



# FISCAL YEAR 2007

## Interim Results

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November 10, 2006  
SEGA SAMMY HOLDINGS INC

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



# Fiscal Year 2007 Interim Results

# Highlights

## ■ Net Sales and Operating Profit

Net Sales: 283.5 Billion Yen +14.1% Period over period

Operating Profit: 62.9 Billion Yen +26.1% Period over period

## ■ Strong Results in Pachinko Pachislot and Amusement Machines

Pachinko Pachislot :Pachislot “Hokuto-no-ken SE” beats initial expectations

Amusement Machines :High value add and bread-and-butter products ship well

Amusement Facilities :Same store sales in line with prior year, kids cards slightly below plan

Consumer Business :Rise in sales due to consolidation of TMS Entertainment (from 2H FY 2006), investing in R&D in advance of next generation consoles

## ■ Corporate Actions

- Convertible Bond: Balance (1 Million Yen) called in August 2006
- Purchase of Sanrio Shares: Purchased 12.27 Million shares (13.77%) as of 9/29

# Consolidated Income Statement

(JPY Billions)	FY 2006 Interim Results	FY2007		
		Initial Plan	Interim Results	Change Over Prior Period
Net Sales	248.5	296.0	283.5	+14.1%
Operating Income	49.8	43.0	62.9	+26.1%
Operating Margin	20.1%	14.5%	22.2%	+2.1Points
Ordinary Income	49.4	42.5	66.0	+33.7%
Ordinary Income Margin	19.9%	14.3%	23.3%	+3.4Points
Net Income	24.9	22.0	37.9	+52.3%
Net Profit Margin	10.0%	7.4%	13.4%	+3.4Points

\*FY 2007 Interim EPS : 150.80 Yen

\*FY 2007 Interim Dividend: JPY 30

# Results by Segment

(JPY Billions)		FY 2006	FY 2007		
		Interim Results	Initial Plan	Interim Results	Change Over Prior Period
<b>Net Sales</b>		248.5	<b>296.0</b>	<b>283.5</b>	+14.1%
<b>Breakout</b>	<b>Pachinko Pachislot</b>	129.8	<b>152.0</b>	<b>145.0</b>	+11.7%
	<b>Amusement Machines</b>	30.8	<b>36.0</b>	<b>34.6</b>	+12.3%
	<b>Amusement Facilities</b>	48.5	<b>61.0</b>	<b>53.5</b>	+10.3%
	<b>Consumer</b>	28.5	<b>39.0</b>	<b>40.7</b>	+42.8%
	<b>Other</b>	10.7	<b>10.0</b>	<b>9.6</b>	-10.2%
<b>Operating Income</b>		49.8	<b>43.0</b>	<b>62.9</b>	+26.1%
<b>Breakout</b>	<b>Pachinko Pachislot</b>	46.4	<b>47.5</b>	<b>63.7</b>	+37.2%
	<b>Amusement Machines</b>	4.5	<b>4.0</b>	<b>6.6</b>	+46.6%
	<b>Amusement Facilities</b>	4.3	<b>6.0</b>	<b>2.9</b>	-32.5%
	<b>Consumer</b>	-4.3	<b>-10.5</b>	<b>-6.7</b>	—
	<b>Other</b>	-0.4	<b>0.0</b>	<b>-0.4</b>	—
	<b>Eliminations</b>	-0.5	<b>-4.0</b>	<b>-3.2</b>	—

# Consolidated Balance Sheet

【 Assets 】				【 Liabilities, Minority Interest and Shareholder's Equity 】			
Account	Prior	Current	Change	Account	Prior	Current	Change
Cash and Equivalents	144.5	170.9	26.3	Accounts/Notes Payable	62.1	65.9	3.7
Accounts Receivable	96.7	88.5	(8.1)	Short Term Debt	8.3	7.2	(1.1)
Securities	19.4	9.7	(9.7)	Other	66.8	82.7	15.9
Inventories	32.2	33.0	0.8	<b>Total Current Liabilities</b>	<b>137.3</b>	<b>155.9</b>	<b>18.5</b>
Other	38.3	40.8	2.4	Long Term Debt and Notes	29.2	25.5	(3.6)
<b>Total Current Assets</b>	<b>331.3</b>	<b>343.1</b>	<b>11.8</b>	Other	20.3	20.0	(0.3)
Tangible Fixed Assets	82.6	92.3	9.7	<b>Total Fixed Liabilities</b>	<b>49.5</b>	<b>45.5</b>	<b>(4.0)</b>
Intangible Fixed Assets	16.7	25.6	8.8	<b>Total Liabilities</b>	<b>186.9</b>	<b>201.4</b>	<b>14.5</b>
Investments	59.9	68.6	8.7	<b>Shareholder's Equity</b>	<b>321.1</b>	<b>350.7</b>	<b>29.5</b>
Other	32.2	34.9	2.7	Valuation/Exchange Differentials	(4.5)	(7.3)	(2.8)
				Warrants	—	0.0	0.0
				Minority Interest	19.3	19.7	0.4
<b>Total Fixed Assets</b>	<b>191.5</b>	<b>221.5</b>	<b>30.0</b>	<b>Total Shareholder's Equity</b>	<b>335.9</b>	<b>363.2</b>	<b>27.2</b>
<b>Total Assets</b>	<b>522.9</b>	<b>564.7</b>	<b>41.8</b>	<b>Total Liabilities, Minority Interest and Shareholders Equity</b>	<b>522.9</b>	<b>564.7</b>	<b>41.8</b>

## Topics

- Sanrio Purchase: As of 9/29 Sega Sammy Holdings Inc had acquired 12.27 Million shares(13.77%)
- Investments in land for a factory and amusement machines increases amount of tangible fixed assets
- Acquisition of overseas subsidiaries leads to new goodwill of 9.0 billion yen
- Interest bearing debt reduced by 4.7 Billion Yen

# Consolidated Cash Flows

(JPY Billions)	FY 2006	FY 2007 Interim
Cash Flows from Operations	83.2	57.6
Cash Flows from Investing	-54.7	-27.7
Cash Flows from Financing	-21.1	-12.7
Exchange Rate Effects on Cash and Cash Equivalents	0.6	0.2
Change in Cash and Cash Equivalents	8.0	17.3
Beginning Cash and Cash Equivalents	151.2	160.0
Change in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	0.4	0.5
Change in Cash and Cash Equivalents due to Merger	0.3	—
Ending Cash and Cash Equivalents	160.0	177.9

## Topics

### Major Drivers of Cash Flows

Cash Flows from Operations :Net Income before taxes of 65.6 billion yen, tax refund of 15.6 billion yen and taxes paid of 34.8 billion yen

Cash Flows from Investing :Increase in tangible fixed assets of 16.0 billion yen, payment for purchase of investment securities of 9.1 billion yen

Cash Flows from Financing :7.5 billion yen paid in dividends, 2.7 billion yen in long term loan repayments

# Segment Breakout: Pachinko Pachislot

(JPY Billions)	FY 2006	FY 2007		
	Interim Results	Initial Plan	Interim Results	Change Over Prior Period
<b>Net Sales</b>	129.8	152.0	<b>145.0</b>	<b>+11.7%</b>
<b>Operating Income</b>	46.4	47.5	<b>63.7</b>	<b>+37.2%</b>
<b>Operating Margin</b>	35.7%	31.2%	<b>43.9%</b>	<b>+8.2 Points</b>

\* Titles and Results available on following page

## Topics

### ■ Change in hall operating environment

Environment	Pachislot: Old regulation machines with large market share reaching their installation deadline (Hokuto-no-ken, etc.). Industry appetite for replacement these machines with further old regulation products continued to be strong.
	Pachinko: With the strong demand in the pachislot market the replacement demand in pachinko tended to be weak and halls focused purchasing on differentiated high quality machines

### ■ Pachislot: Shipments of Hokuto-no-ken SE well above plans

### ■ Pachinko: Sales well below plan. Sales specialized in Pachislot.

Development of innovative new machines leads to delays in approvals



# Segment Breakout: Pachinko Pachislot

## Net Sales • Operating Profit

(JPY Billions)		FY 2006	FY 2007		
		Interim Results	Initial Plan	Interim Results	Change Over Prior Period
Net Sales		129.8	152.0	145.0	11.7%
	Pachislot	73.0	73.5	123.4	69.0%
	Pachinko	52.6	69.0	16.1	-69.3%
	Peripherals	4.2	9.5	5.5	30.9%
Operating Income		46.4	47.5	63.7	37.2%
Operating Margin		35.7%	31.2%	43.9%	8.2points

## Pachislot Units

\*Rodeo's 1 title is Orenosora which was introduced in the last fiscal year

	2 Titles	3 Titles	2 Titles	-1 Title
	127,564 Units	180,000 Units	333,119 Units	205,555 Units
	52,704 Units	30,000 Units	24,480 Units	-28,224 Units
Unit Supply	75,018 Units	37,000 Units	3,003 Units	-72,015 Units
<b>Total</b>	255,286 Units	247,000 Units	360,602 Units	105,316 Units

## Pachinko Units

	4 Titles	6 Titles	5 Titles	+1 Title
	223,920 Units	270,000 Units	64,086 Units	-159,834 Units
	—	30,000 Units	17,124 Units	17,124 Units
<b>Total</b>	223,920 Units	300,000 Units	81,210 Units	-142,710 Units

## Pachislot Titles

Brand	Title	Sales	Sold From
	Hokuto-no-ken SE	321,068	July
	Bomberman Victory	10,013	April
	Other	2,038	—
	Ore-no-Sora	24,476	Prior Period
	Dokonjyougaeru	4	Prior Period
Unit Supply	Taiho Shichauzo	3,003	July
	Twin Angel		August

## Pachinko Titles

Brand	Title	Sales	Sold From
	CR Hokuto-no-ken STV	22,990	July
	CR Freddy vs Jason	19,895	May
	CR Gachaman	8,719	September
	CR Ring ni Kakero	12,482	September
	CR Mangetunoyoru ni Shotenshitai	12,439	June
	CR1 • 2-no-Sanshiro	4,685	August

# Segment Breakout: Amusement Machines

(JPY Billions)		FY 2006	FY 2007		
		Interim Results	Initial Plan	Interim Results	Change Over Prior Period
<b>Net Sales</b>		30.8	<b>36.0</b>	<b>34.6</b>	<b>+12.3%</b>
Breakout	Domestic	27.1	<b>31.5</b>	<b>31.4</b>	+15.8%
	Overseas	3.7	<b>4.5</b>	<b>3.1</b>	-16.2%
<b>Operating Profit</b>		4.5	<b>4.0</b>	<b>6.6</b>	<b>+46.6%</b>
<b>Operating Margin</b>		14.6%	<b>11.1%</b>	<b>19.0%</b>	<b>+4.4Points</b>

## Topics

- Much higher profit compared to plan and prior period
- Large games such as Sangokushi Taisen 2 still selling well
- Strong introduction of Virtua Fighter 5  
⇒ Start of revenue share model ALL.Net P-ras
- Strong results in the Revolution Series

# Segment Breakout: Amusement Machines

**Major Sales Domestically  
by Unit in FY 2007 1<sup>st</sup> Half**

Product Name	Sales Results
Sangokushi Taisen 2	CVTKIT Body: 603 CVTKIT Satellite: 2,608
Star Horse 2 New Generation	Body: 73 Satellite: 1,726
Ami Gyo	Units: 479
Virtua Fighter 5	DX Set: 683
Pachislot Revolution Series	Full Cabinet: 1,498 Board: 3,052
WCCF EC 2004-2005 VER2	Player cards: 27,098 Cartons Units:36

# Segment Breakout: Amusement Facilities

(JPY Billions)	FY 2006	FY 2007		
	Interim Results	Initial Plan	Interim Results	Change Over Prior Period
<b>Net Sales</b>	48.5	<b>61.0</b>	<b>53.5</b>	<b>10.3%</b>
(Overseas)	2.6	<b>3.9</b>	<b>4.3</b>	<b>65.3%</b>
<b>Operating Income</b>	4.3	<b>6.0</b>	<b>2.9</b>	<b>-32.5%</b>
<b>Operating Margin</b>	8.8%	<b>9.8%</b>	<b>5.4%</b>	<b>-3.4Points</b>

\* Facilities and Kids Card Game Information Included on Following Page

## Topics

- Same store sales up 0.2% over the prior period in line with the prior period
  - ⇒ Below 1<sup>st</sup> half plan of +6.9%
- Scrap and build continues
- Kids card games slightly below plan
  - ⇒ Competitors introducing products has reduced our relative share
  - ⇒ The kids card market itself is still steady

# Segment Breakout: Amusement Facilities

## Facility Data

		FY 2006	FY 2007		
		Interim Results	Initial Plan	Interim Results	Change Over Prior Period
		451	462	463	+12
# of Facilities	Stores Opened	6	12	10	-
	Stores Closed	32	12	9	-
Cap-ex		JPY 10.8 Billion	JPY 10.9 Billion	JPY 11.8 Billion	+1.0 Billion
Same Store Comps		100.0%	106.9%	100.2%	+0.2%

## Kids Card Game Data

		FY 2006		FY 2007		
		Interim Results	Full Year Results	Initial Plan	Interim Results	Change Over Prior Period
Mushi King	Installed Units	13,500 Units	13,400 Units	13,400 Units	13,000 Units	-400 Units
	Accumulated Card Sales	280 Million	350 Million	416 Million	398 Million	+48 Million
Love and Berry	Installed Units	4,700 Units	7,600 Units	10,800 Units	10,200 Units	+2,600 Units
	Accumulated Card Sales	43 Million	133 Million	225 Million	207 Million	+74 Million
Dinosaur King	Installed Units	-	6,000 Units	7,200 Units	7,000 Units	+1,000 Units
	Accumulated Card Sales	-	32 Million	50 Million	47 Million	+15 Million

# Segment Breakout: Consumer

(JPY Billions)		FY 2006	FY 2007		
		Interim Results	Initial Plan	Interim Results	Change Over Prior Period
<b>Net Sales</b>		28.5	<b>39.0</b>	<b>40.7</b>	+42.8%
Breakout	Entertainment Software	14.9	<b>21.2</b>	<b>27.9</b>	+87.2%
	Networks/Other	13.6	<b>17.8</b>	<b>12.7</b>	-6.6%
<b>Operating Income</b>		-4.3	<b>-10.5</b>	<b>-6.7</b>	-
<b>Operating Margin</b>		-	-	-	-
<b>R&amp;D</b>		7.5	<b>13.3</b>	<b>11.7</b>	+56.0%
<b>Entertainment Software</b>	Titles	32	<b>42</b>	<b>53</b>	+21
	Units Sold	4.48 Million	<b>5.81 Million</b>	<b>5.75 Million</b>	<b>1.27 Million</b>

Unit and title breakout on following page

## Points

- Less loss than initial plan
- Entertainment software sales strong
  - ⇒ North America especially strong
- Cost of titles reduced
  - ⇒ Promotion of reduction of development costs
  - ⇒ China online service delayed – some costs pushed to 2<sup>nd</sup> half

# Segment Breakout: Consumer

## Entertainment Software Sales Results

(FY 2007 1<sup>st</sup> Half)

	Region	# Titles	Units (thousands)
Breakout	Japan	28	1770
	US	11	2360
	Europe	14	1590
	Other	0	30
Total		53	5750

	Platform	# Titles	Units (thousands)
Breakout	PS2	20	1450
	PSP	12	680
	GC	2	140
	Xbox	1	20
	Xbox 360	6	430
	GBA	0	0
	NDS	5	280
	PC	7	270
	Catalogue		2480
Total		53	5750

Region	Platform	Major Title	Units (thousands)
Japan	PS2	Pachislot Winning Strategies Hokuto-no-ken SE	270
	PS2	PHANTASY STAR UNIVERSE	200
	PS2	Kamaitachi no Yoru×3	190
	NDS	Mushiking – Road to the Greatest Champion 2	140
US	PS2/GC/PSP	Super Monkey Ball Adventure	270
	XB360	Chromehounds	260
	PS2/XB/GC	Sonic Mega Collection Plus	240
	PS2/XB/GC	Sonic Heroes	210
Europe	XB360/PSP/PC	Football Manager 2006	260
	PS2/GC/PSP	Super Monkey Ball Adventure	160
	PS2	YAKUZA	120
	PSP	Virtua Tennis	80

# Results of Subsidiaries





# Results of Subsidiaries (1)

## Sammy NetWorks

(JPY Billions)	FY 2006	FY 2007		
	Interim Results	Initial Plan	Interim Results	Change Over Prior Period
Net Sales	3.93	4.67	4.48	+14.1%
Operating Profit	0.92	1.15	1.18	+28.6%
Operating Margin	23.4%	24.6%	26.3%	+2.9 Points

(JPY Billions)	FY 2006	FY 2007		
	Interim Results	Initial Plan	Interim Results	Change Over Prior Period
Net Sales	6.34	7.00	7.78	+22.6%
Operating Profit	0.32	0.27	0.28	-10.9%
Operating Margin	5.0%	3.8%	3.5%	-1.5 Points

### Sammy NetWorks

Domestic sales and profit meet plan

■ Huge increase in mobile “777 Town” subscribers in advance of Hokuto-no-ken SE. PC “777 Town” around plan.

Overseas sales and profit below plan

■ Laws in China regarding content distribution were tightened in July resulting in a decrease in SMS members. This led to a decrease in sales and profit compared with the prior period

### SEGA TOYS

■ Strong sales, lower profit

⇒ Consistent sales of edutainment brands

- Beena

⇒ Strong overseas sales

- idog, PixelChix, Digi Makeover

⇒ Pioneering new markets with entertainment with new value

- Sound Carrier, HOMESTAR, Brain Age/Brain Stress Scale Atama-Scan

■ Group synergy

⇒ Utilize popular content from other segments

# Results of Subsidiaries (2)



(JPY Billions)	FY 2006	FY 2007		
	Interim Results	Initial Plan	Interim Results	Change Over Prior Period
<b>Net Sales</b>	7.29	<b>6.75</b>	<b>6.58</b>	-9.7%
<b>Operating Profit</b>	0.77	<b>0.67</b>	<b>0.69</b>	-9.4%
<b>Operating Margin</b>	10.5%	<b>9.9%</b>	<b>10.4%</b>	-0.1 Points



(JPY Billions)	FY 2006	FY 2007		
	Interim Results	Initial Plan	Interim Results	Change Over Prior Period
<b>Net Sales</b>	9.03	8.65	<b>7.96</b>	-11.8%
<b>Operating Profit</b>	-0.18	0.04	<b>-0.37</b>	—%
<b>Operating Margin</b>	—%	0.4%	—%	-

## TMS Entertainment

### ■ Animation Business

Net sales were slightly off after seeing strong sales revenue period over period offset by low production revenues

Operating profit was rose because of mix of high margin sales

### ■ Amusement Business (internal comparison)

Same store sales fell slightly, but with the addition of new facilities overall sales rose. With the drop in same store sales operating profit fell

## Nissho Interlife

### ■ Lower sales and profit

⇒ As a result of poor new business development sales are below plan

⇒ Better profit management slow to materialize resulting in a fall in gross margins

### ■ Plan for financial strengthening

⇒ Reduce fixed assets through sales, book gains

⇒ Reduce interest payments through loan reduction



# FY 2007 Full Year Plan

# FY 2007 Full Year Plan

JPY Billions	FY 2005	FY 2006		FY 2007		
	Full Year Results	Interim Results	Full Year Results	Interim Results	Updated Forecast(*)	Change Over Prior Period
<b>Net Sales</b>	515.6	248.5	553.2	<b>283.5</b>	<b>580.0</b>	+4.8%
<b>Operating Income</b>	105.0	49.8	119.1	<b>62.9</b>	<b>97.5</b>	-18.1%
<b>Ordinary Income</b>	104.4	49.4	119.5	<b>66.0</b>	<b>100.0</b>	-16.3%
<b>Net Income</b>	50.5	24.9	66.2	<b>37.9</b>	<b>60.0</b>	-9.3%

(\*)Only forecasts for the Pachinko Pachislot Segment have been revised

FY 2007 Forecast EPS : 238.13 Yen

# Plan by Segment

(JPY Billions)		FY 2005	FY 2006		FY 2007		
		Full Year Results	Interim Results	Full Year Results	Interim Results	Updated Forecast(*)	Change Over Prior Period
<b>Net Sales</b>		515.6	248.5	553.2	<b>283.5</b>	<b>580.0</b>	+4.8%
<b>Breakout</b>	<b>Pachinko Pachislot</b>	280.1	129.8	265.6	<b>145.0</b>	<b>226.0</b>	-14.9%
	<b>Amusement Machines</b>	63.3	30.8	71.5	<b>34.6</b>	<b>84.0</b>	+17.4%
	<b>Amusement Facilities</b>	83.1	48.5	106.2	<b>53.5</b>	<b>125.0</b>	+17.7%
	<b>Consumer</b>	65.3	28.5	90.3	<b>40.7</b>	<b>123.0</b>	+36.2%
	<b>Other</b>	23.7	10.7	19.4	<b>9.6</b>	<b>22.0</b>	+13.4%
<b>Operating Income</b>		105.0	49.8	119.1	<b>62.9</b>	<b>97.5</b>	-18.1%
<b>Breakout</b>	<b>Pachinko Pachislot</b>	103.9	46.4	99.8	<b>63.7</b>	<b>78.5</b>	-21.3%
	<b>Amusement Machines</b>	7.4	4.5	12.1	<b>6.6</b>	<b>12.5</b>	+3.3%
	<b>Amusement Facilities</b>	5.4	4.3	9.2	<b>2.9</b>	<b>12.0</b>	+30.4%
	<b>Consumer</b>	-8.8	-4.3	1.9	<b>-6.7</b>	<b>2.5</b>	+31.5%
	<b>Other</b>	-0.5	-0.4	-1.7	<b>-0.4</b>	<b>0</b>	-
	<b>Eliminations</b>	-2.4	-0.5	-2.3	<b>-3.2</b>	<b>-8.0</b>	-

(\*)Only forecasts for the Pachinko Pachislot Segment have been revised

# Plan By Segment : Pachinko Pachislot

## Plan

		FY 2005	FY 2006		FY 2007		Change Over Prior Period
		Full Year Results	Interim Results	Full Year Results	Interim Results	Updated Forecast(*)	
(JPY Billions)							
Net Sales		280.1	129.8	265.6	145.0	226.0	-14.9%
	Pachislot	221.0	73.0	189.4	123.4	157.5	-16.8%
	Pachinko	44.3	52.6	67.0	16.1	59.0	-11.9%
	Peripherals	14.6	4.2	9.2	5.5	9.5	+3.2%
Operating Income		103.9	46.4	99.8	63.7	78.5	-21.3%
Operating Margin		37.0%	35.7%	37.5%	43.9%	34.7%	-2.8 Points

## Pachislot

Brand	FY 2006		FY 2007	
	Interim Results	Full Year Plan	Interim Results	Full Year Plan
	2 Titles	6 Titles	2 Titles	5 Titles
	127,564 Units	312,865 Units	333,119 Units	415,000 Units
	1 Title	4 Titles	(*)1 Titles	5 Titles
	52,704 Units	159,123 Units	24,480 Units	69,000 Units
	-	-	-	1 Title
	-	-	-	10,000 Units
Unit Supply	3 Titles	4 Titles	2 Titles	9 Titles
	75,018 Units	135,118 Units	3,003 Units	30,000 Units
Total	6 Titles	14 Titles	5 Titles	20 Titles
	255,286 Units	607,106 Units	360,602 Units	524,000 Units

## Pachinko · Jankyu

(\*)Only forecasts for the Pachinko Pachislot Segment have been revised

Pachinko Brand	FY 2006		FY 2007	
	Interim Results	Full Year Plan	Interim Results	Full Year Plan
	4 Titles	8 Titles	5 Titles	(*)12 Titles
	223,920 Units	288,895 Units	64,086 Units	234,000 Units
	-	-	2 Titles	5 Titles
	-	-	17,124 Units	67,000 Units
Total	4 Titles	8 Titles	7 Titles	17 Titles
	223,920 Units	288,895 Units	81,210 Units	301,000 Units

(\*)One jankyu title included under Sammy brand

# Revision to Pachinko Full Year Plan

## Main Reasons

- **With our product strategy we were not able to differentiate our products from competitors**
  - ⇒ Unlike other companies which differentiate through strategically focusing on one title or valuable character, Sammy has not clearly illustrated a strategy
  - ⇒ Not able to differentiate with old spec models, resulting in a lack of positive market reception
- **Developing towards challenging specifications and revising machine presentation has left us with many unapproved titles, must revamp the development process**
  - ⇒ To influence sales from the 2<sup>nd</sup> half onward we are reviewing the entire pachinko sales schedule

## Policies for Pachinko Going Forward

### ■ Focus on strengths of each individual machine

- ⇒ Analyze the market environment incorporating both players and non players, analyze machine specs and character popularity, develop and supply machines that meet hall and user needs
- ⇒ To alleviate the market concern that our "Presentation is weak" work to improve our quality from all perspectives
  - Test market with general players during the development process
  - Recruit developers externally, raise our presentation quality

### ■ Enhance product lineup and genres to attract various users

- Organize personnel into teams according to their target
- Consider plans and ideas from all outside sources (Develop machines to hit the existing pachinko market)

# View of Pachislot Market 2<sup>nd</sup> Half Forward

## Production Capacity by Company

Company	Monthly Capacity <sup>(*1)</sup>	Share
Rodeo	80,000	16.9%
Sammy	60,000 (*2) 100,000	12.6%
Aruze	60,000	12.6%
Olympia	50,000	10.5%
Yamasa	40,000	8.4%
SANKYO	36,000	7.6%
Aristocrat	30,000	6.3%
SNK	30,000	6.3%
Abilit	25,000	5.2%
Daito Giken	20,000	4.2%
Baltech	12,000	2.5%

Source: Yano Research and Sammy results

Company	Monthly Capacity <sup>(*1)</sup>	Share
Taiyo	10,000	2.1%
Pioneer	9,000	1.9%
Kitadenshi	8,000	1.6%
Okazaki	2,500	0.5%
IGT Japan	Not disclosed	-
Ginza	Not Disclosed(20,000)	-
Total	472,500	100%
Sammy Group Total**	200,000+ Units	42.3%

(\*1)Where daily capacity is disclosed, 20 days of operation per month are assumed

(\*2)Disclosed capacity is 3,000 units per day, but full capacity is greater than 100 thousand per month

## Pachislot Strategy Going Forward

### ■ Sell new reg machines in a thoroughly scheduled manner

⇒ Aggressively introduce high quality machines at the highest level with new functionalities at the time of removal of old regulation machines

⇒ In consideration of the burden on halls, introduce all titles with various sales plans

### ■ Continue to work on reducing costs

⇒ Promote the re-use of a wide variety of inputs outside of the LCD panel

⇒ Consider the return of rental machines in establishing a sales schedule focused on re-use



# Plan By Segment : Amusement Machines

## Plan

(JPY Billions)	FY 2005	FY 2006		FY 2007		Change Over Prior Period	
	Full Year Results	Interim Results	Full Year Results	Interim Results	Updated Forecast(*)		
Net Sales	63.3	30.8	71.5	<b>34.6</b>	<b>84.0</b>	+17.4%	
Breakout	Domestic	54.4	27.1	63.3	<b>31.4</b>	<b>69.5</b>	+9.7%
	Overseas	8.9	3.7	8.1	<b>3.1</b>	<b>14.5</b>	+79.0%
Operating Income	7.4	4.5	12.1	<b>6.6</b>	<b>12.5</b>	+3.3%	
Operating Margin	11.6%	14.6%	16.9%	<b>19.0%</b>	<b>14.8%</b>	-2.1 Points	

### Amusement Machines Business Strategy

- Aggressive introduction of high value-add products to drive profitability  
⇒“Star Horse 2 Second Fusion” “Sangokushitaisen 2”
- Policies for more stable profits  
⇒ALL.Net P-ras, card games and other methods to keep from relying purely on machine sales
- Involve local strength in a regional development process  
⇒Develop titles in the regions in that they will be sold

# Plan By Segment : Amusement Facilities

## Plan

(JPY Billions)	FY 2005	FY 2006		FY 2007			
	Full Year Results	Interim Results	Full Year Results	Interim Results	Updated Forecast(*)	Change Over Prior Period	
Net Sales	83.1	48.5	106.2	<b>53.5</b>	<b>125.0</b>	+17.7%	
(Overseas Portion)	-	2.6	6.1	<b>4.3</b>	<b>8.7</b>	+42.6%	
Operating Income	5.4	4.3	9.2	<b>2.9</b>	<b>12.0</b>	+30.4%	
Operating Margin	6.4%	8.8%	8.6%	<b>5.4%</b>	<b>9.6%</b>	+1.0 Point	
Capex	24.8	14.3	25.3	<b>11.8</b>	<b>20.4</b>	-19.3%	
Domestic Operations	Stores Opened	24	6	14	<b>10</b>	<b>23</b>	-
	Stores Closed	42	32	52	<b>9</b>	<b>14</b>	-
	Stores at Period End	477	451	462(*)	<b>463</b>	<b>471</b>	+9 Facilities
	YOY Same Store Comps	98.5%	100.0%	103.3%	<b>100.2%</b>	<b>103.4%</b>	+0.1 Point
Kids Card Games	Total Units	10,800 Units	18,200 Units	27,000 Units	<b>30,200 Units</b>	<b>About 36,000 Units</b>	+about 9,000 Units
	Aggregate Cards	167.5 Million	323 Million	515 Million	<b>652 Million</b>	<b>About 872 Million</b>	+about 357 Million

## Amusement Facilities Business Strategy

### ■ Kids card game improvement strategy

- ⇒New products, keep usage high with promotions and new development
- ⇒Drive synergies by also creating entertainment software

### ■ Plan for 3.4% increase in same store sales

- ⇒Work with consumer segment, efficient operation at all storefronts

### ■ Overseas development

- ⇒Development in Asia, continue pioneering new markets

# Plan By Segment: Consumer

## Plan

(JPY Billions)		FY 2005	FY 2006		FY 2007		
		Full Year Results	Interim Results	Full Year Results	Interim Results	Updated Forecast(*)	Change Over Prior Period
Net Sales		65.3	28.5	90.3	<b>40.7</b>	<b>123.0</b>	+36.2%
Breakout	Ent Software	39.4	14.9	56.2	<b>27.9</b>	<b>77.9</b>	+38.6%
	Networks/Other	25.9	13.6	34.1	<b>12.7</b>	<b>45.1</b>	+32.2%
Operating Income		-8.8	-4.3	1.9	<b>-6.7</b>	<b>2.5</b>	+31.5%
Operating Margin		-	-	2.1%	-	<b>2.0%</b>	-0.1 Point

## Consumer Strategy

### ■ Game Software

⇒ Main titles for current generation systems

⇒ Also supply titles for next gen

⇒ Profit drivers in overseas acquisitions

### ■ Restructure the network related businesses

⇒ Online games for the Asian market to provide a foundation for growth in the next FY and beyond

### ■ Strengthen subsidiaries

Game Software Full Year Sales Plan		Titles	Units (Thousands)
Breakout by Region	Japan	48	6760
	US	41	6380
	Europe	49	8930
	Other	-	80
Total		138	22150
Breakout by Platform	PS2	28	4010
	GC	2	220
	XB	1	10
	PS3	17	2870
	Wii	7	1020
	Xbox360	14	1830
	NDS	17	2580
	PSP	29	3560
	GBA	2	190
	PC	21	2380
	Catalogue	-	3470

# Plan By Segment: Consumer

## 2nd Half Lineup of FY 07 Major Titles

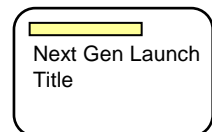
Title	Platform	Release Date	Region
Sonic the Hedgehog	PS3/Xbox360	Japan : 2006/12/21 Europe : PS3 2007/3, Xbox360 2006 Winter US : PS3 2006 Winter, Xbox360 : 11/14	All PS3 Europe launch title
Full Auto 2: Battlelines	PS3	US : 2006/11/14 Europe : 2007 Spring	US • Europe
Sega Golf Club Feat. Miyazato Family	PS3	2006/11/11	Japan
Super Monkey Ball : Banana Blitz	Wii	Japan : 2006/12/2 US : 2006 Fall Europe : 2006 Winter	US • Europe • Japan
BLEACH Wii	Wii	2006/12/14	Japan

## 2nd Half Lineup from Acquired Companies

Title	Platform	Release Date	Region
Medieval 2: Total War	PC	US : 2006/11/14 Europe : 2006/11/10	US • Europe
Football Manager 2007 (WORLD SOCCER MANAGER2007)	PC/Mac/Xbox 360/PSP	Japan : 2006/12/21 (Mac/PC) US : 2006/10/31 (Mac/PC) Europe : 2006/10/20(Mac/PC), 2006 Winter (Xbox 360/PSP)	US • Europe • Japan *360/PSP Europe only

## 2nd Half Lineup for Current Generation

Title	Platform	Release Date	Region
Ryugatotoku 2	PS2	2006/12/7	Japan
Love and Berry DS Collection	NDS	2006/11/22	Japan
Phantasy Star Universe	PS2/Xbox 360/PC	Japan : 2006/12/14(Xbox 360) US : 2006/10/24 Europe : 2006/11/24	Japan(PS2,PC were 1st Half releases) US • Europe
Charlotte's Web	GBA/NDS/PC	2006/11/14	US • Europe
Sonic Rivals	PSP	US : 2006/11/21 Europe : 2006/12/1	US • Europe



# Subsidiaries' Business Plans



# Subsidiaries' Business Plans (1)



JPY Billions	FY 2005	FY 2006	FY 2007		
	Full Year Results	Full Year Results	Interim Results	Full Year Forecast	Change Over Prior Period
<b>Net Sales</b>	6.2	8.2	4.48	<b>10.10</b>	+22.1%
<b>Operating Income</b>	2.4	2.1	1.18	<b>2.55</b>	+18.1%
<b>Operating Margin</b>	39.8%	26.1%	<b>26.3%</b>	<b>25.2%</b>	-0.9 Points

JPY Billions	FY 2005	FY 2006	FY 2007		
	Full Year Results	Full Year Results	Interim Results	Full Year Forecast	Change Over Prior Period
<b>Net Sales</b>	10.2	14.4	7.78	<b>17.00</b>	+18.0%
<b>Operating Income</b>	0.5	1.0	0.28	<b>1.44</b>	+ 36.0%
<b>Operating Margin</b>	5.7%	7.2%	3.5%	<b>8.4%</b>	+1.2 Points

## Sammy NetWorks

### ■ Expand 3 major businesses

⇒① : Introduce more pachinko applications to 777town dot net, increase community functionality

⇒② : Develop services to transform the existing 1.4 million muPass equipped devices into real demand

⇒③ : Overseas businesses

As the regulations controlling mobile broadcasts have been tightened in China, keep down overall costs with cuts in advertising and personnel and thereby help profitability

## SEGA TOYS

### ■ With new value create new markets

⇒Bring entertainment products to an adult market that is not satisfied with existing products... Brain Age/Brain Stress Scale Atama-Scan, Homestar PRO, Grand Pianist

### ■ Strengthen edutainment business

⇒Beena

■ Develop content in collaboration with the Sega Sammy Group

⇒Mushiking, Love and Berry, Dinosaur King toys

⇒Working with TMS Entertainment: Bakugan, Pururun!, Shizuku-chan

# Subsidiaries' Business Plans (2)



JPY Billions	FY 2005	FY 2006	FY 2007		
	Full Year Results	Full Year Results	Interim Results	Full Year Forecast	Change Over Prior Period
<b>Net Sales</b>	13.6	16.1	6.58	<b>15.89</b>	-1.6%
<b>Operating Income</b>	2.0	1.6	0.69	<b>1.79</b>	+6.1%
<b>Operating Margin</b>	14.6%	10.4%	10.4%	<b>11.2%</b>	+0.8 Points



JPY Billions	FY 2005	FY 2006	FY 2007		
	Full Year Results	Full Year Results	Interim Results	Full Year Forecast	Change Over Prior Period
<b>Net Sales</b>	16.5	16.2	7.96	<b>16.46</b>	+1.5%
<b>Operating Income</b>	-0.2	-0.4	-0.37	<b>-0.29</b>	-
<b>Operating Margin</b>	-	-	- %	<b>- %</b>	-

## TMS Entertainment

- Major initiatives in animation in the 2<sup>nd</sup> Half
  - ⇒ 3 new productions on land broadcast TV from October
  - ⇒ Plan to work on animations with group content
  - ⇒ Work with UHF and satellite TV
- Major initiatives in amusement in the 2<sup>nd</sup> Half
  - ⇒ Open 3 new facilities in October and November
  - ⇒ Strengthen management and administration
  - ⇒ Raise moral and potential in all regions and divisions of employees

## Nissho Interlife

- Focus on profitability in the comprehensive construction business
  - ⇒ Work to bring in major projects with stronger sales efforts
  - ⇒ Review partners to reduce costs
- Exhibit group synergies
  - ⇒ Utilize the management information and capital of the Sega Sammy Group