



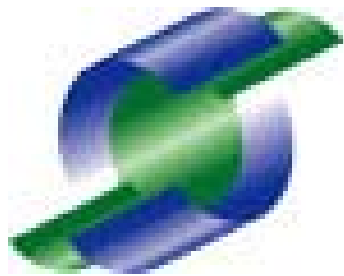
SEGA SAMMY HOLDINGS INC.

FY2004 Financial Results

(for the year ended March 31, 2005)

May 25, 2005

The Westin Tokyo



SEGA-SAMMY
H O L D I N G S



Contents

✧ FY2004 consolidated results

✧ Medium term business plan
(from FY2005 to FY2007)



SEGA SAMMY GROUP

FY2004 consolidated results

FY2004 Results: Consolidated P/L Statement (condensed)

(JPY billion)

	FY2003		FY2004		
	SAMMY	SEGA	Plan	Actual	% to plan
Net sales	251.2	191.2	528	515.6	-2.3%
Operating income	71.6	14.4	97.0	105.0	+8.2%
Ordinary income	68.3	12.6	94.0	104.4	+11.0%
Net income	32.1	8.7	53.5	50.5	-5.6%

<< Net sales >>

- Videogame software sales decreased due to restructuring of SEGA's consumer business

<< Operating income / Ordinary income >>

- **"Topped ¥100B"** thanks to the strong performance of Pachislot business

<< Net income >>

- 5.6 percent less than the plan due to the special loss caused by maturities of corporate bonds (¥10.6B) and costs of business restructuring (¥2.9B)
- **Net income per share: ¥410.53**

FY2004 Results: Consolidated balance Sheet (condensed)

(JPY billion)

Item	End of Mar 05
Current assets	282.4
Cash and deposits	152.2
Notes/accounts receivable	76.9
Inventory	32.0
Others	21.3
Non-current assets	156.5
Property, plant & equipment	73.1
Intangible fixed assets	10.0
Investments & other assets	73.3
Total assets	438.9

Item	End of Mar 05
Current liabilities	110.2
Notes/accounts payable	57.1
Short-term bank loans	10.0
Current portion of long-term debt	3.2
Others	39.8
Non-current liabilities	61.2
Bonds payable	31.1
Long-term debt	11.1
Others	19.0
Minority interests	8.5
Shareholders' equity	258.9
Total liabilities, minority interests and shareholders' equity	438.9

<< Net cash of about ¥100B >>

Allow strategic investment in growing areas
→ to achieve sustainable growth

<< CB conversion >>

CB-to-share conversion progressed (balance: ¥30.5B → ¥5.3B) → Improvement in capital ratio

<< Strong financial base and high profitability >>

Capital ratio: 59.0% ROE: 19.5%

BPS: ¥2,067.91 ROA: 23.8%

[Key data]

Common stock	27.2
Capital surplus	176.3
Retained earnings	133.7
Treasury stock	-73.2

* ROE and ROA based on shareholders' equity and total assets at closing.

FY2004 Results: Consolidated statements of cash flows (condensed)

(JPY billion)

	FY2003		FY2004
	SAMMY	SEGA	Actual
C/F from operating activities	36.5	21.5	77.7
C/F from investment activities	-57.3	-9.0	-39.6
C/F from financing activities	61.1	-41.3	-25.7
Increase (decrease) in cash and cash equivalents	40.2	-29.4	12.4
Balance of cash and cash equivalents at beginning of period	26.5	101.3	138.7
Balance of cash and cash equivalents at end of period	66.8	71.9	151.2

<< Operating C/F >> Strong performance of Pachislot sales

<< Investment C/F >> Mainly the acquisition of tangible fixed assets relating to amusement facility business (-¥24.4B)

<< Financing C/F >> Early maturities of bonds due to business combination (-¥21.2B)

FY2004 Results: Segment data



(JPY billion)

	FY2003		FY2004		
	SAMMY	SEGA	Plan (figures announced on Nov 10)	Actual	% to plan
Net sales	251.2	191.2	528.0	515.6	-2.3%
Gaming machine	226.6	-	271.9	280.1	+3.0%
Amusement equipment	7.7	60.3	66.1	63.3	-4.2%
Amusement facility	(*) -	69.8	80.4	83.1	+3.3%
Consumer	4.8	61.0	80.7	65.3	-19.0%
Others	(*)11.9	-	34.2	23.7	-30.7%
Operating income	71.6	14.4	97.0	105.0	+8.2%
Gaming machine	84.5	-	91.5	103.9	+13.5%
Amusement equipment	-1.6	12.0	8.0	7.4	-7.5%
Amusement facility	(*) -	6.1	5.9	5.4	-8.4%
Consumer	-5.0	-2.8	-3.2	-8.8	-
Others	(*) -0.4	-	0.3	-0.5	-



(*) SAMMY's amusement facility business is included in "Others" for FY2003.

FY2004 Results: Gaming machine - Pachislot

Full-year comparison (# of series/units sold/sales)

Brand	FY2003	FY2004		
		Full-yr plan	Full-yr actual	Change from plan
 Sammy	7 models	2 models	2 models	No change
	360,487	425,000	416,994	-8,006
 RODEO	7 models	5 models	4 models	-1 model
	147,167	120,000	165,239	+45,239
OEM	3 models	2 models	3 models	+1 model
	84,100	76,000	94,700	+18,700
Total	17 models	9 models	9 models	No change
	591,754	621,000	676,933	+55,933
	¥170.4B	¥204.9B	¥221.0B	+¥16.1B

Unit sales by key products

 Sammy	Hokuto No Ken	356,820
	Popeye	60,191
 RODEO	Ume Matsu Paradise	36,590
	Gamera High-grade Vision	31,121
	Kaiji	28,187
	Onimusha 3	69,341
OEM	Daruma Neko (Aristocrat)	34,650
	Kyojin no Hoshi 2 (Aristocrat)	30,050
	Terminator 2 (IGT)	30,000

<< Unit sales increased >>

+85K units vs. previous year and +55K vs. the plan.

<< Huge hit of Hokuto No Ken >>

Strong sales of Hokuto No Ken: About 360K units in the year and 620K on a cumulative basis.

<< Development / supply of steadily-selling models >>

Also developed and supplied other steadily-selling models:
Onimusha 3: About 120K orders received

(About 70K shipped in FY04; 50K planned for FY05)




Hokuto No Ken set a new sales record in Pachislot sector



RODEO brand Kagemusha 3

FY2004 Results: Gaming machine - Pachinko

Full-year comparison (# of series/units sold/net sales)

Brand	FY2003	FY2004		
		Full-yr plan	Full-yr actual	Change from plan
 Sammy	11 series	10 series	8 series	-2 series
	248,533	317,000	233,049	-83,951
	¥49.0B	¥56.0B	¥44.4	-¥11.6B

Unit sales by key products

 Sammy	CR Hakushon Daimao 2	60,089
	CR Popeye	41,579
	CR Ore No Sora	30,245
	CR Mermaid Zabun	20,204
	CR The Rescue Dog	20,056
	CR Wa	20,057
	CR Linda No Dounimo Tomaranai	25,887

<< Decrease in units sold >>

-15K units vs. previous year and -84K units vs. the plan.

Two series (incl. strategic products) carried over to FY05 against the backdrop of strong Pachislot sales

<< Development/supply of steadily-selling models >>

Higher product quality by enhanced development capability. Establishment of SAMMY brand in Pachinko market.

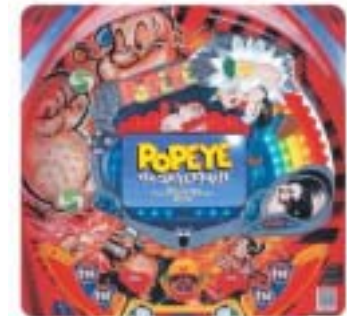
<< Higher average in unit sales >>

Average unit sales per series:

About 20K in FY2003 About 30K in FY2004



“CR Hakushon Daimao”,
the first machine based
on the new regulation



“CR Popeye”
also transplanted
to Pachislot

FY2004 Results: Amusement equipment

Full-year comparison

(JPY billion)

	FY2003		FY2004		
	SAMMY	SEGA	Plan	Actual	% to plan
Net sales	7.7	60.3	66.1	63.3	-4.2%
Operating income	-1.6	12.0	8.0	7.4	-7.5%

Unit sales by key products

Product	Actual units sold
UFO Catcher 7	6,886
Star Horse Progress	120
MJ2	4,984 satellites
Gacha Mambo	501
Quest of D	573
Sangokushi Taisen	421
Initial D 3	673

<< Regular products selling well >>

Regular products (e.g. token games and “UFO Catcher 7”) are

II



“Quest of D”
online action RPG based on
trading cards offered
first time for game
arcades

FY2004 Results: Amusement facility

Full-year comparison

(JPY billion)

	FY2003		FY2004		
	SAMMY	SEGA	Plan	Actual	% to plan
Net sales		69.8	80.4	83.1	+3.3%
Operating income		6.1	5.9	5.4	-8.4%

(*) SAMMY's amusement facility business is included in "Others" for FY2003.

<< Sales at existing facilities decreased 1.5% y-o-y >>

Due to hot summer, Olympics and lack of major products in 2H, etc

<< Aggressive promotion of facilities scrap-and-build >>

Opened 24 facilities, closed 42 and added 17 for business combination

<< New businesses including Mushi King in top gear >>

Cumulative installations: 9,000 units

Cumulative sales of 160 million cards!



# of facilities at end of FY03: 478	FY2004
Opened	24
Closed	42
# of facilities at end of FY04	477

of facilities at end of FY04 includes 17 that used to be run by SAMMY (including five directly-run facilities).

Mushi King	
Installations at end of FY03: 2,400	Full-year actual
FY2004 installations (cumulative installations)	6,600 units (9,000 units)
Card sales	120M

	FY2004
Capital investment	¥24.8B
Depreciation	¥11.9B

FY2004 Results: Consumer business

Full-year comparison

(JPY billion)

	FY2003		FY2004		
	SAMMY	SEGA	Plan	Actual	% to plan
Net sales	4.8	61	80.7	65.3	-19.0%
Operating income	-5	-2.8	-3.2	-8.8	

Sales by region

	# of titles	Sales (M pieces)
Japan	30	3.38
U.S.	26	4.53
Europe	28	3.87
Total	84	11.79

<< Sales of Jissen Pachislot Hisshoho! Hokuto No Ken topped one million >>

Synergy of SAMMY's content/development capability and SEGA's sales strength

<< Brisk sales in overseas >>

Sonic series sold more than 2 million pieces and Football Manager 570K pieces

<< Steady growth of subsidiary's mobile content business >>

of paid service members of SAMMY 777 Town: 1.47 million

Unit sales by key products

	Product/service	M pieces/members
Japan	Jissen Pachislot Hisshoho! Hokuto No Ken (incl. 'Plus')	1.15
	Saka Tsuku 04	0.38
Over-seas	Sonic series	2.19
	Football Manager	0.57
Mobile	SAMMY 777 Town	1.47M members



SEGA-SAMMY
H O L D I N G S



SEGA SAMMY GROUP

Medium-term Business Plan (FY2005 – FY2007)



SEGA-SAMMY
H O L D I N G S

Effect of the business combination

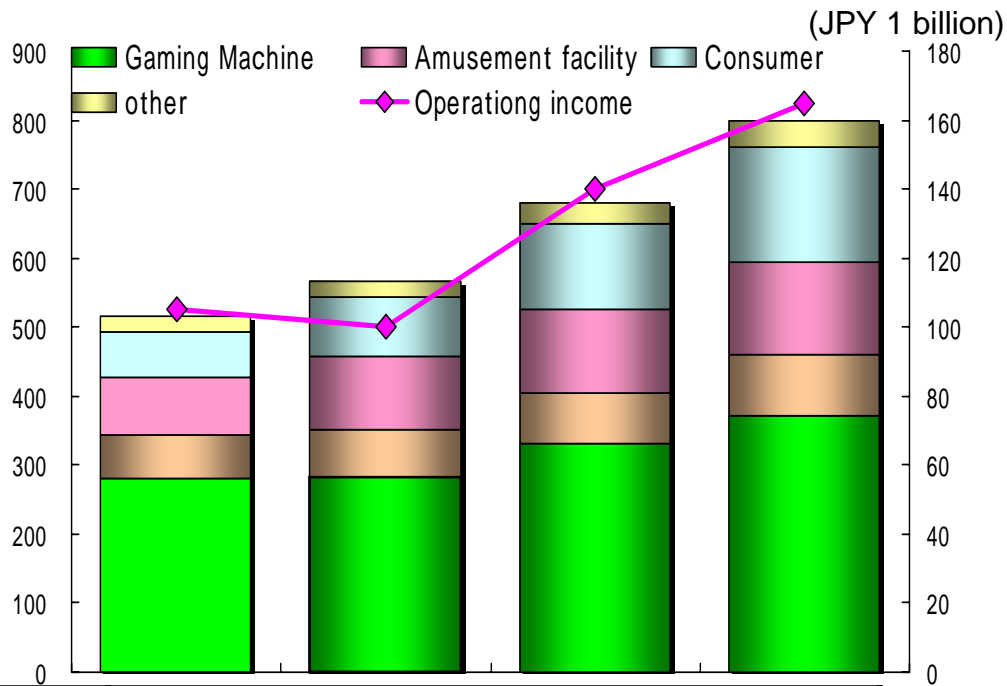
	Item	Value	Description
Efforts in FY2004	Restructuring of overseas businesses	Approx. ¥5B-6B	<ul style="list-style-type: none"> - Sale of Visual Concepts - MBO of Sammy Studio - Integration of overseas Group companies
Efforts in FY2005 onward	Shared content / joint development	¥1B-2B	- Sharing/joint acquisition of powerful content e.g. Mushi King
	Consolidated purchasing	Approx. ¥1B	- Common electronics parts etc
	Group company realignment	Approx. ¥1B	- HR reallocation within Group etc

Cost synergy of approx. ¥10B serves as a base for achievement of the mid-term business plan.



SEGA-SAMMY
H O L D I N G S

Mid-term Business Plan - SEGA SAMMY Group

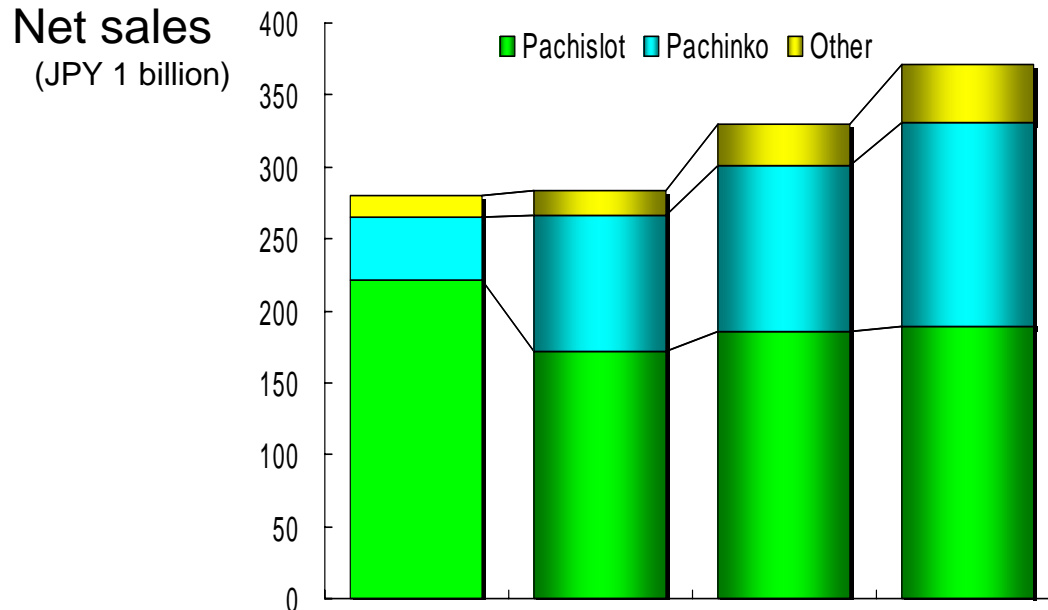


Business realignment is almost complete, shifting to a stage of ensuring revenues for sustained growth

- Best and balanced business portfolio, unrivaled by the competitors
- Establish the position of a leading company in the entertainment sector
- Attain the ordinary income of ¥100B on a continued basis

(JPY billion)	2005/3	2006/3		2007/3	2008/3
		1H	Full-yr		
Net sales	515.6	240	567	680	800
Operating income	105.0	28	100	140	165
Ordinary income	104.4	28	100	140	165
Net income	50.5	9	56	85	90

Mid-term Business Plan - Gaming machine



(JPY billion / 10K units)		2005/3	2006/3	2007/3	2008/3
Pachi-slot	Net sales	221.0	171.8	185.9	189.2
	Unit sales	67	58	58	58
Pachinko	Net sales	44.3	94.6	115.3	141.4
	Unit sales	23	43	48	58
Other		14.6	17.7	28.9	40.5
Total net sales		280.1	284.0	330.0	371.0
Operating income		103.9	86.0	107.1	112.1

Responding to changes in the market after the revised regulation

Pachislot machines

- Old-standard big-name machines unrivaled by the competitors
- Technological development capability by a focus on entertainment, evidenced by Hokuto No Ken
 - Advantage in new-standard machines, release of strategic products
- Maintaining overwhelming No.1 share
- FY2005 Plan: 1H 250,000 Units
Full-yr 580,000 Units

Pachinko machines

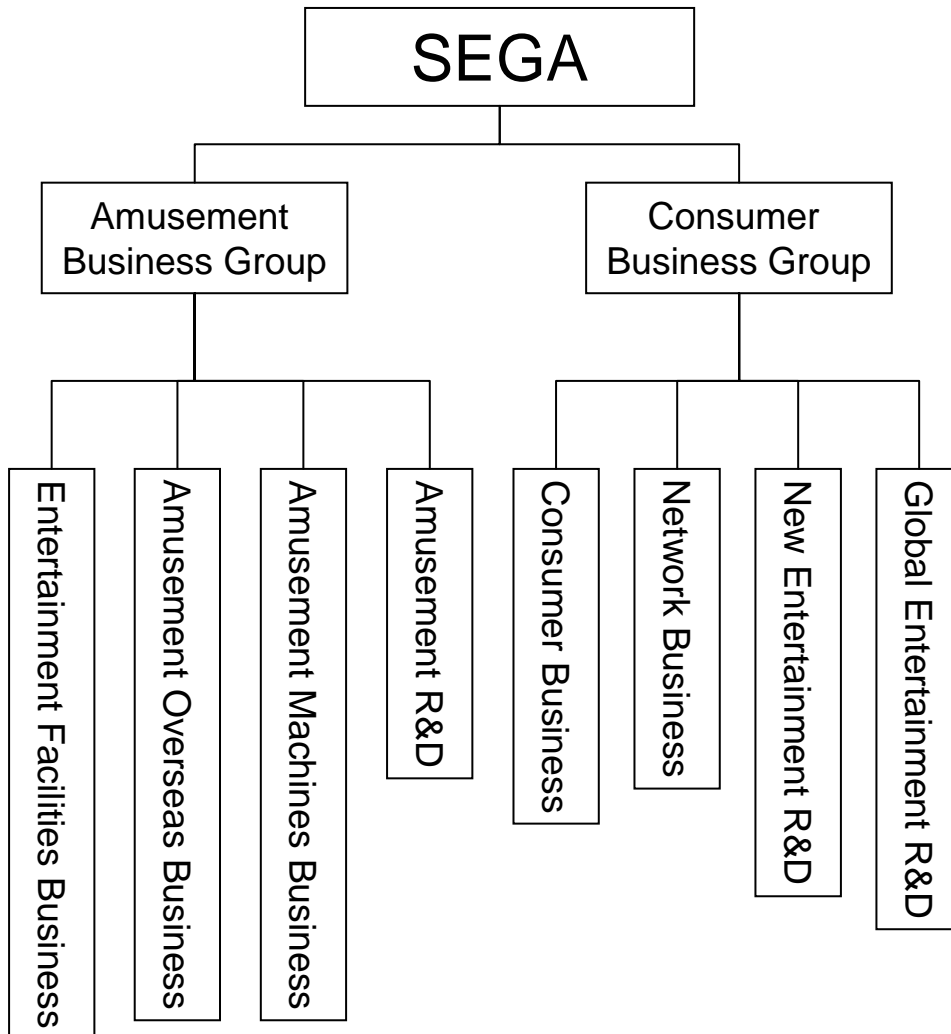
- Industry leader in technological development
Increased number of approvals/licenses
- Establishment of "SAMMY Pachinko brand"
Higher share by strong product appeal and sales force
- FY2005 Plan: 1H 230,000 Units
Full-yr 430,000 Units

Total Pachinko center producing

- Promotion of new businesses embracing peripherals and hall design
- Quickly establish a foundation as a third main revenue stream

Mid-term Business Plan - Reorganization of SEGA (summary)

As of Apr 1, 2005



**Establishment of revenue base
and sustained growth**

Delegation of authority and clarification of responsibilities

- Quicker decisions and actions
- Ensure profitability and clarify responsibilities for each Business Group

Integration of R&D and business units

- Product development after precisely grabbing market needs
- Thorough control of each project on schedule, cost and others

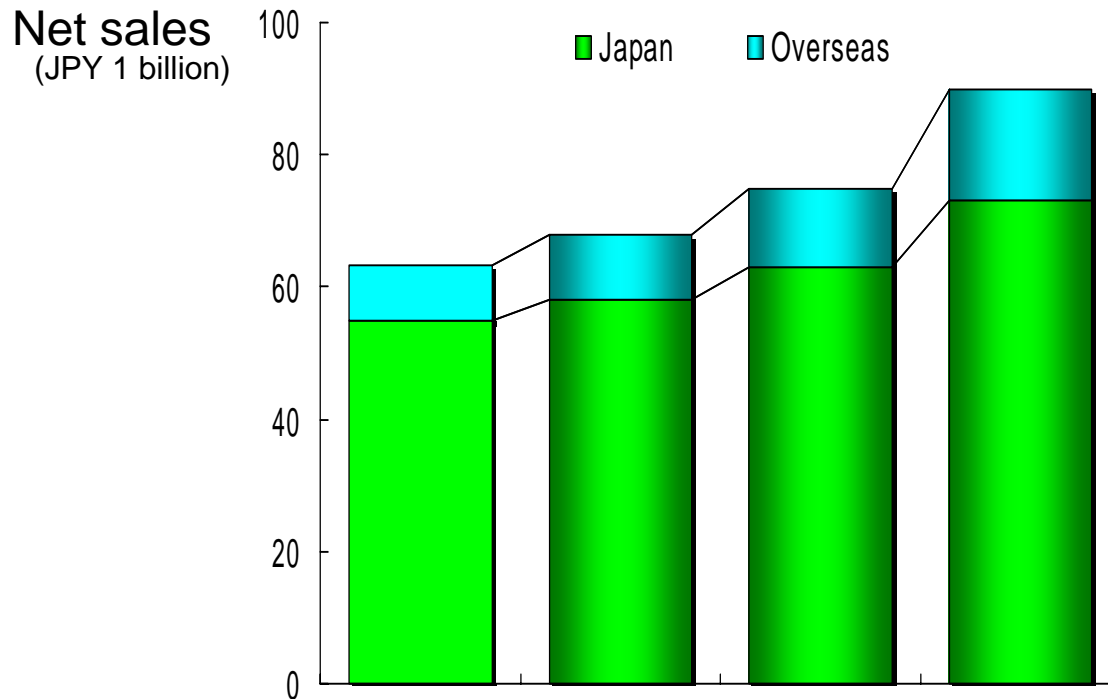
Integration of facilities and equipment businesses

- Develop markets and precisely grasp the needs through joint work
- Develop overseas markets that are going to be important in the future



SEGA-SAMMY
H O L D I N G S

Mid-term Business Plan - Amusement equipment



Global deployment based on enhanced product lineup

Japan

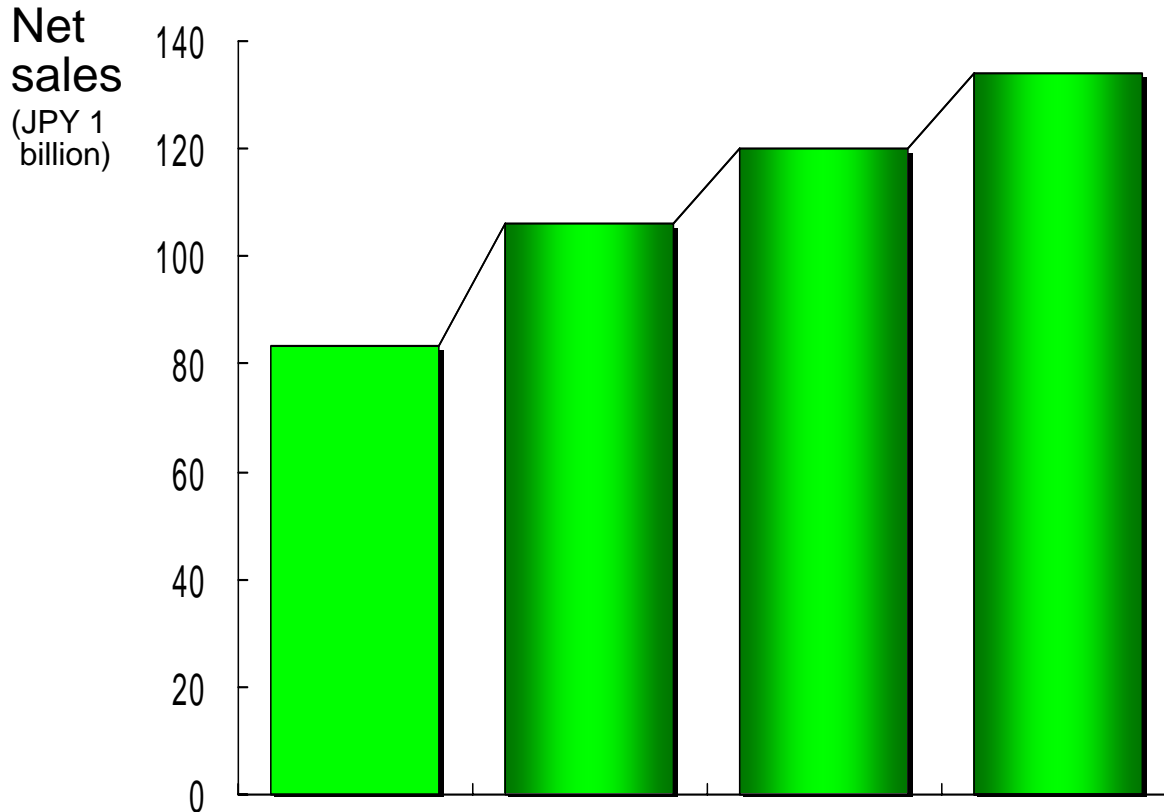
- Aggressive development of high-value-added and differentiated products
- Steady success of regular products (e.g. UFO Catcher) and amusement-focused Pachislot machines
- Continued existence of market needs such as those for shopping malls

Overseas

- Fewer competitors and potentially-huge market scale (e.g. sports bars)
- Supply of products that match with market needs/characteristics, fully utilizing amusement equipment resources
- Already established overseas network, including the sales channel through Wall Mart

(JPY billion)		2005/3	2006/3	2007/3	2008/3
Net sales	Japan	54.4	58.0	63.0	73.0
	Overseas	8.9	10.0	12.0	17.0
Total net sales		63.3	68.0	75.0	90.0
Operating income		7.4	8.5	9.5	10.0
% of overseas		14.0	14.7	16.0	18.8

Mid-term Business Plan - Amusement facility



Improved profitability of existing facilities and new deployment

Facilities

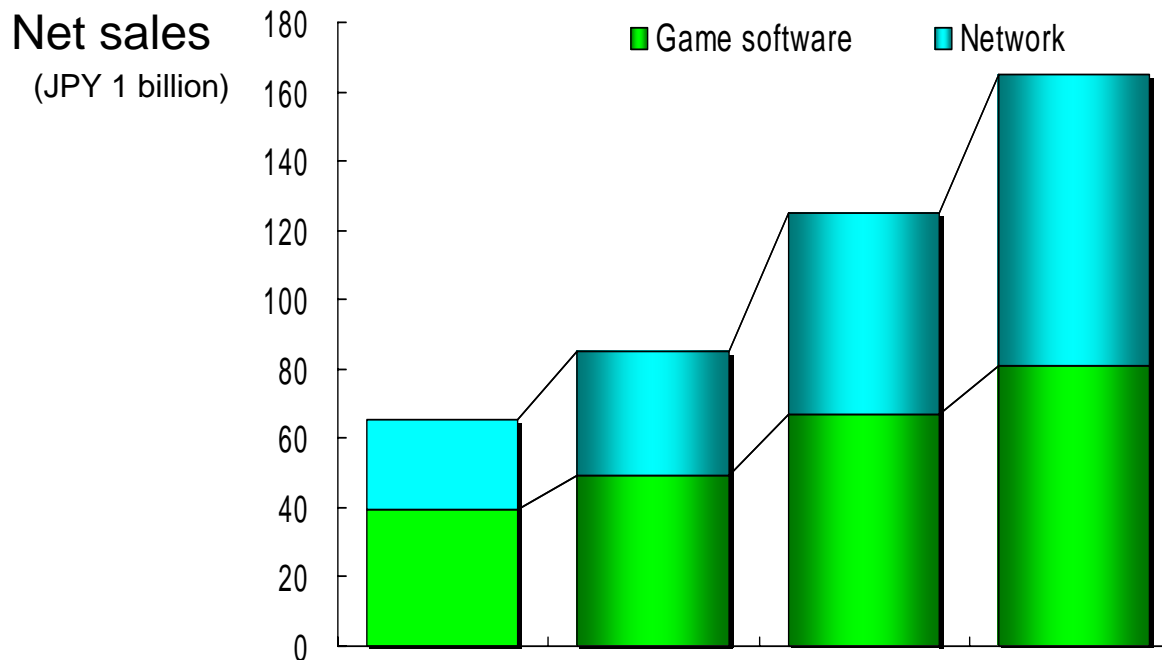
- Scrap-and-build focused on profitability
- Improvements in customer-attracting rate and revenues by revitalizing facility operation

New deployment

- Horizontal deployment of the Mushi King business model
- Large-scale entertainment complex
- Development of overseas markets

(JPY billion)	2005/3	2006/3	2007/3	2008/3
Net sales	83.1	106.0	120.0	134.0
Operating income	5.4	11.0	12.5	13.5
# of facilities	477	468	454	443
Capital investment	24.8	26.8	30.2	30.7

Mid-term Business Plan - Consumer business



A key revenue stream through aggressive deployment of the business

Videogame software

- Domestic deployment focused on profitability
- Establishment of presence in the western markets

Network/online/mobile

- Aggressive entry into growing markets
- Enhancement of mobile business
- Development of new markets/ businesses beyond existing mobile content business

Toy

- Expansion of 'edutainment' business
 - Effective use of healthy content within the Group
- Creation of group synergy

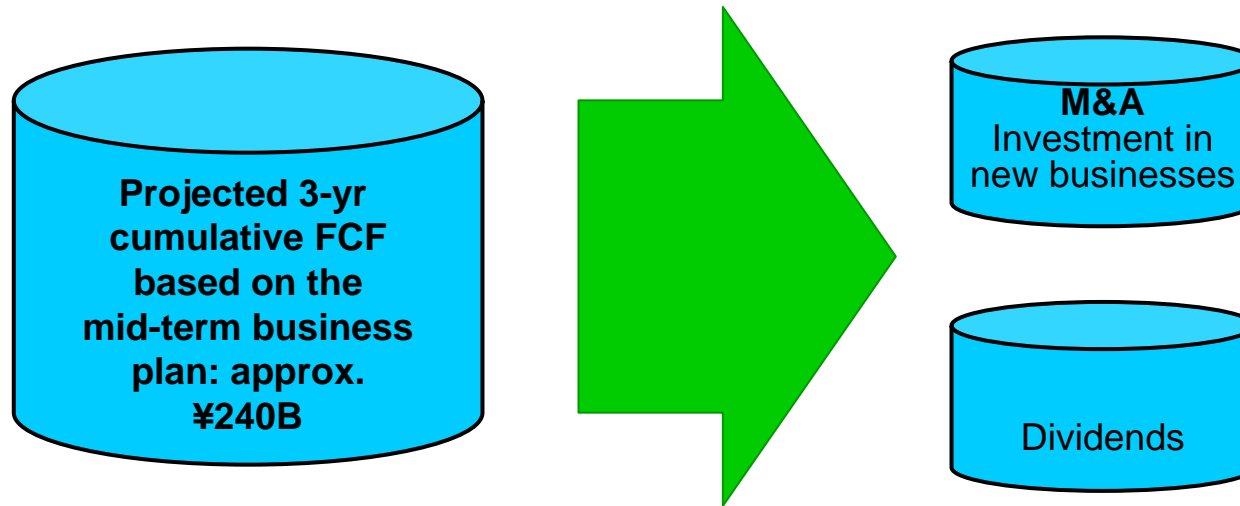
(JPY billion / 10K pieces)		2005/3	2006/3	2007/3	2008/3
Net sales	Game SW	39.4	49.6	67.3	81.0
	Network etc	25.9	35.4	57.7	84.0
Total net sales		65.3	85.0	125.0	165.0
Operating income		-8.8	-1.0	14.5	30.0
Game unit sales	Japan	338	469	471	495
	Overseas	840	1,068	1,460	1,744
R&D expense		21.7	21.3	27.1	28.8



SEGA-SAMMY
H O L D I N G S

Mid-term business plan - Investment policy

(cash flow management)



Vigorous investment utilizing rich cash

M&A (Japan and overseas), large-scale strategic investment in profitable businesses, ordinary-size capital investments

Aim at higher ratio of FCF from amusement business in the mid-/long-term

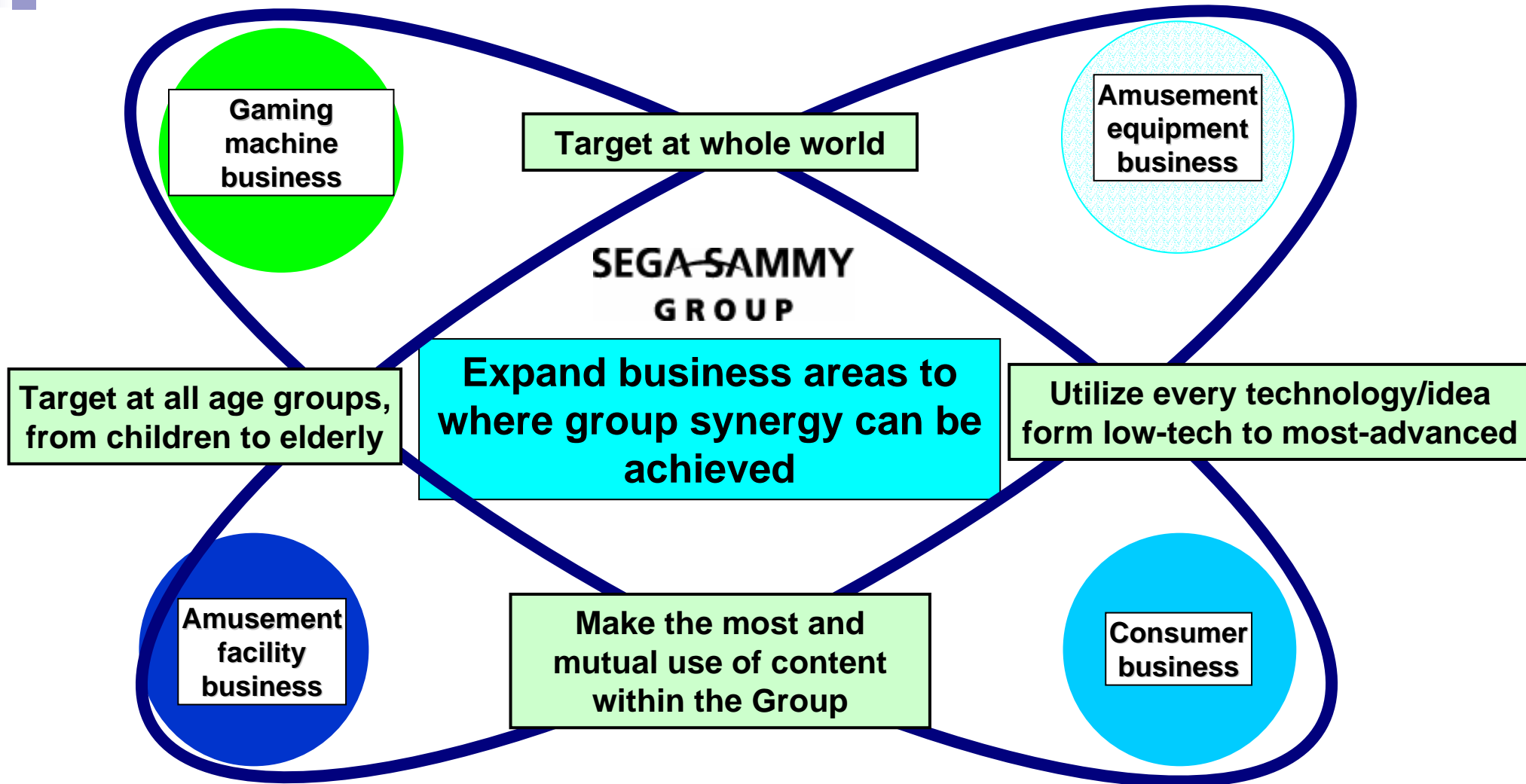
Double-sided strategy of share exchange* and cash investment

Revised investment criteria with a view from ROI

Aggressive pursuit for returning benefits to shareholders

Improved dividend payout

(*) Treasury stock: Shares of HD held by SEGA and SAMMY.



**Establish presence in all business areas
and achieve the status of the world's No.1
total entertainment company**



SEGA-SAMMY
H O L D I N G S

Disclaimer

The contents in this material and comments made during the questions and answers etc of this briefing session are the judgment and projections of the Company's management based on the currently available information.

These contents involve risk and uncertainty, and the actual results may differ materially from these contents/comments.

“Pachislot Hokuto No Ken”

©Buronson/Tetsuo Hara

©Sammy

“CR Hakushon Daimao 2”

©Tatsunoko Production

©BANPRESTO

©Sammy

“CR Popeye”

©POPEYEvRHearst Holdings Inc.

Licensed by King Features Syndicate. Inc.

©Sammy

“Onimusha 3”

©CAMPCOM CO., LTD. 2004

ALL RIGHTS RESERVED

©Sammy ©RODEO

“Quest of D”

©SEGA, 2004

“Kabutomushi Oja: Mushi King”

©SEGA, 2003

Other company/product names in this document are trademarks or registered trademarks of the respective companies.