 20, 2001. In fiscal 2003, Sammy adopted "Accounting Standards for Net Income Per Share" (Business Accounting Standard No. 2) and "Policies Regarding Application of Accounting Standards for Net Income Per Share" (Policies Regarding Business Accounting Standards No. 4). In fiscal 2004, a 1.5-for-1 stock split was conducted on February 27, 2004. Net income per share for fiscal 2004 has been calculated as if the stock split was carried out at the beginning of the year.
- In fiscal 2001, the new feature of assist time (AT), seen for the first time in the industry, and a new machine with assist replay (AR) were introduced. This, together with the implementation of our multi-brand strategy for capturing a higher market share in pachislot machines, resulted in net sales of ¥67,706 million, including pachislot machine sales of ¥46,303 million. Furthermore, the application of accounting standards regarding financial products from fiscal 2001, resulted in increases of ¥24 million in ordinary income and net income before tax compared with the previous method. On the other hand, the application of accounting standards regarding retirement benefits resulted in decreases of ¥8 million and ¥132 million in ordinary income and net income before tax, respectively. As a result of the above, net income in fiscal 2001 was ¥9,873 million.

In fiscal 2002, the assist time (AT) feature became a runaway success. Riding this wave was Sammy's *JYUOH* pachislot machine, which appealed to a wide range of users and brought about a vast improvement in unit sales. This, coupled with greater commitment to Sammy's multi-brand strategy, resulted in net sales of ¥142,394 million, on the back of pachislot machine sales of ¥121,117 million. In spite of large extraordinary losses due to several mechanical issues with pachislot machines, net income rose sharply to ¥23,375 million.

In fiscal 2003, Sammy introduced *MOJYUOH-S*, which features color LCD graphics thanks to a high-performance graphics chipset. *MOJYUOH-S*, the successor to the popular *JYUOH* pachislot machine, was a major hit, helping to lift sales to ¥150,462 million. Ordinary income edged lower to ¥51,230 million due to higher general and administrative expenses related to R&D expenditures primarily for the NEWS business. However, net income rose to ¥24,797 million, the result of a decline in extraordinary losses as compared with the previous fiscal year.

For fiscal 2004 results, please refer to the "Review of Operations" section of the preceding Overview of Business.

(7) Other Subsequent Events

Sammy is currently involved in several patent infringement lawsuits regarding the production and sale of pachislot machines. The main points of the suits are stated below.

Sammy is confident that it has in no way infringed on patents held by other parties, and has maintained this position from the outset. Nevertheless, it is possible that the continuation of these suits may eventually affect Sammy's business performance.

On December 25, 2002, the Japan Patent Office forwarded documents to the parties to the lawsuit declaring its intention to nullify the patent discussed in items a. and b. below. Subsequently, on January 27, 2003, Aruze Corporation ("Aruze") filed documents with the Tokyo High Court to revoke this decision. A ruling on this matter is still pending.

In item c. below, Sammy confirmed the delivery of a decision from the Japan Patent Office dated November 17, 2003 invalidating the infringement claim brought by Aruze. Subsequently, Aruze filed an appeal with the Tokyo High Court on December 25, 2003 to revoke this decision. A ruling on this matter is still pending.

Sammy confirmed the delivery of a decision from the Japan Patent Office dated June 5, 2003 invalidating the utility model right in question in item d. On July 10, 2003, Abilit Corporation (the former Takasago Electric Industry Co., Ltd.) filed an appeal with the Tokyo High Court to revoke this decision. A decision on the case is still pending.

a. Suit by Aruze Corporation claiming ¥10,066 million in damages

On March 19, 2002, Sammy was ordered by the Tokyo District Court to pay damages of ¥7,416 million to Aruze Corporation. Sammy immediately filed an appeal with the Tokyo High Court. The case is currently before the court.

b. Suit by Aruze Corporation claiming ¥1,430 million in damages

Suit filed on March 26, 2001 with the Tokyo District Court. The case is currently before the court.

c. Suit by Aruze Corp. claiming ¥5,145 million in damages

Suit filed on May 31, 2002 with the Tokyo District Court. The case is currently before the court.

d. Suit by ABILIT Corporation claiming ¥11,424 million in damages

Suit filed in the Osaka District Court on July 18, 2002. The case is currently before the court.

The claim for damages of ¥1,500 million made by Aruze reported in previous business reports was dismissed by both the Tokyo District Court and the Tokyo High Court. Aruze appealed the case to the Supreme Court on June 17, 2003. Subsequently, Sammy won the case on January 20, 2004 following a reject by the Supreme Court to hear Aruze's appeal.

(1) Principal Businesses

Sammy's principal businesses consist of the development, manufacture, and sales of pachislot machines, pachinko machines, amusement arcade equipment, and home videogame software.

(2) Principal Branches, Sales Offices and Factories

Name	Location	Name	Location
Head Office	Toshima-ku, Tokyo	Yokohama	Nishi-ku, Yokohama, Kanagawa
Sapporo Branches	Shiraishi-ku, Sapporo, Hokkaido	Shizuoka	Shizuoka, Shizuoka
Sendai	Miyagino-ku, Sendai, Miyagi	Nagano	Nagano, Nagano
Tokyo	Taito-ku, Tokyo	Kanazawa	Kanazawa, Ishikawa
Nagoya	Chikusa-ku, Nagoya, Aichi	Kyoto	Fushimi-ku, Kyoto, Kyoto
Osaka	Naniwa-ku, Osaka, Osaka	Kobe	Chuo-ku, Kobe, Hyogo
Hiroshima	Minami-ku, Hiroshima, Hiroshima	Okayama	Okayama, Okayama
Fukuoka	Hakata-ku, Fukuoka, Fukuoka	Takamatsu	Takamatsu, Kagawa
Obihiro Sales Offices	Obihiro, Hokkaido	Oita	Oita, Oita
Aomori	Aomori, Aomori	Miyazaki	Miyazaki, Miyazaki
Morioka	Morioka, Iwate	Kawagoe Factory	Kawagoe, Saitama
Koriyama	Koriyama, Fukushima	Merchandise Management Center	Sayama, Saitama
Niigata	Niigata, Niigata	AM Business Division	Toshima-ku, Tokyo
Takasaki	Takasaki, Gunma	AM Business Division (Osaka Sales Office)	Yodogawa-ku, Osaka, Osaka
Saitama	Omiya-ku, Saitama, Saitama	R&D Control Office	Toshima-ku, Tokyo
Tsukuba	Tsukuba, Ibaraki	Kansai Distribution Center	Tsurumi-ku, Osaka, Osaka
Chiba	Chuo-ku, Chiba, Chiba	Kyushu Distribution Center	Kasuya-gun, Fukuoka
Tokyo	Taito-ku, Tokyo		

(3) Share Information

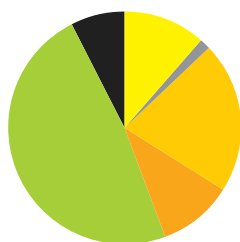
1. Number of shares authorized for issue 200,000,000 shares
 2. Total shares issued and outstanding 87,500,718 shares

(Notes)

1. A 1.5-for-1 stock split conducted on February 27, 2004 increased the total number of shares issued and outstanding by 26,973,114 shares.
 2. The total number of shares issued and outstanding increased by 148,100 shares, due to the exercise of stock subscription rights pursuant to Article 280, Paragraph 19 of the former Commercial Code of Japan.
 3. The total number of shares issued and outstanding increased by 6,858,104 shares, due to the exercise of stock acquisition rights pursuant to Article 280, Paragraphs 20 and 21 of the Commercial Code of Japan.

3. Number of shareholders 23,909

4. Principal shareholders (top 10)



Composition of Shareholders (%)

Financial Institutions	11.42
Securities Companies	1.49
Other Companies	21.00
Foreign Institutions and Individuals	10.41
Japanese Individuals and Others	48.17
Sammy	7.51

Name of Shareholder	Investment in Sammy		Sammy Investment in Shareholders	
	Shares held	Voting rights (%)	Shares held	Voting rights (%)
Hajime Satomi	24,165,585	30.03	–	–
SS PLANNING CORPORATION	9,498,200	11.80	–	–
FSC Co., Ltd.	7,086,420	8.80	–	–
Sammy Corporation	6,572,989	–	–	–
The Master Trust Bank of Japan, Ltd. (Trustee)	4,274,000	5.31	–	–
Bank of New York for Goldman Sachs International Equity, Ltd. Standing proxy: The Bank of Tokyo-Mitsubishi, Ltd.	2,099,900	2.60	–	–
Japan Trustee Services Bank, Ltd. (Trustee)	1,884,100	2.34	–	–
Naoya Harano	1,361,880	1.69	–	–
TAKAYAMA BUSSAN Co., Ltd.	571,500	0.71	–	–
State Street Bank and Trust Company 505041 Standing proxy: Mizuho Corporate Bank, Ltd., Kabuto-cho Securities Settlement Office	520,000	0.64	–	–

(Note) Shares held by Sammy Corporation include 150 shares for which it is the registered but not the beneficial shareholder.

(4) Acquisition, Disposition and Holding of Treasury Stock

(1) Shares acquired

- Purchase of shares pursuant to Article 210, Section 1 of the Commercial Code of Japan
 Common stock 1,000,000 shares
 Total acquisition cost ¥3,380 million
- Purchase of shares constituting less than a trading unit
 Common stock 23,106 shares
 Total acquisition cost ¥86 million
- Increase from the stock split on February 27, 2004
 Common stock 2,188,151 shares

(2) Shares disposed

- Common stock 46,548 million
 Total proceeds from disposition ¥157 million

(3) Treasury stock held at fiscal year-end

- Common stock 6,572,839 shares

(5) Stock Acquisition Rights

1) Stock Acquisition Rights Issued by Sammy

(Note) Information on stock subscription rights pursuant to Article 280, Paragraph 19 of the former Commercial Code of Japan, is in the Notes to the Balance Sheets.

1. Stock options by resolution of the Ordinary General Meeting of Shareholders on June 21, 2002

	As of March 31, 2004
Number of stock acquisition rights	3,250
Class of shares for stock acquisition rights	Common shares
Issue price of stock acquisition rights (¥)	None
Number of shares for stock acquisition rights	487,500
Payment on exercise of stock acquisition rights (¥)	2,988
Period for exercise of stock acquisition rights	July 31, 2004-July 30, 2006
Issue price for shares upon exercise of stock acquisition rights and appropriation to capital (¥)	Issue price: 2,988 Appropriated to capital: 1,494
Conditions for exercise of stock acquisition rights	As stipulated in the Stock Acquisition Rights Allocation Agreement agreed to by Sammy and directors and employees of Sammy who will be granted rights, based on resolutions of the Ordinary General Meeting of Shareholders and the Board of Directors.
Restrictions on the transfer of stock acquisition rights	Other than inheritance, no transfer, pledge or other change in the ownership of these stock acquisition rights is permitted.

- (Notes) 1. The number of shares for stock acquisition rights is the number of stock acquisition rights approved by special resolution minus the invalid stock acquisition rights due to retirement of employees.
 2. The number of shares for stock acquisition rights and the issue price have been adjusted to account for the 1.5-for-1 stock split conducted on February 27, 2004.
 3. The number of shares for stock acquisition rights includes 337,500 shares for employees and 150,000 shares for directors and corporate auditors of subsidiaries.

2. Stock acquisition rights by shareholder allotment by resolution of the Board of Directors on December 26, 2002

	As of March 31, 2004
Number of stock acquisition rights	315,603
Class of shares for stock acquisition rights	Common shares
Issue price of stock acquisition rights (¥)	81
Number of shares for stock acquisition rights	473,404
Payment on exercise of stock acquisition rights (¥)	1,984
Period for exercise of stock acquisition rights	July 1, 2003-June 30, 2006
Issue price for shares upon exercise of stock acquisition rights and appropriation to capital (¥)	Issue price: 2,038 Appropriated to capital: 1,019
Conditions for exercise of stock acquisition rights	Recipients must exercise stock acquisition rights in lots of 100 shares. Where stock acquisition rights warrants are issued, all stock acquisition rights shall be exercised and no partial exercise of stock acquisition rights is possible.
Restrictions on the transfer of stock options	Recipients need the approval of the Board of Directors to transfer stock acquisition rights.

(Note) The number of shares for stock acquisition rights and the issue price have been adjusted to account for the 1.5-for-1 stock split conducted on February 27, 2004. Fractional shares have been omitted.

3. Stock options by resolution of the Ordinary General Meeting of Shareholders on June 26, 2003

	As of March 31, 2004
Number of stock acquisition rights	4,040
Class of shares for stock acquisition rights	Common shares
Issue price of stock acquisition rights (¥)	None
Number of shares for stock acquisition rights	606,000
Payment on exercise of stock acquisition rights (¥)	2,234
Period for exercise of stock acquisition rights	July 31, 2005-July 30, 2007
Issue price for shares upon exercise of stock acquisition rights and appropriation to capital (¥)	Issue price: 2,234 Appropriated to capital: 1,117
Conditions for exercise of stock acquisition rights	As stipulated in the Stock Acquisition Rights Allocation Agreement agreed to by Sammy and eligible persons of Sammy who will be granted rights, based on resolutions of the Ordinary General Meeting of Shareholders and the Board of Directors.
Restrictions on the transfer of stock acquisition rights	Other than inheritance, no transfer, pledge or other change in the ownership of these stock acquisition rights is permitted.

- (Notes) 1. The number of shares for stock acquisition rights is the number of stock acquisition rights approved by special resolution minus the invalid stock acquisition rights due to retirement of employees.
2. The number of shares for stock acquisition rights and the issue price have been adjusted to account for the 1.5-for-1 stock split conducted on February 27, 2004.
3. The number of shares for stock acquisition rights includes 507,000 shares for employees, 45,000 shares for Sammy directors and corporate auditors, and 54,000 shares for directors and corporate auditors of subsidiaries.

4. Yen-denominated convertible bonds with stock acquisition rights by resolution of the Board of Directors on February 12, 2004

	As of March 31, 2004
Number of stock acquisition rights	40,000
Class of shares for stock acquisition rights	Common shares
Issue price of stock acquisition rights (¥)	None
Number of shares for stock acquisition rights	10,449,320
Payment on exercise of stock acquisition rights (¥)	3,828
Period for exercise of stock acquisition rights	March 17, 2004-February 17, 2009
Issue price for shares upon exercise of stock acquisition rights and appropriation to capital (¥)	Issue price: 3,828 Appropriated to capital: 1,914
Conditions for exercise of stock acquisition rights	No partial exercise of stock acquisition rights is permitted.
Restrictions on the transfer of stock acquisition rights	None

(Note) The balance of this bond is ¥40,000 million.

2) Stock Acquisition Rights Issued by Sammy with Favorable Conditions to Persons Other Than the Shareholders

1. Stock options by resolution of the Ordinary General Meeting of Shareholders on June 26, 2003

Number of stock acquisition rights	4,120
Class of shares for stock acquisition rights	Common shares
Issue price of stock acquisition rights (¥)	None
Number of shares for stock acquisition rights	618,000
Payment on exercise of stock acquisition rights (¥)	2,234
Period for exercise of stock acquisition rights	July 31, 2005-July 30, 2007
Issue price for shares upon exercise of stock acquisition rights and appropriation to capital (¥)	Issue price: 2,234 Appropriated to capital: 1,117
Conditions for exercise of stock acquisition rights	As stipulated in the Stock Option Agreement agreed to by Sammy and eligible persons who will be granted rights, based on resolutions of the Ordinary General Meeting of Shareholders and the Board of Directors.
Cancellation of stock acquisition rights and conditions	(1) When a resolution was adopted at the General Shareholders Meeting to approve the merger agreement pursuant to which Sammy is merged, or when a resolution at the General Shareholders Meeting to approve the stock swap agreement or stock transfer pursuant to which Sammy will become a wholly owned subsidiary, Sammy shall be entitled to cancel the stock acquisition rights without any consideration. (2) Sammy shall be entitled immediately to cancel all stock acquisition rights granted to the recipient without any consideration. (3) In addition to the above, Sammy may acquire the stock acquisition rights at any time to cancel them without any consideration.
Restrictions on the transfer of stock acquisition rights	Other than inheritance, no transfer, pledge or other change in the ownership of these stock acquisition rights is permitted.
Favorable conditions	Gratis

(Note) The number of shares for stock acquisition rights and the issue price have been adjusted to account for the 1.5-for-1 stock split conducted on February 27, 2004.

2. The name of the recipients (other than Sammy's employees, etc.) and the number of stock acquisition rights allotted

Position/Occupation	Name	Number of stock acquisition rights allotted
Sammy Director	Hajime Satomi	30
Sammy Director	Toru Katamoto	30
Sammy Director	Keishi Nakayama	30
Sammy Director	Kiyofumi Sakino	30
Sammy Director	Yoshiharu Suzuki	30
Sammy Director	Kenkichi Yoshida	30
Sammy Director	Takashi Hirayama	30
Sammy Auditor	Mamoru Makaya	30
Sammy Auditor	Ryoichi Arai	30
Sammy Auditor	Etsuo Sakai	30

3. The name of the recipients (Sammy's employees, etc.) and the number of stock acquisition rights allotted

Category	Name	Number of stock acquisition rights allotted	Category	Name	Number of stock acquisition rights allotted
Sammy Employee	Hideo Yoshizawa	50	Director of Sammy subsidiary	Takeo Ogino	30
Sammy Employee	Norihiko Harada	30	Director of Sammy subsidiary	Nobuhisa Yamada	30
Sammy Employee	Yoshitaka Kawamura	30	Director of Sammy subsidiary	Takashi Nishiyama	30
Sammy Employee	Masakazu Yoshino	30	Director of Sammy subsidiary	Sachiyo Hada	30
Sammy Employee	Takashi Komiya	30	Director of Sammy subsidiary	Masaaki Ohno	30
Sammy Employee	Norio Uchida	30	Director of Sammy subsidiary	Yoichiro Hibino	30
Sammy Employee	Katsuya Kondo	30	Director of Sammy subsidiary	Shinji Nomura	30
Sammy Employee	Toru Tsuji	30	Director of Sammy subsidiary	John Rowe	30
Sammy Employee	Kazuhiro Sumitani	30	Director of Sammy subsidiary	Ricardo L. Rochetti	30
Sammy Employee	Kazuhiko Hamada	30	Director of Sammy subsidiary	Tom Keil	30
Director of Sammy subsidiary	Kouji Tanizawa	30	Director of Sammy subsidiary	Jeremy Hubbell	30

4. Stock acquisition rights issued to Sammy's employees, etc.

Category	Sammy employees	Directors of Sammy subsidiaries	Auditors of Sammy subsidiaries	Employees of Sammy subsidiaries
Number of stock acquisition rights	3,460	360	–	–
Class of shares for stock acquisition rights	Common shares	Common shares	–	–
Number of shares for stock acquisition rights	519,000	54,000	–	–
Total number of recipients	277	12	–	–

(Note) The number of shares for stock acquisition rights and the issue price have been adjusted to account for the 1.5-for-1 stock split conducted on February 27, 2004.

(6) Employees

Number of employees (Change from end of previous year)	Average age	Average years of service
1,006 (increase of 90)	33.4	4.1

(7) Business Integration

1) Principal subsidiaries

Company	Capital	Voting rights (%)	Main business
RODEO Co., Ltd.	¥ 100 million	65.0	Development/manufacture/sales of pachislot machines
Shuko Electronics Co., Ltd.	¥ 495 million	87.2	Development/manufacture/sales of pachinko/pachislot attachments and accessories
Sammy Design Co., Ltd.	¥ 40 million	—	Planning/design/construction of pachinko halls
Nissho Inter Life Co., Ltd.	¥5,018 million	50.5	Planning/design/management/construction of displays and commercial facilities
Sammy Holding Co., Inc.	\$ 14 million	100.0	Financial affairs/legal affairs/personnel/business strategy planning for overseas group companies
Sammy USA Corporation	\$ 3 million	—	Sales of amusement arcade equipment and software
Sammy Europe Limited	£ 1 million	—	Sales of home videogame software; sales of amusement arcade equipment
Sammy Studios, Inc.	\$ 6 million	—	Development/production/sales of home videogame software
RTzen, Inc.	\$ 5 million	70.4	Development/sales of graphics software for game software development
Sammy Amusement Service Co., Ltd.	¥ 450 million	100.0	Amusement facility operation/support; rental of amusement equipment
SI ELECTRONICS, LTD.	¥ 244 million	85.7	Development/sales of LCD optical imaging system chips
Dimps Corporation	¥ 499 million	51.0	Development/sales of digital content
ALEGRIA CORPORATION	¥ 118 million	59.5	Planning/development/production/sales/operation of Internet content
IP4 Inc.	¥ 100 million	70.0	License management of merchandized characters
Underground Liberation Force Inc.	¥ 309 million	100.0	Planning/production/sales of master copies of record albums, others
Sammy Networks Co., Ltd.	¥ 206 million	80.2	Design/production of music-related content for mobile phones and Internet
APANDA Inc.	¥ 300 million	79.7	Development of commercial facilities, real estate leasing and related businesses
Japan Multimedia Services Corporation	¥ 835 million	50.9	Multimedia information and communication network services
Sammy Golf Entertainment	¥ 480 million	100.0	Operation and management of The North Country Golf Club

(Notes) 1. While not listed above, MAXBET Co., Ltd. and eAddress Corporation are also subsidiaries. The latter is a subsidiary of Sammy subsidiary Japan Multimedia Services Corporation, which holds voting rights of 66.6%.

2. Sammy Design Co., Ltd. is a wholly owned subsidiary of Sammy subsidiary Shuko Electronics Co., Ltd.

3. Sammy USA Corporation, Sammy Europe Limited, and Sammy Studios, Inc. are wholly owned subsidiaries of Sammy subsidiary Sammy Holding Co., Inc.

4. Quat Technology Inc., a subsidiary up through the previous fiscal year, was liquidated on March 31, 2004 following absorption of its operations by Sammy Corporation's R&D Control Office.

5. On April 28, 2004, MAXBET Co., Ltd. was renamed Sammy Rental Service Co., Ltd.

2) Progression of business integration

1. APANDA Inc. became a Sammy subsidiary following an allocation of new shares to a third party and purchase of shares on July 11, 2003.
2. Nissho Inter Life Co., Ltd became a subsidiary following the purchase of shares via tender offer on November 21, 2003.
3. Japan Multimedia Services Corporation became a subsidiary following an allocation of new shares to a third party and purchase of shares on December 25, 2003.

4. The North Country Golf Club Co., Ltd. was acquired by Sammy through an allocation of new shares to a third party on October 20, 2003. The name of Sammy was subsequently changed to Sammy Golf Entertainment.

3) Results of business integration

Consolidated net sales were ¥251,226 million, an increase of 51.5% compared with the previous year. Net income was ¥32,196 million, an increase of 39.6% compared with the previous year.

4) Other important change of Sammy Group

Sammy holds 25.3% of the voting rights of SEGA CORPORATION, which is an equity-method affiliate.

(8) Major Lenders

Creditor	Amount Borrowed	Shares Held by Lendor	
	(¥ millions)	Number of shares	Voting rights (%)
UFJ Bank Limited	600	30,000	0.03
Sumitomo Mitsui Banking Corporation	400	—	—
Mizuho Bank, Ltd.	250	—	—
The Hokuriku Bank, Limited	150	—	—
The Mitsubishi Trust and Banking Corporation	150	—	—

(9) Directors and Corporate Auditors

Position	Name	Division/Major Responsibilities
President and Chief Executive Officer	Hajime Satomi	
Senior Managing Director	Toru Katamoto	Management of SP Sales Division/SP Business Control Office
Managing Director	Keishi Nakayama	Management of President's Office/Corporate Planning Division
Managing Director	Kiyofumi Sakino	Management of Audit Office/Division Manager, Administration Division
Managing Director	Yoshiharu Suzuki	Management of AM Sales & Marketing Division/ Senior Division Manger, AM NEWS Business Division
Director	Kenkichi Yoshida	Management of Production Division/Senior Division Manager R&D Control Office
Director	Takashi Hirayama	
Standing Corporate Auditor	Mamoru Makaya	
Standing Corporate Auditor	Ryoichi Arai	
Corporate Auditor	Etsuo Sakai	

(Notes) 1. Mamoru Makaya and Etsuo Sakai are outside corporate auditors as stipulated in Article 18, Section 1 of the "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of *Kabushiki Kaisha*."

2. Sammy has introduced an executive officer system with the aim of achieving speedier management decision-making, enhancing monitoring functions for the execution of business activities, and bolstering the effectiveness of business execution. These executive officers are: Norihiko Harada, Production Division manager; Yoshitaka Kawamura, Senior Manager of SP Business Control Office; Masakazu Yoshino, temporarily transferred to Shuko Electronics Co., Ltd.; Takashi Komiya, temporarily transferred to RODEO Co., Ltd.; Norio Uchida, Division Manager of the PC R&D Division; Hideo Yoshizawa, Division Manager of the Planning Division; Katsuya Kondo, Division Manager of the SP Sales Division; and Kouichi Fukuzawa, Senior Division Manager of the President's Office. In addition to the aforementioned officers, President and Chief Executive Officer Hajime Satomi, managing directors Kiyofumi Sakino and Yoshiharu Suzuki, and Director Kenkichi Yoshida also serve concurrent posts as executive officers.

3. On April 1, 2004, changes to directors position and responsibilities were as follows:

Position	Name	Division/Major Responsibilities
Senior Managing Director	Keishi Nakayama	Management of President's Office
Managing Director	Kiyofumi Sakino	Management of Administration Division/Audit Office
Managing Director	Kenkichi Yoshida	Management of Production Division/Senior Division Manager R&D Control Office

(As of March 31, 2004)

(Unit: Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	173,871	Current liabilities	96,613
Cash and deposits	53,158	Notes payable	29,966
Notes receivable	36,463	Accounts payable—trade	18,539
Accounts receivable—trade	46,534	Short-term bank loans	1,200
Finished goods	1,898	Current portion of long-term debt	600
Raw materials	14,205	Accounts payable—other	10,263
Supplies	290	Income taxes payable	29,549
Advances	2,948	Accrued consumption tax, etc	1,884
Prepaid expenses	677	Accrued liabilities	3,159
Short-term loans	2,953	Advances received	105
Accounts receivable—other	350	Deposits received	60
Deposit for lawsuit	5,000	Accrued employees' bonuses	1,233
Deferred tax assets	9,610	Stock acquisition rights	25
Others	239	Others	25
Allowance for doubtful accounts	(459)		
Non-current assets	102,405	Non-current liabilities	63,136
Property, plant and equipment	17,495	Long-term debt, less current portion	600
Buildings	4,492	Bonds payable	15,000
Structures	136	Bonds payable with stock acquisition rights	40,000
Machinery and equipment	2,283	Deferred tax liabilities	2,877
Vehicles	12	Accrued retirement benefits for employees	1,001
Tools, furniture and fixtures	1,882	Accrued retirement benefits for directors and corporate auditors	794
Land	2,922	Long-term deposits received	2,863
Construction in progress	5,765		
Intangible fixed assets	1,143	Total liabilities	159,750
Software	1,075		
Telephone rights	8	Shareholders' equity	
Others	59	Common stock	15,374
Investments and other assets	83,766	Capital surplus	16,364
Investment securities	64,889	Additional paid-in capital	16,364
Investments in subsidiaries	10,635	Retained earnings	90,278
Investments in partnerships	743	Legal reserve	310
Long-term loans	4,862	General reserve	55,185
Long-term operating receivables	192	Unappropriated retained earnings	34,782
Long-term prepaid expenses	355	Net unrealized holding gains or losses on securities available for sale	10,024
Time deposits	3,000	Treasury stock	(15,515)
Lease deposits	1,494		
Others	289	Total shareholders' equity	116,526
Allowance for doubtful accounts	(2,696)	Total liabilities and shareholders' equity	276,277
Total assets	276,277		

(Note) All amounts above are truncated after the million.

Statement of Income



(For the period from April 1, 2003 to March 31, 2004)

(Unit: Millions of yen)

Item	Amount	
Ordinary Income and Expenses		
Operating income		
Net sales		227,174
Operating expenses		
Cost of sales	106,579	
Selling, general and administrative expenses	47,898	154,477
Operating Income		72,696
Non-operating income and expenses		
Non-operating income		
Interest and dividends income	261	
Other non-operating income	215	476
Non-operating expenses		
Interest paid	178	
Bond issue expenses	641	
Exchange losses	140	
Sales discounts	358	
Other non-operating expenses	413	1,732
Ordinary Income		71,440
Extraordinary Income and Expenses		
Extraordinary income		
Gain on sales of fixed assets	7	
Gain on sale of business	169	
Gain on sales of investment securities	3	180
Extraordinary expenses		
Loss on disposal of fixed assets	209	
Loss on sales of investment securities	174	
Loss on evaluation of investments in subsidiaries	270	
Loss on evaluation of investments in partnerships	35	
Loss on liquidation of subsidiary	194	
Provision for doubtful accounts	2,496	
Others	6	3,387
Income before income taxes		68,233
Income taxes—current	41,000	
Income taxes—deferred	(7,632)	33,367
Net income		34,866
Unappropriated retained earnings at the beginning of the year		1,916
Interim dividends paid		1,978
Loss on disposal of treasury stocks		21
Unappropriated retained earnings		34,782

(Note) All amounts above are truncated after the million.

1. Significant accounting policies

(1) Valuation of securities

Investments in subsidiaries and affiliates are stated at moving-average cost.

Other securities

Securities that have quoted market prices are stated at the market value based on market prices at the fiscal year-end and other factors. The difference between acquisition cost and market value is accounted for as net unrealized holding gains or losses on securities in shareholders' equity, with cost of sales determined by the moving average method.

Other securities without quoted market prices are stated at moving-average cost.

(2) Inventories are stated at cost determined by the average method.

(3) Depreciation of non-current assets

1. Tangible non-current assets

Depreciation is computed by the declining-balance method.

In addition, buildings (excluding attached equipment) acquired on or after April 1, 1998 are depreciated using the straight-line method.

2. Intangible fixed assets

Amortization is computed by the straight-line method. For software for internal use, Sammy adopts the straight-line method based on a useful life of 5 years.

3. Long-term prepaid expenses

Amortization is computed by the straight-line method.

(4) Accounting for deferred assets

All expenses are expensed when incurred.

(5) Accounting for allowances

Allowance for doubtful accounts: The reserve for doubtful accounts is provided in an amount sufficient to cover possible losses estimated as a historical write-off ratio of bad debts for general receivables, with the addition of required amounts for doubtful accounts and bankrupt receivables based on a case-by-case assessment of the possibility of collection.

Accrued employees' bonuses: Accrued employee bonuses are provided based on the estimated amount to be paid.

Accrued retirement benefits for employees: The liability for retirement benefits is based on the estimated amount of benefit obligations and plan assets at the end of the fiscal year. Actuarial gains or losses are treated as a lump-sum expense in the following fiscal year.

Accrued retirement benefits for directors and corporate auditors: The amount of the reserve required at the end of the fiscal year for directors and corporate auditors' retirement benefits is based on company regulations. This allowance is stipulated under Article 43 of the Regulation for the Commercial Code.

(6) Accounting for lease transactions

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

(7) Accounting method for consumption taxes

Consumption taxes are accounted using the net-of-tax method.

(8) Significant hedge accounting method

1. Hedge accounting method

The interest rate swap is treated as a special transaction.*

* Under special transactions, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

2. Method and item of hedge

Hedge method Interest rate swap

Hedged item Interest on debts

3. Hedge policy

The sole purpose of interest swaps is to reduce risks associated with interest fluctuations. The interest rate swap is not used for speculative purposes.

4. Method of evaluating hedge effectiveness

Because the interest rate swap is treated as a special transaction, hedge effectiveness valuation is omitted.

2. Notes to Balance Sheet

(1) Accumulated depreciation of tangible fixed assets: ¥5,117 million

(2) In addition to fixed assets listed on the balance sheet, significant fixed assets used on lease contracts included 301 vehicles for sales and 38 machines for R&D purposes.

(3) Subsidiaries' receivables/debts from subsidiaries

Short-term receivables from subsidiaries: ¥11,861 million

Long-term receivables from subsidiaries: ¥4,786 million

Short-term payables to subsidiaries: ¥3,895 million

(4) Liabilities for guarantees: ¥2,623 million

(5) The number of shares for stock acquisition rights, issue price, amount appropriated to capital and the issue period, pursuant to Article 280, Section 19 of the pre-revised Commercial Code of Japan are as follows:

1) Stock options by resolution of the Ordinary General Meeting of Shareholders on June 27, 2000

	As of March 31, 2004
Number of stock acquisition rights	—
Class of shares for stock acquisition rights	Common shares
Number of shares for stock acquisition rights	28,350
Payment on exercise price of stock acquisition rights (¥)	714
Period for exercise of stock acquisition rights	July 31, 2002-July 30, 2004
Issue price for shares upon exercise of stock acquisition rights and appropriation to capital (¥)	Issue price: 714 Appropriated to capital: 357
Conditions for exercise of stock acquisition rights	As stipulated in the Stock Option Agreement agreed to by Sammy and directors and employees of Sammy who will be granted rights, based on resolutions of the Ordinary General Meeting of Shareholders and the Board of Directors.
Restrictions on the transfer of stock acquisition rights	Other than inheritance, no transfer, pledge or other change in the ownership of these stock acquisition rights is permitted.

(Notes) 1. The number of shares for stock acquisition rights is the number of stock acquisition rights approved by special resolution minus the invalid stock acquisition rights due to retirement of employees and the number of shares already issued.

2. The number of shares for stock acquisition rights and the issue price have been adjusted to account for the 2-for-1 stock split conducted on November 20, 2000, a 2-for-1 stock split conducted on November 20, 2001, and a 1.5-for-1 stock split conducted on February 27, 2004.

3. The number of shares for stock acquisition rights is granted in its entirety to employees.

2) Stock options by resolution of the Ordinary General Meeting of Shareholders on June 22, 2001

	As of March 31, 2004
Number of stock acquisition rights	—
Class of shares for stock acquisition rights	Common shares
Number of shares for stock acquisition rights	489,000
Payment on exercise price of stock acquisition rights (¥)	2,830
Period for exercise of stock acquisition rights	July 31, 2003-July 30, 2005
Issue price for shares upon exercise of stock acquisition rights and appropriation to capital (¥)	Issue price: 2,830 Appropriated to capital: 1,415
Conditions for exercise of stock acquisition rights	As stipulated in the Stock Option Agreement agreed to by Sammy and directors and employees of Sammy who will be granted rights, based on resolutions of the Ordinary General Meeting of Shareholders and the Board of Directors.
Restrictions on the transfer of stock acquisition rights	Other than inheritance, no transfer, pledge or other change in the ownership of these stock acquisition rights is permitted.

- (Notes) 1. The number of shares for stock acquisition rights is the number of stock acquisition rights approved by special resolution minus the invalid stock acquisition rights due to retirement of employees and the number of shares already issued.
 2. The number of shares for stock acquisition rights and the issue price have been adjusted to account for the 2-for-1 stock split conducted on November 20, 2001, and a 1.5-for-1 stock split conducted on February 27, 2004.
 3. The number of shares for stock acquisition rights includes 60,000 shares for directors and 429,000 shares for employees.

- (6) Net assets within the definition of Article 93 of the Regulation for the Commercial Code: ¥10,024 million
 (7) Total number and type of shares issued and outstanding at the fiscal year-end: total number and type of treasury stock held at the fiscal year-end
 Shares issued and outstanding 87,500,718 common shares
 Treasury stock 6,572,839 common shares
 (8) Financial statements as of March 31, 2004 have been prepared based on the revised Regulation for the Commercial Code.

3. Notes to Statement of Income

- (1) Transactions with subsidiaries
- | | |
|----------------------------|-----------------|
| Net sales | ¥31,093 million |
| Purchases | ¥ 3,155 million |
| SG&A expenses | ¥ 2,818 million |
| Non-operating transactions | ¥ 539 million |
- (2) Net income per share ¥460.89

Proposal for Appropriation of Retained Earnings



(Unit: Yen)

Item	Amount
I Unappropriated retained earnings at the end of the year	34,782,846,709
II Appropriation	
Dividends (¥40 per share) (¥10 per share—commemorative dividend concerning big hit of <i>Hokuto no ken</i> —)	4,046,393,950
Directors' bonus (Including corporate auditors' bonus of ¥10,000,000)	400,000,000
III Retained earnings to be carried forward	30,336,452,759

(Notes) 1. To calculate dividends, the number of shares held by Sammy as treasury stock totaling 6,572,839 shares were deducted.
2. An interim dividend payment totaling ¥1,978,606,240 (¥40 per share before stock split) was paid on December 5, 2003.

Report of Independent Public Accountant: (Copy)

Report of Independent Public Accountant

May 6, 2004

To the Board of Directors of
Sammy Corporation

KPMG AZSA & Co.

Shigeru Iwamoto (Seal)
Representative Partner
Certified Public Accountant
Mitsuyoshi Koguchi (Seal)
Representative and Engagement Partner
Certified Public Accountant
Yuichi Yamada (Seal)
Representative and Engagement Partner
Certified Public Accountant

We have audited the statutory report, that is the balance sheet, the statement of income, the business report (limited to accounting matters) and the proposal for appropriation of retained earnings, and its supporting schedules (limited to accounting matters) of Sammy Corporation for the 29th business year from April 1, 2003 to March 31, 2004 in accordance with Article 2. Section 1 of the “Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of *Kabushiki Kaisha*.” With respect to the aforementioned business report and supporting schedules, our audit was limited to those matters derived from the accounting books and records of the Company. The statutory report and supporting schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with generally accepted auditing standards in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion. Our audit procedures also include those considered necessary for the Company’s subsidiaries.

As a result of the audit, our opinion is as follows:

- (1) The balance sheet and the statement of income present fairly the financial position and the results of operations of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (2) The business report (limited to accounting matters) presents fairly the status of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (3) The proposal for appropriation of retained earnings has been prepared in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (4) With respect to the supporting schedules (limited to accounting matters) there are no items to be noted that are not in conformity with the provisions of the Commercial Code.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Audit Report

We, the Board of Corporate Auditors of the Company, deliberated on the performance by Directors of their duties during the 29th fiscal year from April 1, 2003 to March 31, 2004, on the basis of each Corporate Auditor's report on his method and results of audit thereof. As a result, we hereby report as follows:

1. Method of Audit by Corporate Auditors in Outline

Each Corporate Auditor, in accordance with the audit policy and the assignment of work, etc., as determined by the Board of Corporate Auditors, attended meeting of the Board of Directors and other important meetings, received from Directors, etc., reports on the business operations, inspected important decision documents, etc., made investigation into the state of activities and property at the head office and principal business offices of the Company. We also received business operations and financial positions of the subsidiaries from directors in charge of each subsidiary. In addition, we required the Company's Accounting Auditors to render reports on their audit and examined the financial statements and the supporting schedules.

With respect to competitive transactions by Directors, transactions involving conflicting interests between Directors and the Company, offering of advantage by the Company for no consideration, transactions not customary in nature between the Company and its subsidiaries or shareholders, acquisition and disposition by the Company of treasury stock etc., we, in addition to the aforementioned method of audit, required Directors, etc. to render reports on and made a full investigation into the state of any transaction in question, whenever necessary.

2. Results of Audit

We are of the opinion:

- (1) That the method and results of the audit made by the Company's Accounting Auditors, KPMG AZSA & Co. are proper;
- (2) That the business report fairly presents the state of the Company in accordance with the law, regulations and the Articles of Incorporation;
- (3) That the proposition relating to the appropriation of retained earnings has nothing to be pointed out in the light of the state of property of the Company and other circumstances;
- (4) That the supporting schedules fairly present the matters to be stated therein and contain nothing to be pointed out; and
- (5) That in connection with the performance by Directors of their duties, including the subsidiaries' affairs, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists.

With respect to competitive transactions by Directors, transactions involving conflicting interests between Directors and the Company, offering of advantage by the Company for no consideration, transaction not customary in nature between the Company and its subsidiaries or shareholders, acquisition and disposition by the Company of treasury stock etc., we find no breach by Directors of their duties.

May 12, 2004

Board of Corporate Auditors, Sammy Corporation
Mamoru Makaya, (Standing) Corporate Auditor
Ryoichi Arai, (Standing) Corporate Auditor
Etsuo Sakai, Corporate Auditor

Note: Mr. Mamoru Makaya and Mr. Etsuo Sakai are outside corporate auditors who fulfill the qualification requirements as provided for in Article 18.1 of "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of *Kabushiki Kaisha*."

(Reference)

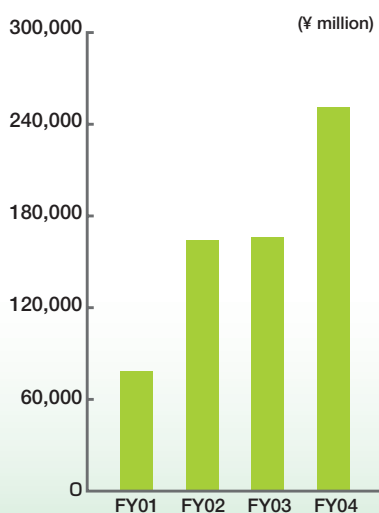
30 Consolidated Financial Highlights

Item	Fiscal year	FY2001	FY2002	FY2003	FY2004
		(Apr. 1, 2000 to Mar. 31, 2001)	(Apr. 1, 2001 to Mar. 31, 2002)	(Apr. 1, 2002 to Mar. 31, 2003)	(Apr. 1, 2003 to Mar. 31, 2004)
Net sales	(¥ million)	78,275	164,293	165,774	251,226
Ordinary income	(¥ million)	19,759	53,768	51,020	68,330
Net income	(¥ million)	10,748	23,906	23,066	32,196
Net income per share	(¥)	423.98	452.44	436.79	424.68
Total assets	(¥ million)	78,694	126,803	112,873	299,272
Shareholders' equity	(¥ million)	29,122	57,370	65,428	112,987

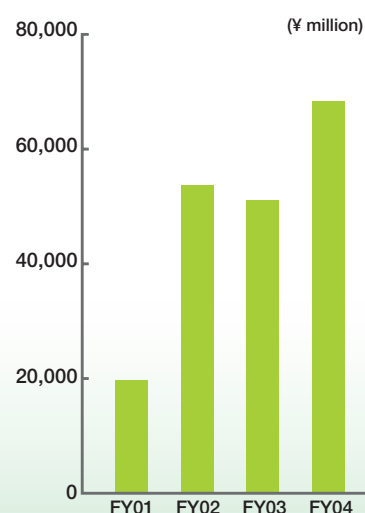
(Notes) 1. The amounts above are rounded down to the nearest million yen.

2. Net income per share is calculated on the basis of the average number of shares issued during the period.

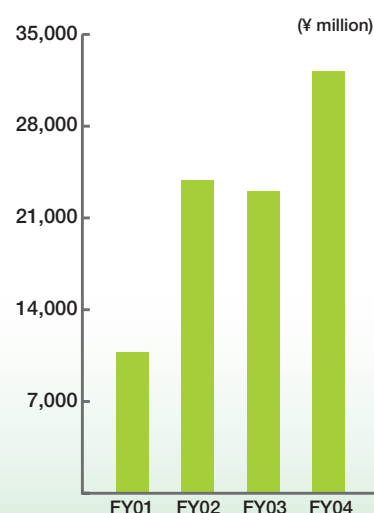
Net sales



Ordinary income



Net income



(¥ million)

Item	FY2004	FY2003	Item	FY2004	FY2003
(Assets)			(Liabilities)		
I. Current assets	200,081	84,705	I. Current liabilities	113,042	39,391
II. Non-current assets	99,191	28,168	II. Non-current liabilities	68,360	6,938
Property, plant and equipment	22,999	12,927	Total Liabilities	181,403	46,330
Intangible fixed assets	3,727	3,666	(Minority interests)		
Investments and other assets	72,464	11,574	Minority interests	4,882	1,114
Total Assets	299,272	112,873	(Shareholders' Equity)		
			I. Common stock	15,374	8,017
			II. Capital surplus	16,364	9,011
			III. Retained earnings	86,378	60,023
			IV. Net unrealized holding gains or losses on securities available for sale as compared with previous year	10,352	562
			V. Foreign currency translation adjustments	32	19
			VI. Treasury stock	(15,515)	(12,205)
			Total Shareholders' Equity	112,987	65,428
			Total Liabilities, Minority Interests and Shareholders' Equity	299,272	112,873

Current assets rose substantially as compared with the previous year. This was attributable to an increase in cash and deposits, and trade notes and accounts receivable stemming from the runaway success of the *Hokuto No Ken* pachislot machine at the fiscal year-end. This was also responsible for an increase in current liabilities (trade notes and accounts payable).

Property, plant and equipment increased due to the start of the commercial facility development business.

Investment securities rose sharply, mainly due to the purchase of stock in SEGA CORPORATION.

Non-current liabilities increased due to the issue of ¥40.0 billion in corporate bonds with stock acquisition rights and others.

Item	¥ million	
	FY2004	FY2003
Net sales	251,226	165,774
Gross profit	127,488	92,964
Operating income	71,676	51,709
Ordinary income	68,330	51,020
Net income	32,196	23,066

Sammy recorded sales of ¥251,226 million, up 51.5% from the previous year, and net income of ¥32,196 million, 39.6% higher. This was the result of record unit sales of both pachislot and pachinko machines due to the overwhelming success of the pachislot machine *Hokuto No Ken* and stable growth in sales of pachinko machines. Newly consolidated Nissho Inter Life Co., Ltd. also contributed to performance from December.

Segment Information

Item	¥ million						
	Pachislot / Pachinko	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales and Operating income							
Net sales							
(1) Outside customers	226,624	7,779	4,864	11,958	251,226	—	251,226
(2) Inter-segment and transfer	70	2	321	65	460	(460)	—
Total	226,695	7,782	5,185	12,023	251,687	(460)	251,226
Operating expenses	142,097	9,433	10,234	12,475	174,240	5,309	179,550
Operating income (loss)	84,597	(1,651)	(5,048)	(451)	77,447	(5,770)	71,676

In the pachislot and pachinko business, revenues and earnings were up sharply as operating income rose 39.4% year on year to ¥84,597 million, on sales of ¥226,624 million, up 52.0%. Both figures were record highs. This robust performance largely stemmed from the astounding success of the *Hokuto No Ken* pachislot machine, the bestselling machine in the history of the pachislot industry, and strong sales of Sammy's *CR-MOJYUOH*, the Group's bestselling pachinko machine thus far.

In amusement arcade equipment, Sammy witnessed healthy growth in the mainstay *REVOLUTION II* series of pachislot and pachinko machines specially redesigned for use in amusement arcades, and in its *Kids' Series* of token-based medal game machines for children. Sammy's amusement arcade machine *ATOMISWAVE* also went on sale worldwide. These factors drove sales 23.6% higher to ¥7,779 million. However, increased R&D costs mainly for dedicated *ATOMISWAVE* software resulted in an operating loss of ¥1,651 million.

In home videogame software, Sammy launched three titles in its popular *Jissen Pachislot Hisshoho!* series of pachislot simulations, and released new titles in its first foray into the action game genre. Despite these actions, lingering weakness in the domestic market and one less consolidated subsidiary compared with the previous fiscal year dragged sales down 36.7% to ¥4,864 million. Increased R&D expenditures, mainly by overseas subsidiaries for the creation of original software, higher advertising costs and other expenses resulted in an operating loss of ¥5,048 million.

In other businesses, sales in amusement facilities were brisk as Sammy opened three new facilities and took full advantage of local characteristics and the customer base at new and existing facilities. In content for mobile phones, synergies between mobile pachislot sites and Sammy's pachinko and pachislot businesses sparked substantial growth in the subscriber base. These factors, combined with the contribution to performance of newly consolidated subsidiaries, caused sales to surge 339.8% higher year on year to ¥11,958 million. However, a subsequent increase in the amortization of goodwill and other expenses resulted in an operating loss of ¥451 million.

Condensed Consolidated Statements of Cash Flows



(¥ million)

Item	FY2004	FY2003
Cash flows from operating activities	36,581	31,645
Cash flows from investing activities	(57,368)	(9,284)
Cash flows from financing activities	61,128	(18,201)
Effect of exchange rate changes on cash and cash equivalents	(70)	(126)
Increase in cash and cash equivalents	40,270	4,031
Balance of cash and cash equivalents at beginning of period	26,567	22,535
Balance of cash and cash equivalents at end of period	66,838	26,567

Cash flow statements

Cash and cash equivalents were ¥66,838 million, or ¥40,270 million higher year on year.

Cash flows from operating activities

Operating activities provided net cash of ¥36,581 million, or ¥4,936 million more than in the previous year. This result was largely due to a ¥21,353 million increase in income before income taxes, combined with an increase in purchasing liabilities and a decrease in income taxes paid. Partially offsetting these was a temporary increase in accounts receivable accompanying substantially higher sales.

Cash flows from investing activities

Investing activities used net cash of ¥57,368 million, or ¥48,083 million more than the previous year. This was largely attributed to increases in the acquisition of stock in affiliated companies and property, plant and equipment related to the commercial facility development business.

Cash flows from financing activities

Financing activities provided net cash of ¥61,128 million, or ¥79,330 million more than in the previous year. This was primarily due to a sharp increase in proceeds from the issuance of shares and corporate bonds, as well as lower payments for the purchase of treasury stock.

April 1, 2003 to March 31, 2004

2003

April

Sales launched for *ATOMISWAVE*, Sammy's new arcade game machine platform

May

Announcement and presentation of full-year business results for FY2003

Sammy exhibited at E3 2003

Sammy sponsored an exhibit at the Electronic Entertainment Expo (E3), the world's largest tradeshow for the computer gaming industry held in the United States.

June

Ordinary General Meeting of Shareholders for FY2003

Slotter Kintaro RX pachislot machine went on sale

July

APANDA Inc. made a subsidiary

APANDA, an expert in the planning and development, operation and maintenance of commercial facilities, became a Sammy subsidiary.

FY2004 first-quarter results announced

August

King Camel pachislot machine launched



©Sammy

September

Sammy exhibited at 41st Annual Amusement Machine Show

September

Sammy exhibited at Tokyo Game Show 2003



Visit to Sammy by overseas investors

Track and field team took part in the 30th Annual Berlin Marathon
Sammy marathoners Yasuko Hashimoto and Fumi Murata took first and seventh place honors, respectively, among female runners in the 2003 Berlin Marathon.

October

Sammy Golf Entertainment, Inc. (formerly The North Country Golf Club) made a subsidiary

Hokuto No Ken pachislot machine went on sale

CR City Hunter series pachinko machine launched

November

Nissho Inter Life Co., Ltd. made a subsidiary

Nissho Inter Life, a company with a proven track record in interior construction for commercial facilities, became a Sammy subsidiary.

FY2004 interim results announced

CR Sonic series pachinko machine launched



©SEGA / SONICTEAM
©Sammy

December

Japan Multimedia Services Corporation made a subsidiary
 This move will allow Sammy to improve customer support and other back-office support as it looks to step up activities in the network game business.

Telemarketing expert Japan Multimedia Services joined the ranks as a Sammy subsidiary.

Announced the purchase of shares in SEGA CORPORATION, making it an equity-method affiliate.

SPY FICTION launched for the PS2



©Sammy / ACCESS GAMES INC. 2003

2004

January

Agreed on business tie-up with IGT

Sammy entered into agreement with International Game Technology (IGT), the world's leading slot-machine manufacturer, laying the groundwork for cooperative business ties in pachislot production.

FY2004 third-quarter results announced

CR-MOJYUOH series pachinko machine went on sale

SEVEN SAMURAI 20XX launched for the PS2

February

Special dividend for shareholders announced as *Hokuto No Ken* orders reach 300,000 units

February

Announcement of yen-denominated convertible bonds with stock acquisition rights due in 2009

Sammy announced the issuance of a total of ¥40.0 billion in yen-denominated convertible bonds with stock acquisition rights with maturity in 2009 on the London Stock Exchange.

Sammy exhibited at AOU2004 Amusement Expo

CR Rikidozan series pachinko machine went on sale

Sales launch of *Gamera High Grade Vision* pachislot machine



©Kadokawa-Daiei Pictures Inc.
 ©1999 Kadokawa-Daiei Pictures Inc.TNHN

March

Upward revision of non-consolidated full-year forecasts announced
 Robust performance in the pachislot and pachinko business led Sammy to upwardly revise its non-consolidated operating forecasts.

Track and field team took part in 2004 Nagoya International Women's Marathon

Sammy marathoners Fumi Murata and Yasuko Hashimoto earned 5th and 12th place, respectively, in the 2004 Nagoya International Women's Marathon.

About the Hokuto No Ken pachislot machine



Launched in October 2003, *Hokuto No Ken* (Fist of the North Star) is based on the wildly popular comic book of the same name. Built with an emphasis on entertainment value, this machine is equipped with an innovative “Battle Bonus” system. *Hokuto No Ken* started winning high marks from pachislot fans for its superior game play the moment it was installed in pachislot and pachinko halls across Japan. To date, more than 550,000 units have been sold, making *Hokuto No Ken* far and away the bestselling pachislot machine in the industry’s history. Sammy is taking the success of *Hokuto No Ken* to different platforms, with versions of this pachislot hit for the PlayStation2 and mobile phones also performing extremely well.

Four different designs of the machine



KENSHIRO



RAOH



BATTLE



YURIA

©Sammy

Capturing Synergies on Different Platforms



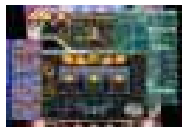
After a record-breaking run of orders for the *Hokuto No Ken* pachislot machine, *Jissen Pachislot Hisshoho! Hokuto No Ken* has finally arrived. Now fans can relive the excitement of this hit from the pachislot hall on the PlayStation2.

Jissen Pachislot Hisshoho! Hokuto No Ken is fully compatible with both regular and mini *Jissen Pachislot Hisshoho!* controllers (sold separately), enabling players to immerse themselves in an experience rivaling that of an actual pachislot hall.

Price: ¥3,990 (Regular version, tax included)
¥6,279 (Limited-edition version, tax included)

Compatible peripherals:

Jissen Pachislot Hisshoho! controller
Jissen Pachislot Hisshoho! mini controller



©Buronson, Tetsuo Hara
©Sammy

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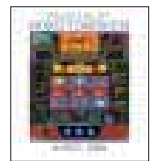
Sammy 777 Town

Sammy’s Most Popular Machines Now Available for Mobile Application Platforms

Revisit the excitement on your mobile phone!

Sammy 777 Town

features a full line of downloadable ring tones, standby screens and voices from some of Sammy’s biggest hits over the years, as well as information on the latest machine varieties.



©Buronson, Tetsuo Hara
©Sammy / Sammy NetWorks



King Camel
©Sammy

King Camel pachislot machine (Launched August 2003)

The first product from Sammy's 3 "D" Project, *King Camel*, not only shatters conventional thinking on pachislot machines by offering greater entertainment value and game play, but features the Dream Reel, the world's first reel capable of an unprecedented range of motion, including reverse spin.

CR-MOJYUOH pachinko machine (Launched January 2004)

Sammy's smash hit pachislot machines *JYUOH* and *MOJYUOH* have migrated to the pachinko genre with *CR-MOJYUOH*. With features including a large LCD screen and the ability to select the desired mode of game play, this machine brings a new level of excitement to pachinko fans.



CR-MOJYUOH
©Sammy



CR Rikidozan
©RIKI Enterprise
©Sammy

CR Rikidozan pachinko machine (Launched February 2004)

Legendary pro wrestler Rikidozan has body slammed his way into the pachinko machine format. In *CR Rikidozan*, Sammy has replaced the traditional jackpot interface with scenes of Rikidozan facing off against an opponent. With this groundbreaking system, players hit the jackpot if Rikidozan can hold his opponent on the mat for a count of three.

Amusement arcade machine ATOMISWAVE (Launched April 2003)

This revolutionary arcade machine greatly simplifies game software replacement and is compatible with a wide range of peripheral devices. In December 2003, Sammy rolled out *AW-NET*, a network gaming service for *ATOMISWAVE*.



©Sammy
©ARC SYSTEM WORKS Co., Ltd.



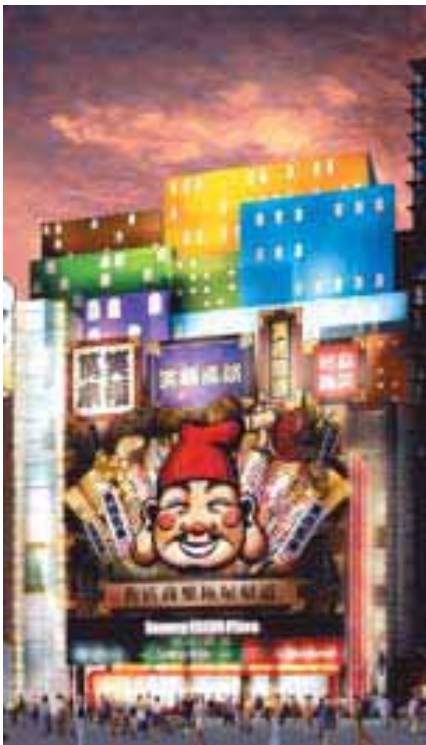
ATOMISWAVE



SEVEN SAMURAI 20XX for the PlayStation2 (Launched January 2004)

Sammy has adapted and converted the late Akira Kurosawa's masterpiece, "Seven Samurai," into a futuristic, cinematic action game.

©Sammy / Dimps Corporation 2004
©KUROSAWA PRODUCTION Inc. / Character concept by Moebius /
Opening & Ending Theme Music by Ryuichi Sakamoto

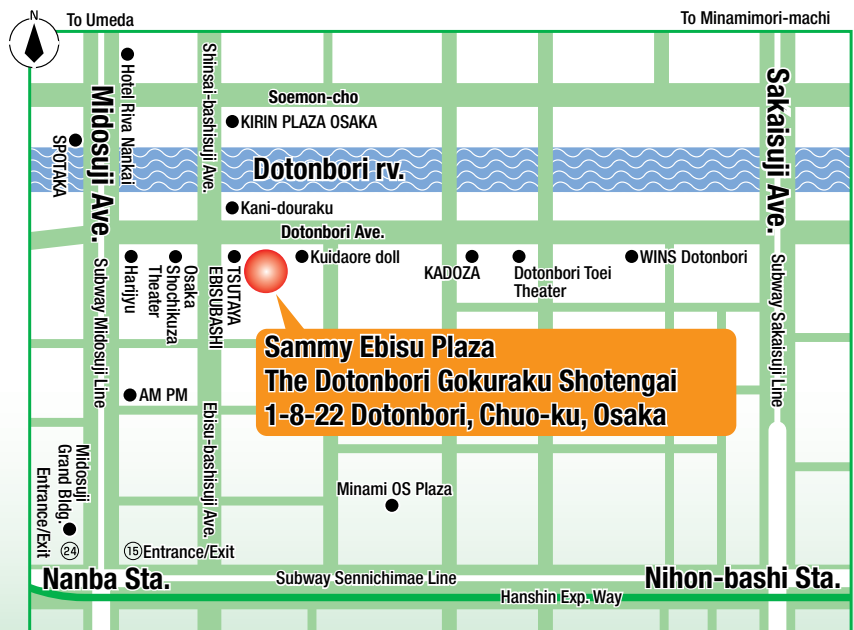


Conceptual drawings of the Dotonbori Gokuraku Shotengai

On July 2, 2004, Sammy is scheduled to open *Sammy Ebisu Plaza*, a comprehensive entertainment facility that combines a shopping mall, theme park, and Sammy Group amusement center, in Dotonbori, Osaka.

Sammy Ebisu Plaza Floor Plan

Floor	Business	Overview
5F-7F	Dotonbori Gokuraku Shotengai (shopping mall theme park)	This theme park features about 50 shops, including famous eateries and pubs—built around the concept of using food to introduce people to the charm of Osaka.
4F	aria blu OSAKA (private diner and karaoke rooms)	A diner and karaoke spot that features private rooms, each uniquely designed.
3F	TOTAL Workout Ebisubashi (training gym)	Fully equipped fitness gym designed by fitness expert Kevin Yamazaki.
1F-2F	Sammy's Reguno Dotonbori (large-scale amusement center)	A large-scale amusement facility with a "near future" theme designed by Sammy Amusement Service Co., Ltd., a Sammy Group company.
1F	The Glico Ya (variety shop)	Limited-edition candies and original merchandise from Glico.



Sammy Ebisu Plaza
The Dotonbori Gokuraku Shotengai
1-8-22 Dotonbori, Chuo-ku, Osaka

Introduction to the *Sammy Group Site*

Sammy invites you to visit its newly created *Sammy Group Site*, a comprehensive source of information on products and investor relations from companies across the Sammy Group. Sammy views this website, which features the latest corporate and IR data, as a means of actively releasing information to the public regarding its activities.

Sammy Group Site Areas

The Sammy Group

A basic introduction to the companies comprising the Sammy Group

Topics

Product and corporate information on Sammy Group companies

Group IR

Stock information and IR releases for listed Sammy Group companies

More content will be posted on the *Sammy Group Site* as it becomes available.

To visit the *Sammy Group Site*, point your browser to the following

URL:
<http://group.sammy.co.jp>

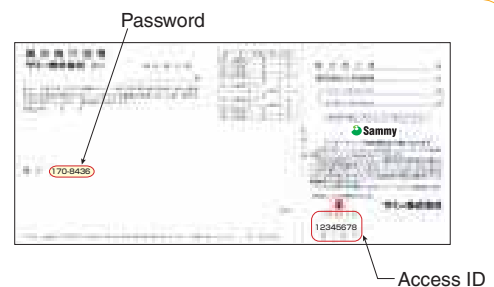


On June 25, 2004, Sammy plans to broadcast its General Meeting of Shareholders live on the “Investor’s Guide” section of Sammy’s IR website. Those shareholders able to view this webcast are encouraged to do so. Please consult the “Investor’s Guide” section of the website for more information on how to view this webcast.

Access ID and Password

A special access ID and password are required to view the webcast. The access ID is located on the lower right hand side of the Execution of Voting Rights form (see illustration). The password is the shareholder’s 7-digit zip code found on the same document. Shareholders whose address has changed since April 1, 2004 should also use the 7-digit zip code printed on the Execution of Voting Rights form when attempting to view the webcast.

* Japanese language only



Investor’s Guide—Sammy’s IR Homepage

Sammy’s IR homepage, “Investor’s Guide,” is provided specifically for investors. The site is filled with official releases from Sammy, as well as IR information from Sammy’s various presentations and information meetings. Viewers can also see videos of the production of pachislot and pachinko machines at Sammy’s Kawagoe Factory by accessing the “Virtual Factory Tour” section of the site. Contents are constantly updated, so be sure to check the site regularly for the latest information.

Sammy’s Investor’s Guide
URL <http://ir.sammy.co.jp>



Joint press conference on business combination of Sammy and SEGA

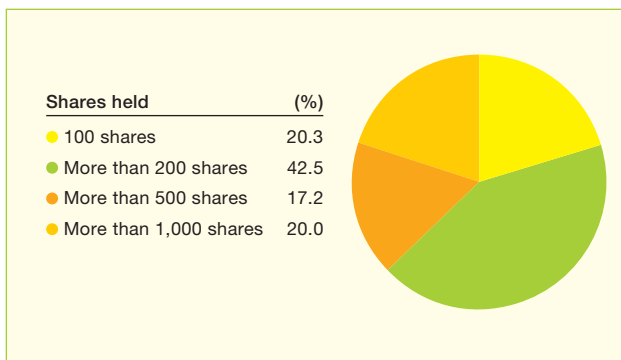
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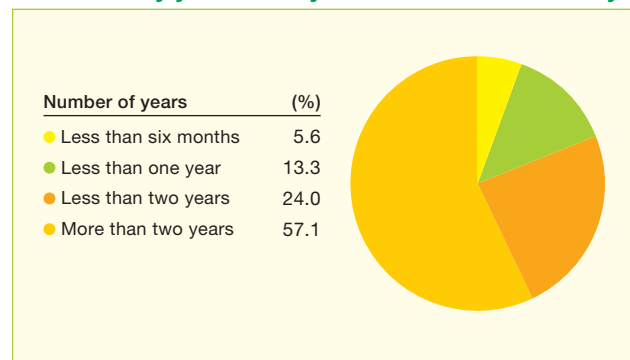
Virtual Factory Tour

A large number of shareholders responded to the survey in Sammy’s Interim Business Report. The results of the survey are listed below.

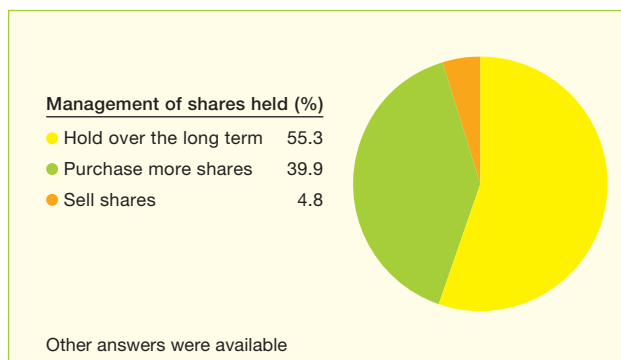
1. How many shares do you hold?



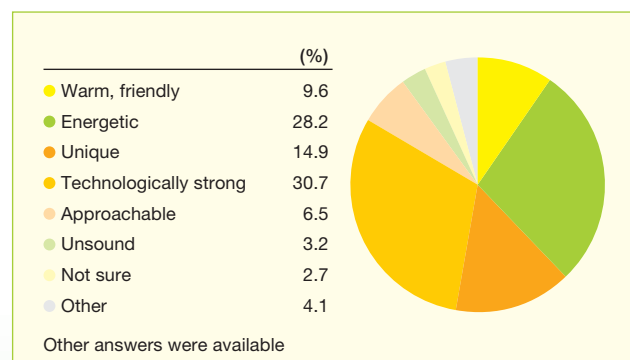
2. How many years have you held shares in Sammy?



3. How do you plan to manage your shares?



4. What is your impression of Sammy?



Shareholder Memo

Fiscal year-end: Mar. 31 of each year

Ordinary General Meeting of Shareholders:
June of each year

Shareholder fixed record date:
(Dividend allocation) Mar. 31
(Sep. 30 in the case of interim
dividends)
Public announcement made for
other required dates

Transfer agent: UFJ Trust Bank Limited
1-4-3, Marunouchi Chiyoda-ku,
Tokyo 100-0005

Administration Office Securities Agent Dept.
UFJ Trust Bank Limited
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Agency of above:
Any branch of UFJ
Trust Bank Limited

Unit stock: 100 shares

Newspaper of record:
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