



FY Ending March 2006 Full Year Results Presentation

May 16 2006
SEGA SAMMY HOLDINGS INC.

[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.



Full Year Results

Highlights

■ We attained record-high sales and profits.

Net Sales : JPY 553.2B up over Prior Results by 7.3%

Operating Income : JPY 119.1B, up over Prior Results by 13.4%

■ All segments performed well

Pachinko/Pachislot : Share expansion in Pachinko and reduction of costs from recycling components

AM Machines : Strong sales of High Value-Add Products

AM Facilities : Recovery of existing stores, High margin kids card games perform well

Consumer : Moved into the Black

■ Corporate actions

Substantive dividend increase and September end 2:1 stock split

Consolidation of TMS Entertainment, Ltd. as a subsidiary

Completion of stock buyback from Sammy(2005/7) and SEGA(2006/2), acquiring 11% of total shares issued as treasury stock.

In November 2005, HD, SEGA and SAMMY introduced CMS, or Cash Management System, aiming at even more efficient use of cash within the Group.

⇒ Established Group commitment lines to provide a backup for CMS and to secure liquidity insurance for mid to long term.

⇒ In light of future overseas development of Group businesses, added three foreign banks to the commitment lines in addition to six domestic banks.

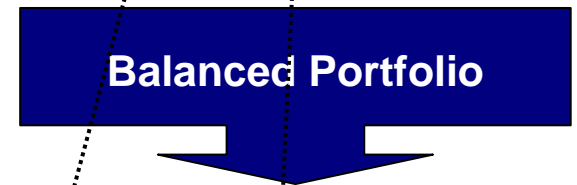
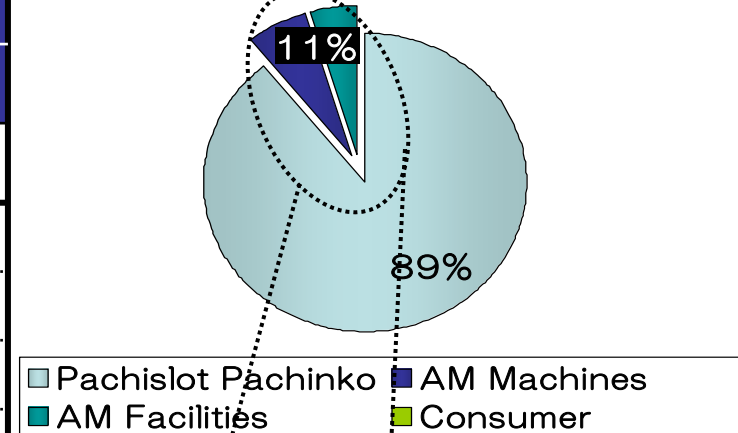
Consolidated Income Statement

(JPY Billion)	FY 2005	FY 2006		
	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	515.6	567.0	553.2	+7.3%
Operating Income	105.0	100.0	119.1	+13.4%
Margin	20.4%	17.6%	21.5%	—
Ordinary Income	104.4	100.0	119.5	+14.4%
Margin	20.3%	17.6%	21.6%	—
Net Income	50.5	56.0	66.2	+30.9%
margin	9.8%	9.8%	12.0%	—

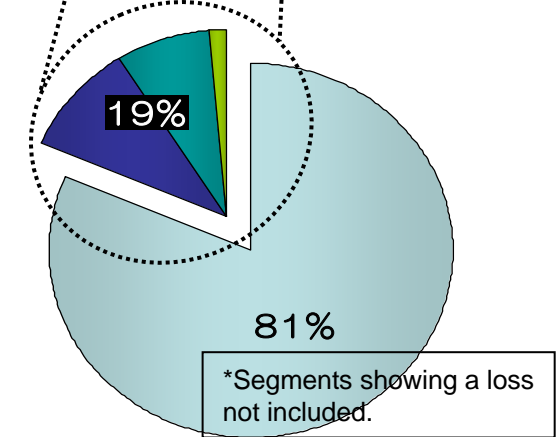
* FY 2006 EPS : JPY261.06

Segment Results

FY 2005 Operating Income



FY 2006 Operating Income



(JPY Billion)		FY 2005	FY 2006		
		Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales		515.6	567.0	553.2	+7.3%
Pachinko/Pachislot		280.1	284.0	265.6	-5.1%
Amusement Machines		63.3	68.0	71.5	+12.9%
Amusement Facilities		83.1	106.0	106.2	+27.7%
Consumer		65.3	85.0	90.3	+38.2%
Other		23.7	24.0	19.4	-18.1%
Operating Income		105.0	100.0	119.1	+13.4%
Pachinko/Pachislot		103.9	86.0	99.8	-3.9%
Amusement Machines		7.4	8.5	12.1	+63.5%
Amusement Facilities		5.4	11.0	9.2	+70.3%
Consumer		-8.8	-1.0	1.9	In the Black
Other		-0.5	0.1	-1.7	—
Eliminations		-2.4	-4.6	-2.3	—

Consolidated Balance Sheet

JPY Billions

【 Assets 】				【 Liabilities, minority interests and shareholders' equity 】			
Item	As of March 31, 2005	As of March 31, 2006	Increase/decrease	Item	As of March 31, 2005	As of March 31, 2006	Increase/decrease
Cash and cash equivalents	152.2	144.5	-7.7	Notes and accounts payable	57.1	62.1	4.9
Notes and accounts receivable	76.9	96.7	19.8	Short-term bank loans and current portion of long-term	10.0	8.3	-1.6
Investments in securities	0.0	19.4	19.4	Other current liabilities	43.1	66.8	23.7
Inventories	32.0	32.2	0.1	Total current liabilities	110.2	137.3	27.0
Others	21.2	38.3	17.1	Bonds and long-term debt	42.2	29.2	-13.0
Total current assets	282.4	331.3	48.8	Other non-current liabilities	19.0	20.3	1.3
Property, plant and equipment	73.1	82.6	9.4	Total long-term liabilities	61.2	49.5	-11.6
Intangible fixed assets	10.0	16.7	6.6	Total liabilities	171.5	186.9	15.3
Investments and other assets	73.3	92.2	18.9	Minority interests	8.5	19.3	10.8
				Common stock	27.2	29.9	2.6
				Capital surplus	176.3	171.0	-5.2
				Retained earnings	133.7	193.7	59.9
				Other	-78.3	-78.0	0.3
Total fixed assets	156.5	191.5	35.0	Total shareholders' equity	258.9	316.6	57.7
Total assets	438.9	522.9	83.9	Total liabilities, minority interests and shareholders' equity	438.9	522.9	83.9

Topics

- Convertible Bond
Outstanding notes of JPY1.3 million as of March 2006,
- Completed stock buyback from Sammy and SEGA totaling about 11% of outstanding shares
- B P S : JPY1254.14

Consolidated Cash Flows

JPY Billions

	(JPY Billion)	FY 2005	FY 2006
Cash flows from operating activities		77.7	83.2
Cash flows from investing activities		-39.6	-54.7
Cash flows from financing activities		-25.7	-21.1
Effect of exchange rate changes on cash and cash equivalents		0	0.6
(Decrease) Increase in cash and cash equivalents		12.4	8.0
Cash and cash equivalents at beginning of period/year		138.7	151.2
Net increase in cash and cash equivalents due to consolidation scope change		-	0.4
Net increase in cash and cash equivalents due to merger		-	0.3
Cash and cash equivalents at end of period/year		151.2	160.0

Topics

【Major drivers】

Cash flows from operating activities: 111.9 billion yen of income before income taxes and 45.7 billion yen of income taxes

Cash flows from investing activities: 26.3 billion yen paid to purchase property, plant and equipment, and 24.7 billion yen invested in partnership

Cash flows from financing activities: 13.7 billion yen dividend payment and 9.7 billion yen for repayment of long-term debt

Segment Results : Pachinko/Pachislot

	FY 2005	FY 2006		
(JPY Billion)	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	280.1	284.0	265.6	-5.1%
Operating Income	103.9	86.0	99.8	-3.9%
Operating margin	37.1%	30.2%	37.5%	+0.4 points

* For results by machine see next page

Points

- Providing hit products consistently
- Direct sales grew significantly leading to higher margins

Direct sales	Pachislot : 49.1% (+3.5%)
	Pachinko : 56.4% (+1.6%)

- Reduction of costs from recycling components
- Number of titles released in the period was below plan
- Continued M&A and alliance



Pachinko/Pachislot

Net Sales · Operating Income

		FY 2005	FY 2006		
		Full Year Results	Prior Full Year Plan	Full Year Results	Change over Prior Results
		280.1	284.0	265.6	-5.1%
Net Sales	Pachislot	221.0	171.8	189.4	-14.2%
	Pachinko	44.3	94.6	67.0	+51.2%
	Peripherals				
	Other	14.6	17.7	9.2	-36.9%
Operating Income		103.9	86.0	99.8	-3.9%
Operating Margin		37.1%	30.2%	37.4%	+0.3 points

Pachislot Machines

	2Titles	9	6	+4
	416,994Units	335,000	312,865	-104,129
	4Titles	7	4	±0
	165,239Units	140,000	159,123	-6,116
Unit Supply	3Titles	6	4	+1
	94,700Units	105,000	135,118	+40,418
Total	9Titles	22	14	+5
	676,933Units	580,000	607,106台	-69,827

Pachinko Machines

	8Titles	12	8	±0
	233,049Units	430,000	288,895	+55,846
Total	8Titles	12	8	±0
	233,049Units	430,000	288,895	+55,846

Pachislot Titles

Brand	Title	FY2006 Units sold	Date of Release
	Aladdin 2 Evolution	148,979	December
	Ultraman Club ST	77,378	September
	Demashita Hakushodaimaoh	10,855	November
	Umimonogatari	63,924	April
	Oreno sora	100,497	February
	Onimusha 3	51,097	Prior Period
Unit supply	Kyoujinnohoshi	135,118	August
	Street Fighter 2		April
	Winning Post		June
	Nobunaga no Yabo		November

Pachinko Titles

Brand	Title	FY2006 Units sold	Date of Release
	CR Hokutonoken	178,579	July
	CR ChoroQ	30,066	April
	CR ChoroQ Turbo	27,929	November
	CR Sakigake! Otokojuku	29,309	December
	CR Azumi	9,745	September
	CR Premium Dynamite	6,600	June

Segment Results : Amusement Machines

(JPY Billion)		FY 2005	FY 2006		
		Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales		63.3	68.0	71.5	+12.9%
Break-down	Japan	54.4	58.0	63.3	+16.3%
	Overseas	8.9	10.0	8.1	-8.9%
Operating Income		7.4	8.5	12.1	+63.5%
Operating Margin		11.7%	12.5%	17.0%	+5.3points

* For results by machine see next page

Points

- Significant increase in both sales and profit compared to initial plan and prior period
- Strong sales of high value-added products
- Strengthening of production & delivery organization
 - Integration of SEGA and SEGA Amusements
 - Enhanced cooperation with SEGA LOGISTICS SERVICE
- Reorganization aimed at further development of overseas businesses

Amusement Machines

Principle titles
(FY 2006)

Product Name	Units Sold
Star Horse 2 New Generation	Full system : 548Units Satellite : 5,472Units
Sangokushi Taisen	Full system : 265Units Satellite : 1,256Units
World Club Champion Football European Clubs 2004-2005	CVTKIT : 458Units Full system : 56Units
Monopoly The Medal	355Units
Pachinko・Pachislot Revolution Series	Boards : 2,397Units Chassis : 2,678Units
M J 3	CVTKIT (Main Kit) : 999Units CVTKIT Satellite : 6,609Units

Segment Results : Amusement Facilities

(JPY Billion)	FY 2005	FY 2006		
	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	83.1	106.0	106.2	+27.7%
(overseas facilities' sales)	-	8.4	6.1	-
Operating Income	5.4	11.0	9.2	+70.3%
Operating Margin	6.4%	10.3%	8.7%	+2.3 points

* For detail results see next page

【Points】

- Existing facility comps over the prior period exceeded initial plan figures.
- Decrease in the number of facilities due to scrap-and-build efforts
- Positive effects from integration of SEGA Amusements
 - Standardized operation manuals
 - Reduced cost
 - Detailed check of requirements for new store opening
- Kids Card Business was strong

Amusement Facilities

Facilities

		FY 2005	FY 2006	FY 2007	
		Full Year Results	Full Year Results	1st Half Plan	Full Year Plan
		477	462	462	471
# of Facilities	Opened	24	14	12	23
	Closed	42	52	12	14
Capital Investment		24.8JPYB	25.3JPYB	10.9JPYB	19.5JPYB
% to Same Period Prior Year		98.5%	103.3%	106.9%	103.4%

* Including TMS Entertainment Managed Stores

Kids Cards

		FY 2005	FY 2006	FY 2007	
		Full Year Results	Full Year Results	1st Half Plan	Full Year Plan
Mushiking	Total Units	9,000Units	13,400Units	13,400Units	13,400Units
	Total cards	160million	350million	416million	478million
Love and Berry	Total Units	1,800Units	7,600Units	10,800units	10,800units
	Total cards	7.5million	133million	225million	316million
Kyoryu King	Total Units		6,000Units	7,200units	7,200units
	Total cards		32million	50million	70million

Segment Results : Consumer

(JPY Billion)	FY 2005	FY 2006		
	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	65.3	85.0	90.3	+38.2%
Entertainment soft	39.4	49.6	56.2	+42.6%
Networks / other	25.9	35.4	34.1	+31.6%
Operating Income	-8.8	-1.0	1.9	In the Black
Operating margin	-%	-%	2.1%	—
R&D Costs	21.7	21.3	17.8	-17.9%

* For detail results see next page

Points

- Major improvement in profit : from -8.8 billion to +1.9 billion
- Results of Organizational Restructuring in the development process
Thorough management of the schedule and quality,
clarification of profit responsibility
- Titles did well overseas in the competitive Christmas Season
M & A: Creative Assembly adds to profits, (unit sales over 1 million)
- Development costs associated with the launch of the online service
- Subsidiaries performed well. New product genres and service partnerships

Consumer

Entertainment Software (FY 2006)

	Region	Titles	Units Sold (million)
Break-down	Japan	55	4.10
	US	30	6.14
	Europe	37	6.06
	Other	—	0.10
Total		122	16.40

	Platform	Titles	Units Sold (million)
Break-down	PS2	42	4.34
	PSP	12	1.42
	GC	12	1.20
	XB	17	1.52
	GBA	7	0.89
	NDS	18	1.34
	PC	14	1.35
	Catalog	-	4.34

Region	Platform	Titles	Units Sold (thousand)
JPN	GBA/NDS	The King of Beetles Mushiking	890
	PS2	Ryu ga gotoku	360
	PSP	Brain Trainer	320
	PS2	Pro soccer league wo Tsukuro! European championship	270
	PS2/XB/GC	Shadow the Hedgehog	880
US	NDS	Sonic Riders	590
	PS2/XB/GC	Spartan: Total Warrior	270
	Xbox360	Condemned	270
	PS2/XB/GC	Shadow the Hedgehog	710
EU	PC	Football Manager 2006	630
	PS2/XB/GC	Spartan: Total Warrior	370
	NDS	Sonic Riders	340

Subsidiaries



Subsidiaries' Results (1)

Sammy NetWorks



(JPY Billion)	FY 2005	FY 2006		
	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	6.2	10.0	8.2	+32.7%
Operating Income	2.4	3.1	2.1	-12.9%
Operating Margin	39.9%	31.0%	26.1%	-13.8 points

(JPY Billion)	FY 2005	FY 2006		
	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	10.2	12.5	14.4	+40.2%
Operating Income	0.5	1.0	1.0	+77.0%
Operating Margin	5.8%	8.0%	7.3%	+1.5 points

Sammy NetWorks Co., Ltd.

■ Increased sales and profit

⇒ Expanded operations by launching three new businesses.

- "muPass"
- "777 Town.net"
- "Overseas business"

⇒ Failed to achieve business plan due to slowdown in the ringtone ("Chaku-Melo") market and delayed impact on revenue from new businesses.

■ Membership (as of March 31, 2006)

Domestic: 2.65 million people
Overseas: 2.19 million people

SEGA TOYS, LTD.

■ Increased sales and profit for the second straight period

⇒ Created new value outside the conventional concepts of toys.

- "HOMESTAR", "Brain Trainer", etc.

⇒ Favorable sales for overseas and licensing business

- "i-dog", "Play TV", etc.

■ SEGA SAMMY Group Synergy

⇒ Developed toys featuring popular group content such as "MUSHIKING" and "Love and Berry".

- "RC Battle", "Lumine Wristband", etc.

Subsidiaries' Results (2)



(JPY Billion)	FY 2005	FY 2006		
	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	13.6	16.2	16.1	+18.2%
Operating Income	2.0	2.0	1.7	-15.8%
Operating Margin	14.7%	12.6%	10.5%	-4.2 points

(JPY Billion)	FY 2005	FY 2006		
	Full Year Results	Prior Full Year Plan	Full Year Results	% to Prior Results
Net Sales	16.5	20.0	16.2	-1.8%
Operating Income	-0.2	0.6	-0.4	-
Operating Margin	-	3.0%	-	-

TMS Entertainment, Ltd.

- Increased sales and profit
 - ⇒ Surge in animation business sales
 - 10 billion yen in sales for the first time.
 - Produced a record number of animation films.
 - ⇒ Decline in profit from amusement business
 - Due to decreased existing facility sales comps and increased cost for replacement of game machines
- Group synergies
 - ⇒ "MUSHIKING" animated series and movie

NISSHO INTER LIFE CO., LTD.

- Decreased sales and profit
 - ⇒ Drop in sales and lower gross margin ratio due to fiercer competition
 - ⇒ Gross margin ratio pushed down by surging materials prices
- Effort to expand entertainment-related market businesses
 - ⇒ Increase in orders received for interior finishing work in amusement facilities, Pachinko halls, etc.



FY 2007 Plan

FY 2007 Plan

(JPY Billion)	FY 2005	FY 2006		FY 2007		
	Full Year Results	1 st Half Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales	515.6	248.5	553.2	296.0	682.0	+23.2%
Operating Income	105.0	49.8	119.1	43.0	124.0	+4.1%
Ordinary Income	104.4	49.4	119.5	42.5	123.0	+3.0%
Net Income	50.5	24.9	66.2	22.0	75.0	+13.6%

* FY 2007 E P S : JPY297.65

Segments

(JPY Billion)		FY 2005	FY 2006		FY 2007		
		Full Year Results	1st Half Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales		515.6	248.5	553.2	296.0	682.0	+23.2%
Break-down	Pachinko/Pachislot	280.1	129.8	265.6	152.0	332.0	+25.0%
	Amusement Machines	63.3	30.8	71.5	36.0	84.0	+17.4%
	Amusement Facilities	83.1	48.5	106.2	61.0	125.0	+17.7%
	Consumer	65.3	28.5	90.3	39.0	123.0	+36.0%
	Other	23.7	10.7	19.4	10.0	22.0	+13.4%
Operating Income		105.0	49.8	119.1	43.0	124.0	+4.1%
Break-down	Pachinko/Pachislot	103.9	46.4	99.8	47.5	105.0	+5.2%
	Amusement Machines	7.4	4.5	12.1	4.0	12.5	+3.3%
	Amusement Facilities	5.4	4.3	9.2	6.0	12.0	+30.4%
	Consumer	-8.8	-4.3	1.9	-10.5	2.5	+31.5%
	Other	-0.5	-0.4	-1.7	0.0	0.0	—
	Eliminations	-2.4	-0.5	-2.3	-4.0	-8.0	—

Segments : Pachinko/Pachislot

Plan

(JPY Billion)		FY 2005	FY 2006		FY 2007		
		Full Year Results	1st Half Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales		280.1	129.8	265.6	152.0	332.0	+25.0%
	Pachislot	221.0	73.0	189.4	73.5	173.5	-8.3%
	Pachinko	44.3	52.6	67.0	69.0	134.0	+100.0%
	Peripherals/Other	14.6	4.2	9.2	9.5	24.5	+166.6%
Operating Income		103.9	46.4	99.8	47.5	105.0	+5.2%
Operating margin		37.0%	35.7%	37.5%	31.2%	31.6%	-5.9 points

Pachislot

Brand	FY 2005	FY 2006	FY 2007	
	Full Year Results	Full Year Results	1st Half Plan	Full Year Plan
Sammy	2Titles	6	3	7
	416,994Units	312,865	180,000	400,000
RODEO	4Titles	4	3	7
	165,239Units	159,123	30,000	70,000
GINZA	-	-	-	4
	-	-	-	30,000
Unit Supply	3Titles	4	5	11
	94,700Units	135,118	37,000	75,000
Total	9Titles	14	11	29
	676,933Units	607,106	247,000	575,000

Pachinko

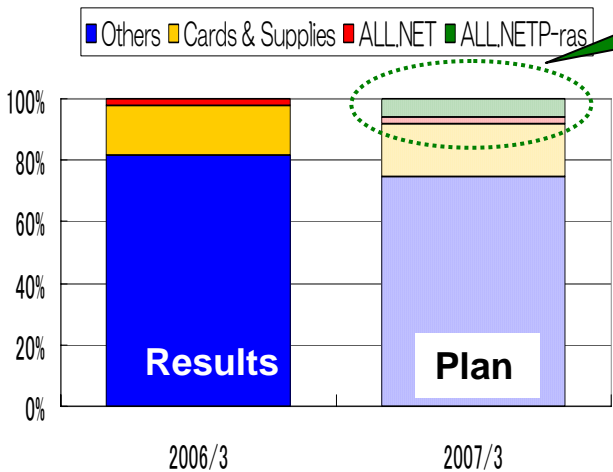
Brand	FY 2005	FY 2006	FY 2007	
	Full Year Results	Full Year Results	1st Half Plan	Full Year Plan
Sammy	8Titles	8	6	13
	233,049Units	288,895	270,000	490,000
GINZA	-	-	3	5
	-	-	30,000	80,000
Total	8Titles	8	9	18
	233,049Units	288,895	300,000	570,000

Segments : Amusement Machines

Plan

(JPY Billion)	FY 2005	FY 2006		FY 2007		% to Prior Results
	Full Year	1st Half Results	Full Year Results	1st Half Plan	Full Year Plan	
Net Sales	63.3	30.8	71.5	36.0	84.0	+17.4%
Japan	54.4	27.1	63.3	31.5	69.5	+9.7%
Overseas	8.9	3.7	8.1	4.5	14.5	+79.0%
Operating Income	7.4	4.5	12.1	4.0	12.5	+3.3%
Operating margin	11.7%	14.6%	17.0%	11.1%	14.8%	-2.2 points

Portfolio (% of products sales)



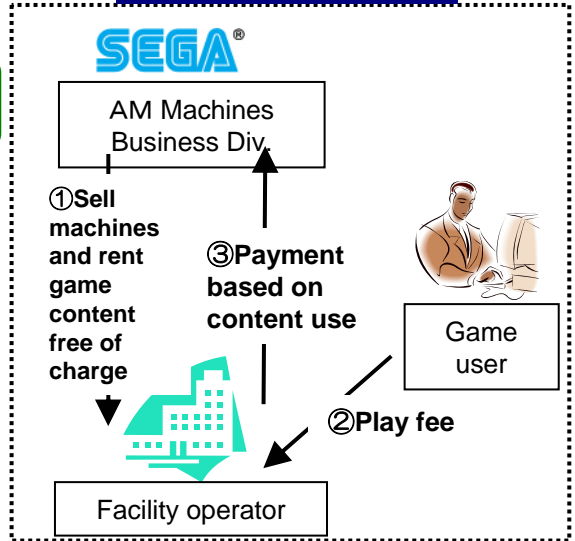
ALL.NET P-ras begins to contribute to profitability

ALL.NET P-ras connects systems via network and creates a system where operators are billed according to the amount of use of the system.

- SEGA sells machines and rents game content free of charge.
- SEGA charges the operator based on amount of use.
 - ⇒ Smaller initial investment required of operators
 - ⇒ More installations expected than original sales model
 - ⇒ Revenue stream instead of one-time sales

- ★ Foster small and mid-sized operators
- ★ Develop new market and revenue base in AM Machines Business.

Example of business model



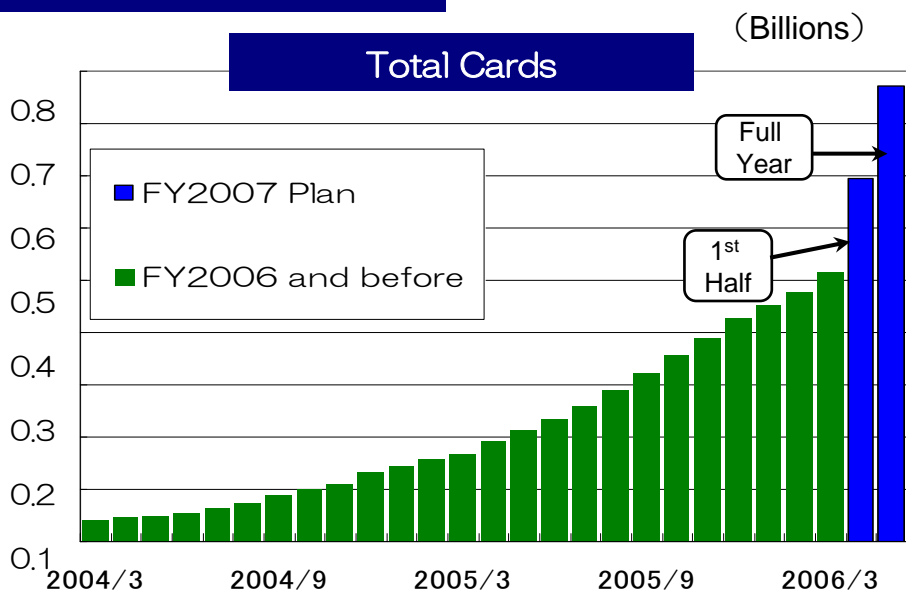
Segments : Amusement Facilities

Plan

See page 15 for the planned opening and closure of stores.

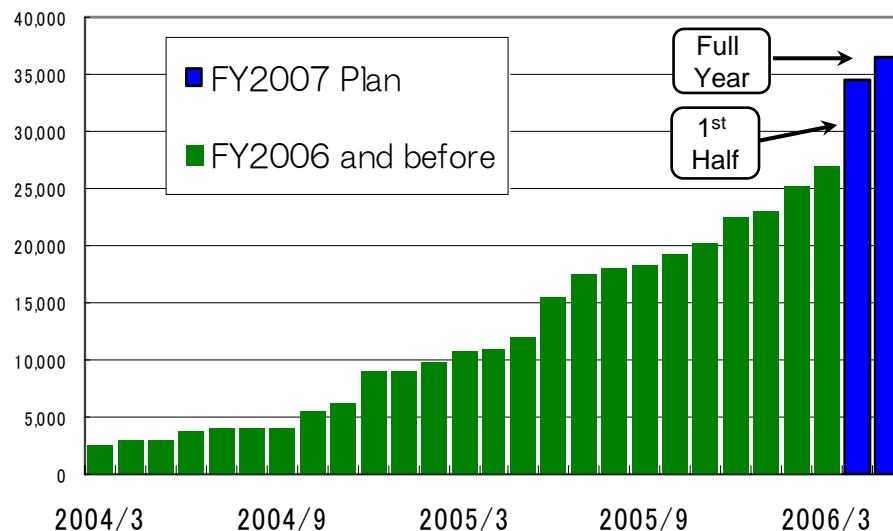
(JPY Billion)	FY 2005	FY 2006		FY 2007		
	Full Year	1st Half Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales	83.1	48.5	106.2	61.0	125.0	+17.7%
(oversea facilities' sales)	-	2.6	6.1	3.9	8.7	+42.6%
Operating Income	5.4	4.3	9.2	6.0	12.0	+30.4%
Operating margin	6.4%	8.9%	8.7%	9.8%	9.6%	+0.9 points
% to same Period Prior Year	98.5%	100.0%	103.3%	106.9%	103.4%	+0.1 points
Capital Expenditure	24.8	14.3	25.3	10.9	19.5	-22.9%

Kids cards



Total Units

(Units)



Segments : Consumer

Plan

(JPY Billion)	FY 2005	FY 2006		FY 2007		
	Full Year	1 st Half Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales	65.3	28.5	90.3	39.0	123.0	+36.0%
Entertainment software	39.4	14.9	56.2	21.2	77.9	+38.6%
Networks / Other	25.9	13.6	34.1	17.8	45.1	+32.2%
Operating Income	-8.8	-4.3	1.9	-10.5	2.5	+31.5%
Operating margin	-	-	2.1%	-	2.0%	-0.1 points

Entertainment Software Plan (FY 2007)

	Platform	Titles	Units (million)
Break-down	Japan	48	6.76
	US	41	6.38
	Europe	49	8.93
	Other	-	0.08
Total		138	22.15

	Platform	Titles	Units (million)
Break-down	PS2	28	4.01
	GC	2	0.22
	XB	1	0.01
	PS3	17	2.87
	Wii	7	1.02
	Xbox360	14	1.83
	NDS	17	2.58
	PSP	29	3.56
	GBA	2	0.19
	PC	21	2.38
	Catalog	-	3.47

Subsidiaries



Subsidiaries (1)

Sammy NetWorks

(JPY Billion)	FY2005	FY2006	FY2007		
	Full Year Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales	6.2	8.2	4.6	10.1	+23.1%
Operating Income	2.4	2.1	1.1	2.5	+19.0%
Operating margin	39.9%	26.1%	24.7%	25.2%	-0.9 point

(JPY Billion)	FY2005	FY2006	FY2007		
	Full Year Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales	10.2	14.4	7.0	17.0	+18.0%
Operating Income	0.5	1.0	0.2	1.4	+40.0%
Operating margin	5.8%	7.3%	3.5%	8.2%	+0.9 point

Sammy NetWorks Co., Ltd.

- Further expand "Sammy 777 Town".
- Focus on three priority businesses.
 - ① "777 Town.net" (Distribution of pachislot game titles for PCs)
 - Increase membership and raise unit prices by concurrently launching corresponding pachislot machines and by introducing pachinko application software.
 - ② "muPass" (Distribution of music data for electronic devices)
 - Continue efforts to promote compliant products.
 - ③ "Overseas business"
 - Continue efforts to expand and improve services, while entering new businesses and strengthening cost management.

SEGA TOYS, LTD.

- Make aggressive efforts to develop new demand.
- Create an entertainment tool which is a must for every household.
 - ⇒ "Movie Carrier", "Grand Pianist", "Brain age & brain stress measuring instrument Atamascan", etc.
- Further strengthen toys for learning business, a competitive edge of SEGA TOYS.
 - ⇒ Explore new demand to expand "Beena" business.
- Content marketing as SEGA SAMMY Group.
 - ⇒ Create toys featuring popular content of the Group such as "MUSHIKING", "Kyoryu King" and "Love and Berry".
 - ⇒ "Bakugan" project in collaboration with TMS Entertainment (SEGA TOYS: sale of toys TMS: animation production)

Subsidiaries (2)



(JPY Billion)	FY2005	FY2006	FY2007		
	Full Year Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales	13.6	16.1	6.5	15.2	-6.2%
Operating Income	2.0	1.7	0.6	1.6	-6.9%
Operating margin	14.7%	10.5%	9.9%	10.9%	+0.4 points

TMS Entertainment Ltd.

- Strengthen animation production business.
 - ⇒ Plan to produce as many animation films as in FY2005, which was a record-high number.
 - ⇒ Strengthen animation licensing business.
- Expand Group synergies.
 - ⇒ Utilize content lineup of the Group as was done in the project "Bakumaru" linked to toy products of SEGA TOYS.
- Secure stable revenues from amusement business.
 - ⇒ Remodel existing facilities and continue to open new facilities.



(JPY Billion)	FY2005	FY2006	FY2007		
	Full Year Results	Full Year Results	1st Half Plan	Full Year Plan	% to Prior Results
Net Sales	16.5	16.2	8.6	18.5	+14.2%
Operating Income	-0.2	-0.4	0.04	0.19	-
Operating margin	-	-	0.5%	1.0%	-

NISSHO INTER LIFE CO., LTD.

- Improve profitability of comprehensive construction business.
 - ⇒ Increase sales in entertainment-related market and other new markets.
 - ⇒ Cut cost by reducing the number of business partners.
- Enhance profitability of specialized construction operations.
 - ⇒ Review procurement sources of materials to reduce cost.
 - ⇒ Staff up by relocating company personnel.

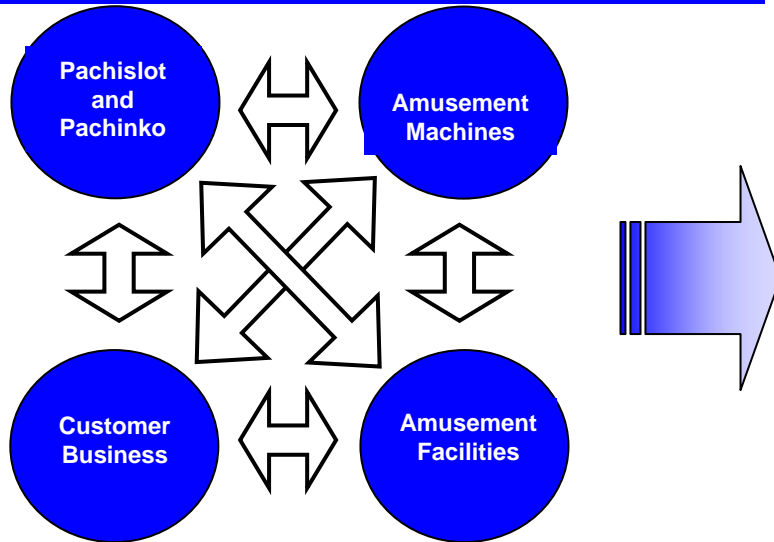


FY 2007 Priorities

Corporate Visions

From entertainment company
to business group for creating a culture

Achievement in 1st stage:
Completed speed-oriented management integration,
Reorganized businesses and realized synergies.



Established secure revenue-generating organization in each existing business, and realized synergies among businesses.

Entering 2nd stage:
Swiftly respond to changes in entertainment
business environment

- Work on new mid-term business plan.
- Review and reorganize business resources of the Group. (business domains, IP, human resources, etc.)
- Establish market position of each business domain in response to business environment changes.
- Strengthening and optimization in rapid-changing network, media and content areas.

Embark on the next stage of growth to achieve Group consolidated sales of 1 trillion yen and ordinary income of 200 billion yen.

Pachinko/Pachislot



Maintain top market share in pachislot machine sales

Strategic marketing of mainstay items—large-scale replacement demand and response as a market leader

Maintain commitment to developing innovative new regulation machines — just as Sammy was a pioneer in reg 4 machine development.

Further strengthen development organization and increase the number of licenses acquired.



Become a leading company in pachinko machine sales

Establish multi-brand strategy — R&D, production, distribution and brands

Increase development lines and the number of licenses acquired — stable provision of hit products.

Promote reuse of components — reduce costs (pachinko/pachislot machines)



Promote total hall services

Strengthen development capability — develop competitive strategic products and increase usability

Establish consulting-oriented marketing organization

Amusement Machines



Establish a model to earn on a continued basis

Establish business model based on play fees (from VF5)—reform revenue portfolio and establish a stable earnings model.

Explore and develop new markets —as a market leader



Improve development and production capabilities Reform logistics

Improve development and production capabilities—provide big hits in every period and create organization capable of handling large-scale demand.

Reform logistics—strengthen cooperation with Group companies and enhance logistics.



Bolster overseas businesses

Develop products for overseas markets—enhance marketing and establish local development organization, cooperating with Facilities Business division.

Develop distribution systems—North America, Europe and Asia

Amusement Facilities



Improve profitability of existing facilities

Efficient operations—ensure operations are in accordance with operation manuals.

Continue aggressive scrap & build program — plan and development new type facilities, and revitalize existing facilities.



Find more profitable opportunities

Reinforce Kids Card game—establish a stable high-profit structure.

New revenue platform—reform facility operations and explore new markets (high potential for growth)



Bolster overseas businesses

Create amusement market and foster operators—launch model facilities and propose earning model to clients

Collaborate with Amusement Machines business to provide products and services which fulfill local needs

Consumer



Increase profit from game software

Bolster businesses in Europe—acquire AAA IP and fully utilize our consistent sales organization in Europe

Strategic initiatives for next-generation hardware—multi platform and development risk diversification



Press ahead with online business

Enter the growing Chinese market—licensing agreement with Beijing Gehua Online Cultural Ltd., Co.

Up-front investment in development to take a new profit-earning opportunity



Strengthen subsidiary businesses

Bolster businesses of SEGA TOYS, Sammy NetWorks and TMS Entertainment.

Generate synergies within the Group—utilize Group content lineup and technologies in a cross-sectional manner.