



SEGA[®]

 **Sammy**

**SEGA CORPORATION & Sammy Corporation
First Half Business Results**

**11th November 2004
At ROPPONGI ACCADEMYHILLS**

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SEGA CORPORATION - 1H Business Results

Sammy Corporation - 1H Business Results

SEGA SAMMY HOLDINGS - Full-term Business Plan



Summary of Consolidated 1H Financial Results

(¥ billion)

	1H FY 2004/3	1H FY 2005/3			
		Projection (A)	Actual (B)	(B)-(A)	YoY
Net Sales	93.5	88.0	93.1	105.8%	99.6%
Operating Income	7.6	1.5	5.6	373.3%	73.7%
Ordinary Income	6.2	1.2	5.6	466.7%	90.3%
Net Income	5.9	0.2	1.0	500.0%	16.9%

Overview

During the first half of the year, we far exceeded the projection both in sales and profits.

<Sales>

Favorable sales of catalogue titles in overseas market

Favorable “Mushi-king” card sales in Amusement Center Operations Business

<Profit>

In addition to the above factors, prize products also drove the favorable results



Summary of Amusement Machine Sales 1H Results

(¥ billion)

	1H FY 2004/3	1H FY 2005/3			
		Projection (A)	Actual (B)	(B)-(A)	YoY
Net Sales	30.1.	29.0	28.6	98.3%	94.6%
Operating Income	6.1.	4.5	5.7	126.7%	93.4%

Though sales of our mainstay products, “UFO Catcher 7,” and “Star Horse Progress,” was below the projection, other products were sold favorably.

Product Name	Sales Units		
	Projection (A)	Actual (B)	(B)-(A)
UFO Catcher 7	5,285	4,288	(997)
Star Horse Progress	112	80	(32)
MJ2	1,852	2,863	+ 1,011
Gacha Mambo	293	347	+ 54
Initial D	1,973	2,534	+ 561

Operating profit ratio increased 4.0%, compared to the projection, which was caused by the high-margin value-added products, “MJ2” and prize products



Summary of Amusement Center Operations 1H Results

(¥ billion)

	1H FY 2004/3	1H FY 2005/3			
		Projection (A)	Actual (B)	(B)-(A)	YoY
Net Sales	34.7	37.0	38.0	102.7%	109.5%
Operating Income	3.9	3.0	4.4	143.3%	110.2%

-Although existing arcades business faced the negative factors such as hot summer weather, typhoons, and Athens Olympic, we introduced strong products including “UFO Catcher 7,” and “Hoku-no-ken,” which drove the approx. 100% YoY results. In addition, new concept arcades including “Omoshiro Yugi Goten,” offset the decrease of sales caused by the unexpected arcades’ close.

Number of Centers at the end of the previous term-end: 478	Projection (A)	Actual (B)	(B)-(A)
Number of Centers Opened	12	11	(1)
Number of Centers Closed	10	26	+ 16
Total Number of Centers at the end of the 1H	463		

	Projection (A)	Actual (B)	(B)-(A)
Capex	9.0	7.8	(1.2)
Depreciation	5.2	4.6	(0.6)

Mushi-King			
Total number of units at the end of the previous fiscal year-end: 2,400	Projection (A)	Actual (B)	(B)-(A)
Number of units introduced during the term (Total Number of units introduced)	1,800 units (4,200 units)	2,014 units (4,414 units)	214 units
Card Sales	1.4 bn	2.8 bn	1.4 bn

-Kids card game business, “Mushi-king” contributed to the favorable results, which far exceeded the initial projection.

Total number of card copies sold:

over 100 million at the end of Oct. 2004!!



Summary of Consumer Business 1H Results

(¥ billion)

	1H FY 2004/3	1H FY 2005/3			
		Projection (A)	Actual (B)	(B)-(A)	YoY
Net Sales	28.6	22.0	26.5	120.5%	92.6%
Operating Income	(1.8)	(6.0)	(4.0)	-	-

<Japan>

-Though results of in-house titles were below the projection, other companies' distribution including Sammy's Pachislot simulation title, "Hokuto-no-ken" contributed to the results.

<Overseas>

-Thanks to the favorable results of strong repeat orders including "SONIC HEROES," the results far exceeded the projection.

(Number of Sales units and introduced titles)

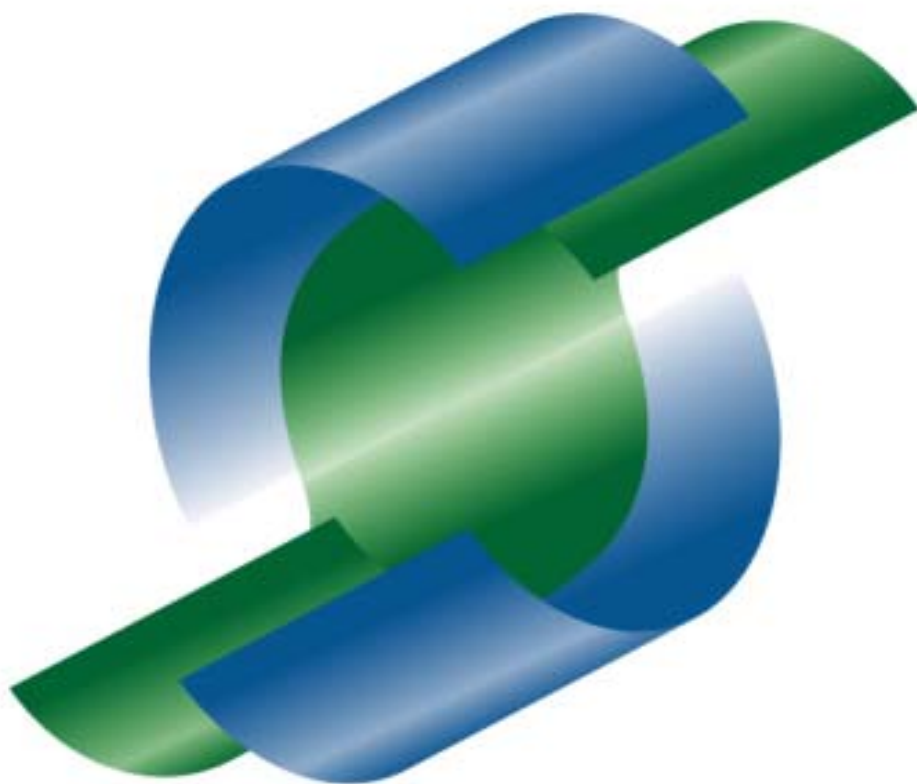
	Projection (A)		Actual (B)		(B)-(A)	
	Titles	Copies sold (million)	Titles	Copies sold (thousand)	Titles	Copies sold (thousand)
Japan	8	1.14	9	1.02	+ 1	(0.12)
N. America	7	0.99	8	1.68	+ 1	0.69
Europe	11	0.56	4	1.03	(7)	0.47
Total	26	2.69	21	3.73	(5)	1.04



1H by Business Segment

	(¥ billion)		(A)-(B)	FY 2004.3
	FY 2005.3 1H Results (A)	FY 2005.3 1H Projection (B)		1H Results
Net Sales				
Amusement Machine Sales	28.6	29.0	(0.4)	30.1
Amusement Center Operations	38.0	37.0	1.0	34.7
Consumer Business	26.5	22.0	4.5	28.6
Total	93.1	88.0	5.1	93.5
Operating Income				
Amusement Machine Sales	5.7	4.5	1.2	6.1
Amusement Center Operations	4.4	3.0	1.4	3.9
Consumer Business	(4.0)	(6.0)	2.0	(1.8)
Total	5.6	1.5	4.1	7.6

Operating Profit Ratio				
Amusement Machine Sales	19.9%	15.5%		20.3%
Amusement Center Operations	11.6%	8.1%		11.2%
Consumer Business	-15.1%	-27.3%		-6.3%
Total	6.0%	1.7%		8.1%



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(¥ billions)

	1H FY2004/3	1H FY 2005/3			
		Plan	Results	To Plan	YOY
Net Sales	77	190	198	4.4%	155.0%
Operating Income	22	67	69	3.2%	204.6%
Ordinary Income	22	66	67	2.3%	203.6%
Net Income	10	34	40	17.2%	303.2%

Net Sales rose 155.0% and Operating Income increased 204.6% compared with previous 1H.

Results exceed the business plan.

《Net Sales》

Expand of sales in all business segment, especially pachislot & pachinko business.

Good results in each consolidated subsidiaries.

《Income》

¥2.2Billions extraordinary income from initial public offering of subsidiary company “Sammy Networks”

Lowering effective tax rate applied by retained earnings tax exemption

By Business Segment

1H Results for FY 2005/3

(¥ Billions)

	Pachislot & Pachinko	Amusement arcade equipment	Home Video Game Software	Others	Total	Corporate and elimination	Consolidated
Net Sales	173	5	3	1	198		198
Operating Income	77	2	2	0.4	74	(4)	69

1H Plan for FY 2005/3

(¥ Billions)

	Pachislot & Pachinko	Amusement arcade equipment	Home Video Game Software	Others	Total	Corporate and elimination	Consolidated
Net Sales	168	5	2	13	190		190
Operating Income	71	0.3	1	0.3	71	(3)	67

1H Results for FY 2004/3

(¥ Billions)

	Pachislot & Pachinko	Amusement arcade equipment	Home Video Game Software	Others	Total	Corporate and elimination	Consolidated
Net Sales	69	3	2	3	77		77
Operating Income	28	1	2	0.2	25	(2)	22

Pachislot Business

Comparison of 1H YOY

Brand	1H FY 2004/3	1H FY 2005/3	
		Plan	Actual
	5 titles	1 titles	1 titles
	89,131 Units	320,000 Units	
	5 titles	2 titles	2 titles
	108,726 Units	61,000 Units	66,785 Units
OEM	3 titles	1 titles	3 titles
	46,000 Units	35,000 Units	39,550 Units
Total	243,857 Units	416,000 Units	424,399 Units
	60 billions	138 billions	143 billions

Major Sales

	HOKUTONO-KEN	318,081 Units
	GAMERA High Grade Vision	30,971 Units
	UMEMATSU Paradise	35,814 Units
OEM	DARUMA-NEKO	34,650 Units



Points in Pachislot Business

- ✓ Big Hit of 「HOKKUTONO-KEN」

Accumulated shipped Units : 580,000 Units

Expand of Brand Power, Hit of the Pachislot with entertainment element,
Strong expectations for our unpublished machines

- ✓ Solid hit sales except 「HOKKUTONO-KEN」


Strong Brand Power and R&D capability

Pachinko Business

Comparison of 1H YOY

Brand	1H FY 2004/3	1H FY 2005/3	
		Plan	Results
	5 titles	5 titles	
	30,492 units	120,000 units	122,641 units
	6 billions	20 billions	21 billions

Major Sales

	CR POPYE	41,580 units
	CR MARMADE ZABOON	20,204 units
	CR THE RESCUE DOG	20,051 units
	CR LINDA	25,887 units
	CR BAKUMATUNO-KAZE	

Points in Pachinko Business

- ✓ Advantage of strengthening of Pachinko R&D
 - Increase of the machines approved, supplying stable hit product – average 20,000 units over
- ✓ Sales structure of pachinko
 - Establish of sales routs (Direct sales and Fields Corporation)
- ✓ R&D of NEW machines according with new regulation
 - Utilize of SEGA's technology and contents
 - Sammy's accumulated Know-How of entertainment machines

Amusement arcade equipment, Home video game software

Amusement arcade equipment

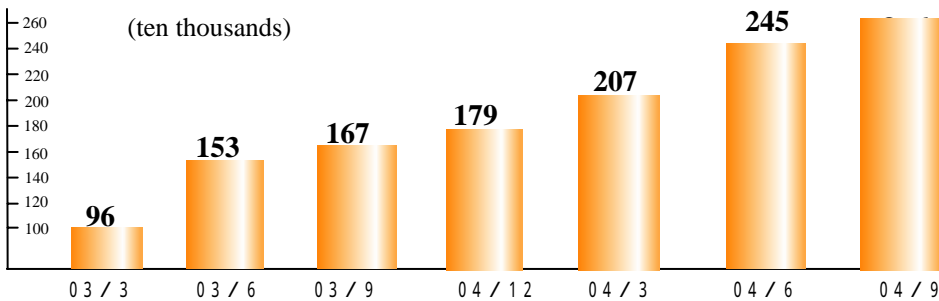
	1H FY 2005/3	
	Plan	Results
Japan	4 billions	5 billions
Overseas	1 billion	1 billion
Total	5 billions	6 billions

Home video game software

	1H FY 2005/3	
	Plan	Results
Japan	717,358 Units	1,029,563 Units
	2.4billions	3.2 billions
Overseas	129,000 Units	110,845 Units
	0.4 billions	0.2 billions
Total	846,358 Units	1,140,408 Units
	3 billions	3.4 billions

The number of Member of Sammy Networks' Contents business

260



Point of Amusement arcade equipment

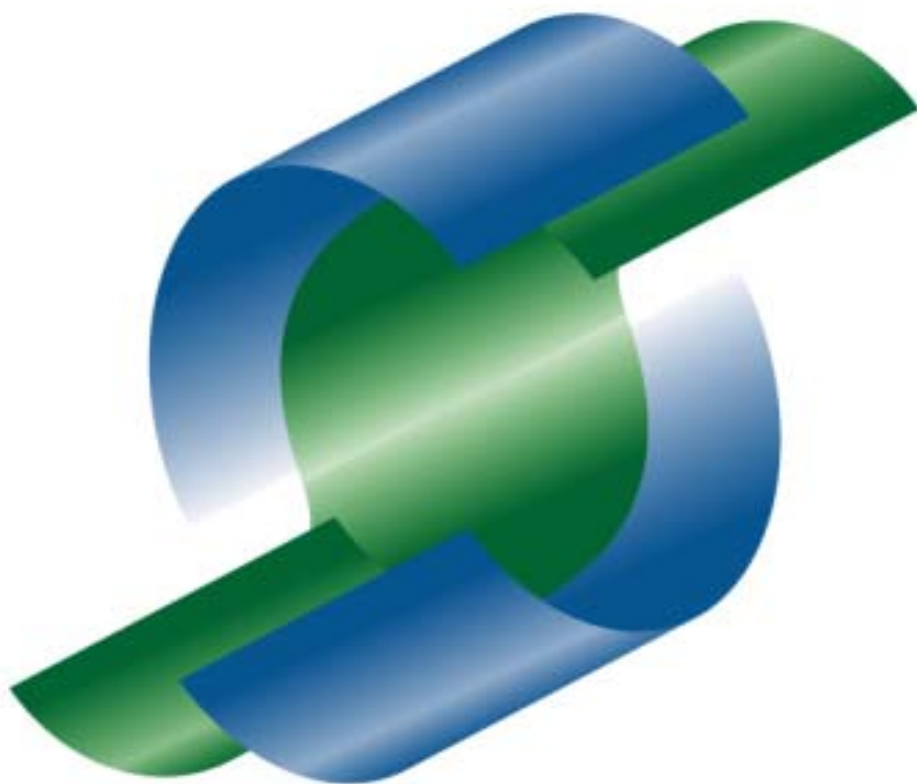
- ✓ Good Sales of “ Revolution2”, Medal games
- ✓ Advanced development of software for ATOMISWAVE
R&D expenditures: 3billions (Previous 1H: 1billion)
Improving drastic efficient software development by integration with SEGA

Point of Home video game software

- ✓ Big hit 870 thousand unit of “Jissen Pachislot Hisshohou HOKUTONOKEN” for PS2
- ✓ R&D investment of original titles at Sammy Studios
- ✓ ¥1.6billions R&D investment in this segment (¥1.4 billion plus of previous year)

Point of other business

- ✓ Increase of members of paid contents and average unit income
Contribution from Sammy Networks
- ✓ Consolidated contribution from Nissho InterLife



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Forecast for FY2005 Mar end

	Forecast for FY2005 Mar
Net Sales	¥528.0 billions
Operating Income	¥97.0 billions
Ordinary Income	¥94.0 billions
Net Income	¥53.5 billions

Earnings forecast upgraded reflected by Sammy`s favorable interim performance



Forecast for FY 2005 Mar – Pachislot Pachinko related

(Billion, unit)		05/3(Plan)
Sales	Pachislot	2,049
	Pachinko	560
	Peripherals	110
	Total	2,719
Operating Income		915
Sales Unit Pachislot	Sammy	2 Titles 425,000 units
	Rodeo	4 Titles 120,000units
	OEM	2 Titles 76,000 units
	合計	8 Titles 621,000units
	Sales Unit Pachinko	10 Titles 317,000units

Continuing sale of HokutonoKen
 Preparation for new regulation
 Starting OEM supply to IGT

Acquiring 2titles approved for new regulation
 Aggressive R&D for new regulation



Forecast for FY 2005 Mar – Amusement Consumer related 【Amusement Machine Sales】

(Billion)		FY2005/Mar(F)
Sales	Domestic	55.1
	Overseas	11.0
	Total	66.1
Operating Profit		8.0

Full assortment of products by R&D enhancement

Expansion of overseas sales channels

Aim for leading global market share



Forecast for FY 2005 Mar – Amusement Consumer related [Amusement Center Operations]

(Billion, units)	FY2005/Mar(F)
Sales	80.3
Operating Profit	5.9
CAPEX	21.6
Number of Amusement Centers	465
(Company Store)	(175)

Profitability improved by differentiation from existing facility

Demand creation for rental machine business expanding

Development of new type of Entertainment complex based on completely new concept



Forecast for FY 2005 Mar – Amusement Consumer related 【Consumer】

(Billion, thousand units)		FY2005/Mar(F)
Sales	Domestic	47.1
	Overseas	23.6
	Total	70.8
Operating Profit (Loss)		(5.5)
R&D expenses		17.5
Sales units	Domestic	5,060
	Overseas	8,450
	Total	13,510

New R&D organization started

New R&D , Sales organization for overseas

Enhancement of competitive edge for global market

Full commitment and Market entry into Online game

Forecast for FY 2005 Mar – Media contents

(Billion)	FY2005 / Mar(F)
Sales	44.1
Operating Profit	2.6

Maximizing content utilization from all business

Global market entry

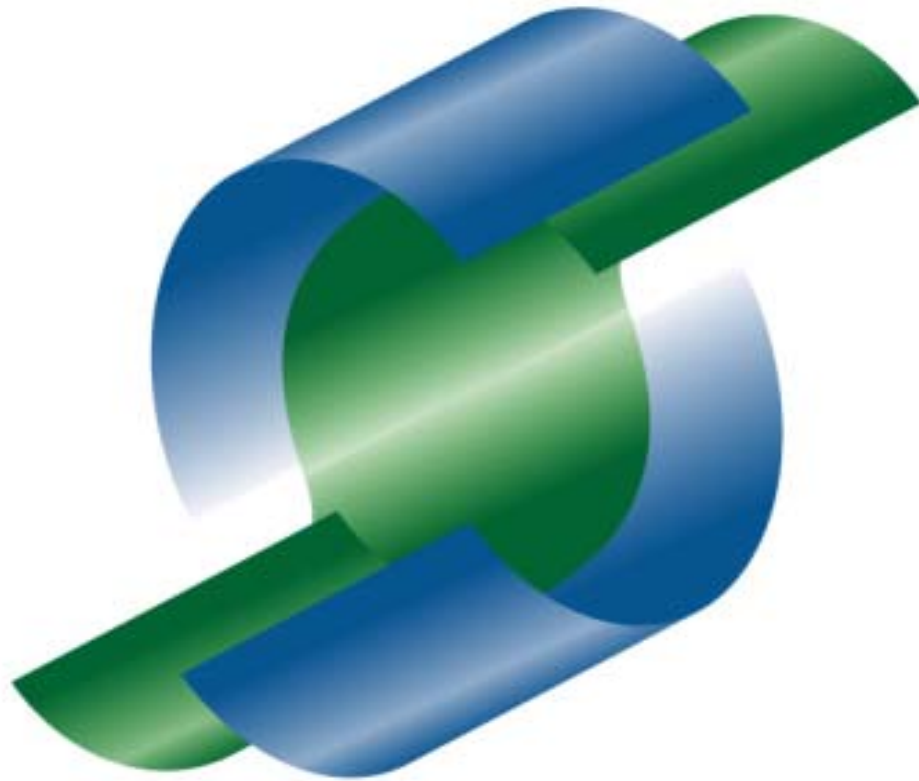
Expanding business success chain

Expansion into entertainment related business

SEGA SAMMY Group Vision

- Pursue business opportunities on a global market
- Target a broad range of age groups
- Utilize all ideas and technologies from low to advanced
- Maximize the use of contents in the group
- Expand synergies to other business areas

**Establish a strong presence in all
business fields and become the No.1
Integrated Entertainment Company**



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