FY Ending March 2006 Interim Results Presentation Contents

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<td></td>
</tr>
<tr>
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</tr>
</tbody>
</table>

Pachinko/Pachislot

Amusement Machines

Amusement Facilities

Consumer Business

Appendix - Attached Separately
<table>
<thead>
<tr>
<th></th>
<th>PY Ending March 2006</th>
<th>FY 2005</th>
<th>1st Half</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Income</strong></td>
<td>248.5</td>
<td>49.4</td>
<td>49.8</td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td>28.0</td>
<td>28.0</td>
<td>240.0</td>
</tr>
</tbody>
</table>

**1st Half Results**

- Operating and ordinary income come in at more than 170% of plan.
- Pachinko/Pachislot and Amusement Machine segments well above expectations.
- Higher than anticipated revenue lifts SEGA's net income.

**Extraordinary gains:**
- JPY900MM related to change in holding ratio of subsidiary Sega Toys.
- JPY500MM related to reversal of allowance for doubtful accounts.

**Extraordinary losses:**
- JPY500MM related to divestiture of fixed assets.
- JPY300MM related to restructuring charges.
### FY Ending March 2006 Interim Results - Segment Review

<table>
<thead>
<tr>
<th>Segment</th>
<th>1st Half FY2005</th>
<th>1st Half FY2006</th>
<th>% to Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amusement Machines</td>
<td>30.0</td>
<td>31.0</td>
<td>107%</td>
</tr>
<tr>
<td>Amusement Facilities</td>
<td>122.0</td>
<td>128.5</td>
<td>107%</td>
</tr>
<tr>
<td>Consumer Business</td>
<td>240.0</td>
<td>248.5</td>
<td>107%</td>
</tr>
<tr>
<td>Other</td>
<td>28.0</td>
<td>28.5</td>
<td>107%</td>
</tr>
</tbody>
</table>

*Almost All Segments Exceed Targets*

*For Reference: Prior year 1st Half sales were about ¥1.7 billion and operating loss was about ¥0.6 billion.*)
## Condensed Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>(Japanese Yen)</th>
<th>Period Ending September 2005</th>
<th>Period Ending March 2005</th>
<th>Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td>282.4</td>
<td>294.6</td>
<td>12.2</td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td>156.5</td>
<td>167.0</td>
<td>10.5</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>438.9</td>
<td>461.7</td>
<td>22.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Japanese Yen)</th>
<th>Period Ending September 2005</th>
<th>Period Ending March 2005</th>
<th>Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>110.2</td>
<td>122.3</td>
<td>12.1</td>
</tr>
<tr>
<td><strong>Long Term Liabilities</strong></td>
<td>61.2</td>
<td>51.9</td>
<td>(9.3)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>171.5</td>
<td>174.3</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Stockholders' Equity</strong></td>
<td>8.5</td>
<td>11.7</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Minority Interest</strong></td>
<td>258.9</td>
<td>275.7</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Stockholders' Equity</strong></td>
<td>438.9</td>
<td>461.7</td>
<td>22.7</td>
</tr>
</tbody>
</table>

### Topics

- **Solid Financial Footing - Delivering returns to shareholders**
  - September end 2:1 stock split - Increase Share Flow, Broaden investor base
  - Substantive dividend increase (full year expected dividends JPY110) - Full year increase of JPY30 on pre-split basis
  - Completed stock buyback from Sammy - 10.98MM shares on a pre-split basis (JPY76.1B in market value - Plan to repurchase shares held by SEGA in the near future (4.51MM shares on a pre-split basis)

**CB** conversions continue: JPY5.3Billion in outstanding notes in March - JPY2.1Billion outstanding as of September end

Currently (as of 11/18) JPY170Million outstanding
### Condensed Consolidated Cash Flows

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2005</th>
<th>FY Ending March 2006 1st Half</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>77.7</td>
<td>22.1</td>
</tr>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(39.6)</td>
<td>(26.7)</td>
</tr>
<tr>
<td>Net cash (used in) provided by financing activities</td>
<td>(25.7)</td>
<td>(9.7)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>0</td>
<td>0.2</td>
</tr>
<tr>
<td>(Decrease) Increase in cash and cash equivalents</td>
<td>12.4</td>
<td>(14.1)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period/year</td>
<td>138.7</td>
<td>151.2</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents due to consolidation scope change</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents due to merger</td>
<td>-</td>
<td>0.3</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period/year</td>
<td>151.2</td>
<td>137.8</td>
</tr>
</tbody>
</table>

#### Utilizing Abundant Cash
- **Cash Flow from Operations**: Pretax earnings of JPY49.6 Billion, Tax payments of JPY27.7 Billion
- **Cash Flow from Investing**: Expenditures on fixed assets reduced cash flow by JPY12.5 Billion, Investments in affiliates had a negative impact of JPY6.6 Billion, and investments by a special purpose corporation totaled JPY3.6 Billion.
- **Cash Flow from Financing**: JPY7.4 Billion outflow for payment of dividends.

### Topics

- [Doc](#)
- [Doc](#)
- [Doc](#)
- [Doc](#)
- [Doc](#)
FY Ending March 2006 Interim Results

**Pachinko/Pachislot**

Operating Margin Trends Up More Than Expected - Proportion of Sammy Branded and Direct Sales Increases

- Greater % of sales derived from higher margin Sammy branded products and reduction of costs from recycling components
- Sales through agents trended downward and direct sales grew significantly leading to higher margins

**Profit Drivers in Pachinko/Pachislot**

- Growth in Unit Sales
  - Slightly above plan
  - By consistently providing hit products we are established as the industry leader
- New Regulation Compliant Models Sales Plan
  - Due to later than expected approvals the number of titles released in the period was below plan
  - These new models will be marketed in the 3rd Quarter
- Solid Growth in Unit Sales
  - Collaboration with Pachislot is a success - "Hokuto-no-ken"
  - By offering machines with a lower gambling element we are successfully creating a new market - "CR Choro Q"
- Reduction in Titles Released in 1st Half
  - With existing models selling well in the 1st Half, sales of recently approved models strategically moved into the 2nd half

<table>
<thead>
<tr>
<th>Pachislot Machines</th>
<th>* For results by machine see Appendix Pg. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sammy</td>
<td></td>
</tr>
<tr>
<td>RODEO</td>
<td></td>
</tr>
<tr>
<td>Pachinko Machines</td>
<td>* For results by machine see Appendix Pg. 3</td>
</tr>
<tr>
<td>Sammy</td>
<td></td>
</tr>
</tbody>
</table>
High Value-Add Products Contribute to Results - Will Carry Over into the 2nd Half

Strong sales of "Star Horse 2" and "San-Goku-Shi-Taisen (The Battle of Three Nations)"

Profit Drivers in Amusement Machines

- Strong sales of "Star Horse 2" and "San-Goku-Shi-Taisen (The Battle of Three Nations)"

Amusement Machine Business Points

- Sales of Large Machines
  - Launched in July, sales of "Star Horse 2" are strong and should contribute to the 2nd Half as well

- Launching High Value-Add Products
  - Networked and trading card game sales are proceeding well
  - "San-Goku-Shi-Taisen (The Battle of Three Nations)" was a revenue driver

Real Time Action Card Game
"San-Goku-Shi-Taisen (The Battle of Three Nations)"

* For results by machine see Appendix Pg. 4
Good Results in New Businesses – “Mushiking” and “Love and Berry” A Boom is Brewing

Amusement Facilities Points

- “Mushiking” Leads Our New Business Lineup
  Mushiking: 13,500 Total Units, 280 million Total Cards
  Love and Berry: 4,700 Total Units, 43 million Total Cards
  Love and Berry sold 35.5 million cards in the 1st Half alone, and the pace is only accelerating

- Existing Facilities Comparisons
  Results were flat compared with a year ago

- Aggressive Scrap & Build Program Continues
  Closed 32 facilities and opened 6, ending the period with 451 facilities.

- Tokyo Joypolis
  Reopened in August - not included in 1st half plans.

Profit Drivers in Amusement Facilities

- New businesses (card business) contributed with high margins
- Increased overhead

* The table and figures for operation and financial structure of skating rinks are included in the report.
FY Ending March 2006 Interim Results – Consumer Business

Consumer Business Points

- **Entertainment Software**
  - Sales according to plan, Mushiking for GBA is a hit
  - 1st Half unit sales - Japan: 1.54MM, America: 1.01MM, Europe: 1.93MM

- **Networks/Other**
  - The portal site “SEGA Link” has been running since June
  - As of the end of September there are 350,000 members
  - Ring tone service of Sega has 1.65MM subscribers as of the end of September

- **Results of Organizational Restructuring**
  - Sale of Visual Concepts reduces development costs
  - Creative Assembly adds to profits, “Spartan” in Europe

Results of Subsidiaries

- **Entertainment Software**
  - Sales according to plan, Mushiking for GBA is a hit
  - 1st Half unit sales - Japan: 1.54MM, America: 1.01MM, Europe: 1.93MM

- **Networks/Other**
  - The portal site “SEGA Link” has been running since June
  - As of the end of September there are 350,000 members
  - Ring tone service of Sega has 1.65MM subscribers as of the end of September

- **Results of Organizational Restructuring**
  - Sale of Visual Concepts reduces development costs
  - Creative Assembly adds to profits, “Spartan” in Europe

Profit Drivers in Consumer Business

- Strong sales of “Mushiking” for GBA, One European based title moved into period
- Due to a delay in the launch of the online service development costs and marketing expenses were delayed

* For sales of amusement software see Appendix Pg. 6
FY Ending March 2006 Full Year Plan

Due to the early stage in the sales cycle of our new products we cannot currently revise our full year plan. With the pace of business this year outstripping expectations we are confident going forward.
**FY Ending March 2006 Full Year Plan – Pachinko/Pachislot**

<table>
<thead>
<tr>
<th><strong>Unit Supply</strong></th>
<th><strong>A Base for Shipments - Topics</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pachislot</strong></td>
<td>* For sales projections by machine see Appendix Pg. 3</td>
</tr>
<tr>
<td><strong>Pachinko</strong></td>
<td>* For sales projections by machine see Appendix Pg. 3</td>
</tr>
</tbody>
</table>

**Full Year Plan Points**

- Respond to the post regulatory change market environment
- Change in profit structure - pachinko contributes more
- Recycling of components leads to better margins
- Support total hall services

**Pachislot**
- Aggressively develop new regulation titles - quickly assess market needs to create strategic titles
- Strategically deliver old regulation core titles
- Use development strength to increase conforming titles
- Place innovative products in the market
- Strength in peripherals and hall design and construction

**Pachinko**
- New regulation game “Hakushon-daimaoh” set to ship late November
- Franchise title “Aladdin 2 Evolution” being marketed
- Shipments start early December
- Ultraman Club and Unit Supply titles continue to ship
- “CR Choro Q Turbo” approved by regulatory bodies
- H.I. Systems subsidiary
- Capital investment & tie up with Pachinko/Pachislot maker Ginza

**Topics**

<table>
<thead>
<tr>
<th><strong>Operating Income</strong></th>
<th><strong>Net Revenue</strong></th>
<th><strong>Operating Margin</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2005</td>
<td>30.2%</td>
<td>35.7%</td>
</tr>
<tr>
<td>FY Ending March 2006</td>
<td>37.0%</td>
<td>14.7%</td>
</tr>
<tr>
<td>FY 2005</td>
<td>284.0%</td>
<td>129.8%</td>
</tr>
<tr>
<td>FY Ending March 2006</td>
<td>280.1%</td>
<td>94.6%</td>
</tr>
</tbody>
</table>

For sales projections by machine see Appendix Pg. 3.
FY Ending March 2006 Full Year Plan – Amusement Machines

**Full Year Plan Points**

- **Raise share with a full line-up up products**
- **Continue to supply high value-add products**
- **Expand our overseas market**

**Domestic Market**
- Continue with our system of supplying high value-add machines

**Overseas Market**
- Establish our system of development, management and production in the mid term
  - For FY '06 raise sales by 14.7% △ 18.8% for the period ending March 2008

**Our Foothold**

- **Domestic Market**
  - Drawing from the 1st Half, continue to deliver large size high value-add products
  - Star Horse 2 orders were solid and are continuing into the second half

- **Overseas Market**
  - Work in tandem with overseas facilities business

---

<table>
<thead>
<tr>
<th>(Billions)</th>
<th>Domestic</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>8.5</td>
<td>4.5</td>
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<tr>
<td>Overseas</td>
<td>7.4</td>
<td></td>
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<table>
<thead>
<tr>
<th>Full Year Plan Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Half</td>
</tr>
<tr>
<td>Results</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

* For sales forecast by machine see Appendix Pg. 4

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[Image of machine]
FY Ending March 2006 Full Year Plan – Amusement Facilities

Full Year Plan Points

- Earnings recovery at existing facilities
- Foster the emerging card games for children
- Goal for facilities operating margin: 10%+

Facilities Management
- Emphasis on profit in Scrap & Build
- Draw visitors with complex facilities: Raise existing facility sales by 2%
- Cooperation with amusement machine segment in addressing market needs

Children's Card Games
- Mushiking doesn’t stop here, continue to develop for this franchise and similar business platforms
- Test marketing to determine the scope of the development for overseas is well underway

The Existing Environment

Existing Facilities Sales
- Up 6.8% Y/Y in October
- New card business "Love and Berry" performing well
- Sales of “Kyoryu King” begin

Overseas Development
- Sega Entertainment U.S.A. Inc. is well into development of new facilities
- Joypolis like facility set to open in the middle of this period at Shanghai New World Department Store
- In developing the overseas market, overseas amusement machine sales will create synergies
## FY Ending March 2006 Full Year Plan – Consumer Business

### Full Year Plan Points

- Foster Earnings recovery into the mid-term
- Deal with the changing landscape to be a player in next generation platforms
- Software for Consoles
  - Choose and develop titles with a focus on profit
  - Aggressively develop games for the European and North American markets, develop a presence there
  - Make an immediate impact on next-gen platforms
  - Cut development risk through utilizing image resources over several segments
- Online, Mobile, Toys
  - Make maximum use of quality group contents
  - Create group synergies

<table>
<thead>
<tr>
<th></th>
<th>FY Ending March 2006</th>
<th>Full Year Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>33.2%</td>
<td>39.4%</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>25.9%</td>
<td>39.4%</td>
</tr>
<tr>
<td>R&amp;D Costs</td>
<td>5.79%</td>
<td>4.3%</td>
</tr>
<tr>
<td>R&amp;D Costs as a % of Sales</td>
<td>(1.0)</td>
<td>(4.3)</td>
</tr>
</tbody>
</table>

### The Existing Environment Topics

- Software for Consoles
  - Strategically release core titles for Christmas
    - Domestic: Ryu-Ga-Gotoku
    - Overseas: Shadow the Hedgehog, Condemned
- Online, Mobile, Toys
  - Aggressively develop online games for the domestic and overseas markets
- Other
  - Fully consolidated subsidiary TMS Entertainment (stock code:3585)
  - Create synergies between their imaging businesses and the other businesses

### Business Plans for Listed Subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>Sammy NetWorks</th>
<th>SEGA TOYS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY Ending March 2006</td>
<td>Full Year Plan</td>
</tr>
<tr>
<td></td>
<td>FY Ending March 2006</td>
<td>Full Year Plan</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td>Full Year Plan</td>
</tr>
<tr>
<td></td>
<td>FY Ending March 2006</td>
<td>Full Year Plan</td>
</tr>
</tbody>
</table>

*For software sales forecast see Appendix Pg. 6*
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 currently available information. These contents involve risk and uncertainty, and the actual results may differ materially from these contents/comments.

San Goku Shishi Taisentai

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Star Horse 2 New Generation

SEGA CORPORATION, 2005