

FY 2008 1st Quarter Results

July 27th, 2007

SEGA SAMMY HOLDINGS INC

[Disclaimer]

The contents of 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.

FY 2008 1st Quarter Results

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■ Sales/Profits

Sales of ¥95.4 Billion, Operating Loss of ¥2.4 Billion, Quarterly Net Loss of ¥5.0 Billion

⇒ Sales of Pachislot machines well above prior year's levels leading to 11.4% more revenue. As expected operating losses were incurred in the Amusement Machines, Amusement Facilities and Consumer Segments, all of which are second half weighted

■ Segment Overview

- | | |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pachinko Pachislot: | Pachislot replacement cycle delayed, but sales far exceed last year's levels |
| Amusement Machines: | With the lack of new large scale equipment such as was introduced in the comparable period, revenues and profits fell, but sales were steady and focused on the continuing orders for product introduced in the prior fiscal year |
| Amusement Facilities: | Same store sales below last year's levels, but with cost controls losses are reduced |
| Consumer: | Domestic sales in line with plans, overseas operations gearing up for major 2 nd half titles, R&D spend up due to strengthening our global network |

■ Corporate Actions

- Formal conclusion of comprehensive business tie-up with Sanrio
- Hajime Satomi named President and Representative Director CEO and COO of SEGA Corporation

(JPY Billions)	FY 2007			FY 2008		
	1Q	1H	FY	1Q	1H Plan	FY Plan
Net Revenue	85.6	283.5	528.2	95.4	310.0	670.0
Operating Profit	2.7	62.9	76.5	-2.4	14.0	70.0
Ordinary Profit	2.4	66.0	81.2	-1.4	13.0	67.0
Net Income	0.7	37.9	43.4	-5.0	-5.0	35.0

Condensed Consolidated Balance Sheet

Units: JPY Billions

【 Assets 】				【 Liabilities and Net Assets 】			
Account	End March 2007	End 1Q	Change	Account	End March 2007	End 1Q	Change
Cash and Cash Equivalents	146.6	137.4	(9.1)	Accounts Payable	71.4	70.9	(0.4)
Accounts Receivable	83.4	57.3	(26.1)	Short term borrowings	29.2	30.1	0.8
Securities	0.9	0.9	0.0	Other	52.3	40.7	(11.5)
Inventories	40.1	51.1	10.9	Current Liability %	27.9%	26.9%	-1.1%
Other	40.9	41.1	0.2	Total Current Liabilities	153.0	141.8	(11.1)
Current Asset %	56.8%	54.8%	-2.0%	Bonds Payable	15.6	15.6	0.0
Total Current Assets	312.1	288.1	(24.0)	Long Term Debt	1.1	3.5	2.4
Tangible Fixed Assets	111.8	115.2	3.3	Other	21.2	22.1	0.8
Intangible Fixed Assets	25.2	23.6	(1.6)	Long Term Liabilities %	6.9%	7.9%	1.0%
Investment Securities	63.4	60.0	(3.4)	Total Long-term Liabilities	38.0	41.4	3.3
Other	37.1	38.9	1.8	Total Liabilities	191.0	183.2	(7.7)
				Shareholders Equity	348.5	335.0	(13.5)
				Valuation/Translation Adjustments	(10.4)	(12.2)	(1.7)
				Warrants	0.4	0.6	0.1
				Minority Interest	20.3	19.2	(1.0)
Fixed Asset %	43.2%	45.2%	2.0%	Net Assets %	65.2%	65.2%	0.0%
Total Fixed Assets	237.7	237.9	0.1	Total Net Assets	358.8	342.7	(16.0)
Total Assets	549.9	526.0	(23.8)	Total Liabilities and Net Assets	549.9	526.0	(23.8)

Topics

- Decreased accounts receivable, etc. yield a decline in total assets of ¥23.8 billion
- Net assets sink by ¥16 billion as a result of the quarterly loss and dividend payment

Segment Information

(JPY Billions)		FY 2007			FY 2008		
		1Q	1H	FY	1Q	1H Plan	FY Plan
Net Sales		85.6	283.5	528.2	95.4	310.0	670.0
Breakdown	Pachinko Pachislot	21.5	145.0	211.5	37.9	168.0	303.0
	Amusement Machines	17.7	34.6	75.4	15.2	34.5	82.5
	Amusement Facilities	25.2	53.5	103.8	22.8	52.0	110.5
	Consumer	16.5	40.7	119.5	16.0	46.5	156.0
	Other	4.5	9.6	17.8	3.3	9.0	18.0
Operating Profit		2.7	62.9	76.5	-2.4	14.0	70.0
Breakdown	Pachinko Pachislot	2.1	63.7	71.1	6.6	36.9	66.3
	Amusement Machines	4.0	6.6	11.6	0.6	0.2	9.2
	Amusement Facilities	2.0	2.9	0.1	-0.8	-2.4	-1.0
	Consumer	-4.0	-6.7	1.7	-7.2	-15.6	4.4
	Other	-0.2	-0.4	-1.3	-0.2	-0.4	-0.4
	Eliminations	-1.1	-3.2	-6.7	-1.5	-4.7	-8.5

1Q Results		1 st Half Outlook	
Pachislot	<ul style="list-style-type: none"> ■ Sales at subsidiary brands strong ⇒ Ginza “Ring ni Kakero” “Urusei Yatsura” ⇒ Rodeo “Devil May Cry 3” ■ As of June end 56% of market is reg 5 ⇒ Introduction of new reg machines is proceeding well, but halls using popular old reg machines until their deadline ■ Drivers of replacement ⇒ discounts, rentals 	Pachislot	<ul style="list-style-type: none"> ■ Strong Demand for Hokuto no Ken 2 ⇒ Orders already exceed 100k ■ Will be announcing new titles as appropriate upon reflection on market movements
Pachinko	<ul style="list-style-type: none"> ■ Repeat orders for CR Aladdin Destiny ■ Second half weighted ⇒ Ginza branded “Love Love Olive” only title released in 1Q ■ New Pachinko R&D Process ⇒ Expect machines designed under this process to hit the market in the 2nd half. 	Pachinko	<ul style="list-style-type: none"> ■ Strong demand for “Sakura Taisen” which will be released in September ■ Results of the new development “gate” process will be reflected in the second half.

1Q Results

(JPY Billions)		FY 2007			FY 2008		
		1Q	1H	FY	1Q	1H Plan	FY Plan
		21.5	145.0	211.5	37.9	168.0	303.0
Net Sales	Pachislot	10.9 (0.2)	123.4 (1.5)	173.7 (5.9)	32.9 (3.6)	132.0 (10.5)	186.6 (22.4)
	Pachinko	9.1	16.1	28.3	2.3	29.1	100.1
	Peripherals and Other	1.7	5.5	9.5	2.8	6.9	16.3
Operating Profit		2.1	63.7	71.1	6.6	36.9	66.3
Operating Margin		10.0%	43.9%	33.6%	17.4%	21.9%	21.8%

Sales Breakdown

Brand	FY 2007	FY 2008		
	1Q	1Q	1H Plan	FY Plan
	1 Title	4 Titles	4 Titles	8 Titles
	12,081 Units	27,026 Units	255,000 Units	335,000 Units
	1 Title	1 Title	4 Titles	7 Titles
	19,755 Units	47,290 Units	93,000 Units	128,000 Units
	-	1 Title	3 Titles	6 Titles
	-	36,813 Units	63,000 Units	103,000 Units
Unit Supply	0 Titles	3 Titles	10 Titles	12 Titles
	0 Units	15,008 Units	75,000 Units	95,000 Units
Total	2 Titles	9 Titles	21 Titles	33 Titles
	31,836 Units (2,332 Units)	126,137 Units (22,744 Units)	486,000 Units (51,000 Units)	661,000 Units (88,000 Units)

Top Sellers

Brand	Title	1Q Sales	Installed From
	Disc Up Alternative	14,797 Units	June
	Kemonochi!	5,657 Units	May
	Devil May Cry 3	41,125 Units	June
	Urusei Yatsura	26,313 Units	May
	Ring ni Kakero 1	10,498 Units	Prior Period
Unit Supply	Sangokushi (IGT) Other	15,008 Units	-

* Number of titles reflects products which began selling in the period

* Unit Supply includes the supply of parts to other makers

1Q Results

(JPY Billions)		FY 2007			FY 2008		
		1Q	1H	FY	1Q	1H Plan	FY Plan
Net Sales		21.5	145.0	211.5	37.9	168.0	303.0
	Pachislot	10.9 (0.2)	123.4 (1.5)	173.7 (5.9)	32.9 (3.6)	132.0 (10.5)	186.6 (22.4)
	Pachinko	9.1	16.1	28.3	2.3	29.1	100.1
	Peripherals and Other	1.7	5.5	9.5	2.8	6.9	16.3
Operating Profit		2.1	63.7	71.1	6.6	36.9	66.3
Operating Margin		10.0%	43.9%	33.6%	17.4%	21.9%	21.8%

Sales Breakdown

Brand	FY 2007	FY 2008		
	1Q	1Q	1H Plan	FY Plan
Sammy	3 Titles	0 Titles	3 Titles	8 Titles
	33,431 Units	7,538 Units	102,000 Units	322,000 Units
GINZA	1 Title	1 Title	2 Titles	4 Titles
	12,201 Units	2,131 Units	25,000 Units	65,000 Units
Total	4 Titles	1 Title	5 Titles	12 Titles
	45,632 Units	9,669 Units	127,000 Units	387,000 Units

Top Sellers

Brand	Title	1Q Sales	Installed From
Sammy	CR Aladdin Destiny	6,617 units	Prior period
GINZA	CR Love Love Olive	1,885 units	June

*Number of titles reflects products which began selling in the period

1Q Results

■ Sales lower than in the comparable period when Star Horse 2 New Generation was introduced, but progressing well towards interim plans

■ Main titles to be released in 2nd Half

■ Continue sales of titles introduced in the prior period

⇒ “Sangokushi Taisen 2” and “Initial D 4” sell in line with expectations

1H Drivers

■ 1st Half will be driven by old titles

⇒ Demand for “Star horse 2 Second Generation” accelerating

⇒ Introduce major new titles in the 2nd Half

■ To Amigyo (introduced in July) is strong

1Q Results

(JPY Billions)		FY 2007			FY 2008		
		1Q	1H	FY	1Q	1H Plan	FY Plan
Net Sales		17.7	34.6	75.4	15.2	34.5	82.5
Break-down	Domestic	15.8	31.4	65.7	12.5	27.5	67.5
	International	1.8	3.1	9.7	2.7	7.0	15.0
Operating Profit		4.0	6.6	11.6	0.6	0.2	9.2
Operating Margin		22.5%	19.0%	15.4%	3.9%	0.5%	11.1%

Top Sellers

1Q Titles	Units Sold
Initial D Arcade Stage 4	Satellite: 758
Sangokushi Taisen 2	Card: 14,308 Cartons
Star Horse 2 Second Generation	Body: 23 Satellite: 298

1Q Results

- Same store sales comps for the quarter at -11.2%
- Kids cards below last years levels, but above plans for 1st Half
 - ⇒ With support from various media tie-ins “Dinosaur King” succeeds
 - ⇒ Total Kids Card shipments of 29 million
- Application of new depreciation policies increases expenses
- With cost suppression losses are reduced

1H Drivers

- Introduce new titles in Kids Cards “Ishoni Wan Wan”, “Konchu Dash!!”, “Marin Marin”
- Currently evaluating businesses to implement aggressive measures to increase profitability
 - ⇒ Fully evaluating each facility in terms of current profitability and future potential
- Look for increased same store sales numbers from Summer onward
 - ⇒ Raise awareness through kids oriented “Welcome to Sega” campaign this summer, increase service level

1Q Results

JPY Billions	FY 2007			FY 2008		
	1Q	1H	FY	1Q	1H Plan	FY Plan
Net Sales	25.2	53.5	103.8	22.8	52.0	110.5
(Overseas Portion)	1.9	4.3	9.8	2.4	6.1	13.1
Operating Profit	2.0	2.9	0.1	-0.8	-2.4	-1.0
Operating Margin	7.9%	5.4%	0.1%	-	-	-
Same Store Comps	+3.8%	+0.2%	-4.2%	-11.2%	-3.5%	+2.1%
Domestic Locations	460	463	449	442	431	435
Stores Opened	4	10	18	3	13	26
Stores Closed	6	9	31	10	31	40
Depreciation	3.5	8.2	18.0	3.4	5.8	14.3
Capex	4.5	11.8	18.1	2.9	8.0	18.2

1Q Results

- Domestic software business on track
- No major new titles yet - main titles to be released in 3Q
- With the continued buildout of a global R&D structure, R&D costs rise 2.5 billion yen over the prior year's period
- Change in China online business model
⇒ End direct management of unprofitable portal site, change to a content licensing strategy

1H Drivers

- Introduction of title for summer holidays
“Mushiking King of Beetles Special Collection”
- Main titles to be introduced in the 2nd Half
“Mario & Sonic at the Olympic Games”, “The Golden Compass,” etc.

1Q Results

JPY Billions	FY 2007			FY 2008		
	1Q	1H	FY	1Q	1H Plan	FY Plan
Net Sales	16.5	40.7	119.5	16.0	46.5	156.0
Video Games	7.9	20.8	76.1	7.5	23.1	102.1
Network/Other	8.6	19.9	43.4	8.5	23.4	53.9
Operating Income	-4.0	-6.7	1.7	-7.2	-15.6	4.4
Operating Margin	-	-	1.4%	-	-	2.8%
R&D Expense	5.7	11.7	26.6	8.1	21.6	38.4
Units Sold (Thousands)	2,140	5,750	21,270	1,430	6,340	28,000

Video Games Sales

Sales Region		FY 2007 1Q		FY2008 1Q	
		# of Titles	Sales (Thousands)	# of Titles	Sales (Thousands)
Breakout	Japan	15	580	5	390
	US	5	870	2	590
	Europe	9	680	2	450
Total		29	2,140	9	1,430

Region	Platform	FY 2008 1Q Titles	Sales (Thousands)
Japan	PS2	Shining Wind	140
US	PS2./Xbox/GC/PC	SONIC MEGA COLLECTION PLUS	70
Europe	PS3/X360/PSP	Virtua Tennis 3	50

Platform		FY 2007 1Q		FY 2008 1Q	
		# of Titles	Sales (Thousands)	# of Titles	Sales (Thousands)
Breakout	PS2	9	290	3	160
	GC	-	-	-	-
	XBox	1	150	-	-
	PS3	-	-	-	-
	Wii	-	-	1	10
	Xbox360	3	10	-	-
	NDS	2	20	3	70
	PSP	9	490	2	60
	GBA	-	-	-	-
	PC	5	140	-	-
Catalogue		-	1,040	-	1,130

Results of Listed Subsidiaries



Sammy NetWorks

(JPY Billions)	FY 2007	FY 2008		
	1Q	1Q	1H Plan	FY Plan
Net Sales	2.17	2.67	5.48	11.73
Operating Profit	0.58	0.23	0.7	2.03
Operating Margin	26.7%	8.6%	12.8%	17.3%



(JPY Billions)	FY 2007	FY 2008		
	1Q	1Q	1H Plan	FY Plan
Net Sales	3.07	2.60	7.50	17.50
Operating Profit	0.09	-0.46	-0.18	0.67
Operating Margin	3.0%	-	-	3.8%

Sammy Networks

- Overseas: Various regulations tightened – difficult situation persists
- Domestic Content: Online Mahjong game “777Town Mahjong” under testing, partnership announced with KDDI on new mupass service “Mobapuri”
- Net sales above plans, but a write down in goodwill expands the loss in the overseas business

Sega Toys

- Edutainment, Girls Toys Series and licensing well below prior year
 - ⇒ Stabilize the kids toy market development
- Domestic adult market strong
 - ⇒ Continue to aggressively develop this business
- Overseas market trended well as they had in the prior year.
- Develop adult oriented content for newly formed company Taiyo



(JPY Billions)	FY 2007	FY 2008		
	1Q	1Q	1H Plan	FY Plan
Net Sales	2.79	3.21	7.68	17.43
Operating Profit	0.12	-0.13	0.56	1.91
Operating Margin	4.4%	-	7.3%	11.0%



(JPY Billions)	FY 2007	FY 2008		
	1Q	1Q	1H Plan	FY Plan
Net Sales	3.75	2.62	7.52	15.3
Operating Profit	-0.07	-0.06	0.01	0.06
Operating Margin	-	-	0.1%	0.4%

TMS Entertainment

- Increased revenues but decreased profits year over year. No change to plans.
- Animation business year over year
More productions this year lead to greater revenue, but the impact from high margin sales fell off leading to overall lower profitability
- As a result of business enhancement initiatives, the amusement business sees larger revenues and profits

Nisshou Interlife

- Specialized Construction
Department store renovation trends firm
Sales and profits exceed plan
- Comprehensive construction
Selectivity and project delays lead to decreased revenues. Increased gross margins, but operating loss.



Appendix





Company Name	Sega Sammy Holdings, Inc.
Head Office	Shiodome Sumitomo Building, 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo 105-0021, Japan
Established	October 1, 2004
Capital	29.9billion
Number of Shares Outstanding	283,229,476 shares

Major Shareholders		Equity Shares	% Voting
1	Hajime Satomi	43,569,338	17.29%
2	Sega Sammy Holdings	31,276,992	-
3	The Chase Manhattan Bank, N.A. London	19,591,357	7.77%
4	FSC Co., Ltd.	14,172,840	5.62%
5	State Street Bank and Trust Company	13,996,821	5.55%
6	Hero and Company	13,063,509	5.18%
7	Morgan Stanley and Company Inc.	6,916,718	2.74%
8	The Master Trust Bank of Japan, Ltd. (As Trustee)	6,408,400	2.54%
9	Japan Trustee Services Bank, Ltd. (As Trustee)	4,867,800	1.93%
10	Goldman Sachs and Company Regular Account	3,310,455	1.31%

Shareholder Data		
Type	% of Shares	% by Number of Shareholders
Financial Institutions	10.33%	0.12%
Securities Companies	2.02%	0.12%
Other Companies	7.33%	0.84%
Foreign Institutions and Individuals	36.70%	0.63%
Japanese Individuals and Other	32.57%	98.29%
Treasury stock	11.04%	0.00%

Shareholders
101,258

Data on this page as of end of March 2007

Subsidiary	Listed on:	Main operations	Shares held by the Company (Percentage of voting rights)
Sammy NetWorks Co., Ltd. 	TSE Mothers Securities code: 3745	<u><Consumer></u> Distribution of music related content and game related content through mobile phones and the Internet.	24,804 shares (56.3%)
SEGA TOYS, LTD. 	JASDAQ Securities code: 7842	<u><Consumer></u> Design, development and sales of toys	11,250,000 shares (52.4%)
TMS Entertainment Ltd. 	NSE 2 nd Section Securities code: 3585	<u><Consumer• Amusement Facilities></u> Planning, production, sales and export of animation films, and amusement businesses	23,549,000 shares (55.5%)
NISSHO INTER LIFE CO., LTD. 	JASDAQ Securities code: 1986	<u><Other></u> Planning, design, management and construction of displays and commercial facilities	7,714,400 shares (51.3%)

Data as of March 31st, 2007

Costs and Expenses

(JPY Billion)	FY 2007			FY 2008		
	1Q	1H	FY	1Q	1H Plan	FY
R&D	11.0	23.0	52.1	14.7	36.4	67.3
Capex	11.7	23.7	36.6	11.5	12.1	30.7
Depreciation	5.0	11.5	28.0	8.0	8.8	20.8
Advertising	3.9	10.2	22.2	3.0	8.4	22.4

Pachinko Halls

(Number of pachinko halls with pachinko machines installed includes facilities that combine installations of pachinko machines and pachislot machines.)

	2001	2002	2003	2004	2005	2006
Number of pachinko halls with pachinko machines installed	15,691	15,255	14,695	13,844	12,913	12,588
Number of pachinko halls with pachislot machines installed	1,110	1,249	1,381	1,773	2,252	2,086
Total	16,801	16,504	16,076	15,617	15,165	14,674

Pachinko Pachislot Unit Sales • Installed Base • Market Scale

		2001	2002	2003	2004	2005	2006
Pachinko	Units sold	3,230,489	3,174,079	3,686,677	4,012,901	4,047,427	3,831,211
	Units installed	3,326,583	3,252,241	3,227,239	3,077,537	2,960,939	2,932,952
	Market size (millions of yen)	569,129	561,506	672,055	786,413	867,209	875,009
Pachislot	Units sold	1,290,719	1,501,894	1,842,392	1,675,049	1,804,292	1,637,853
	Units installed	1,459,233	1,606,123	1,660,839	1,887,239	1,936,476	2,003,482
	Market size (millions of yen)	351,344	396,566	526,354	524,882	543,049	485,404

of halls and units installed according to the National Police Association (Calendar Year), Units installed and market size according to Yano Research.

Share of Annual Pachislot Machine Sales

Rank	2003			2004			2005			2006		
	Manufacturer	Share	Units sold	Manufacturer	Share	Units sold	Manufacturer	Share	Units sold	Manufacturer	Share	Units sold
1	Sammy	32.1	591,754	Sammy	40.4	676,933	Sammy	33.6	607,106	Sammy	32.0	523,422
2	Olympia	18.5	340,000	Olympia	16.4	275,000	Daito Giken	13.1	236,000	Daito Giken	12.2	200,000
3	Aruze	13.6	250,559	Yamasa	9.0	150,000	Olympia	10.4	187,000	Yamasa	10.6	173,000
4	Yamasa	11.9	220,000	Daito Giken	7.9	132,000	Yamasa	8.3	150,000	Olympia	9.6	158,000
5	Daito Giken	4.9	90,000	Aruze	4.6	77,881	SANKYO	6.2	111,659	Kitadenshi	9.5	155,000

Share of Annual Pachinko Machine Sales

Rank	2003			2004			2005			2006		
	Manufacturer	Share	Units sold	Manufacturer	Share	Units sold	Manufacturer	Share	Units sold	Manufacturer	Share	Units sold
1	Sanyo Bussan	25.2	930,000	Sanyo Bussan	22.9	920,000	Sanyo Bussan	24.7	1,000,000	Sanyo Bussan	23.2	887,000
2	SANKYO	16.4	605,589	SANKYO	21.2	849,911	SANKYO	18.3	740,320	Kyoraku	21.0	804,000
3	Daiichi	9.5	350,546	Heiwa	8.7	350,184	Kyoraku	9.6	390,000	SANKYO	16.6	636,105
4	Heiwa	7.1	260,894	Daiichi	7.7	308,173	Newgin	7.9	320,000	Newgin	6.6	253,000
5	Sammy	6.7	248,533	Newgin	6.9	278,000	Sammy	7.1	288,895	Daiichi	5.1	195,947
				Sammy	5.8	233,049				Sammy	3.5	132,981

Source: Yano Research Institute Ltd.



AM machines net sales, operations net sales and home videogame related market (hardware & software)

Yen Millions

		2002	2003	2004	2005	2006
AM machines net sales		154,528	177,889	180,550	199,227	-
AM facilities operations net sales		605,521	637,744	649,223	682,458	-
Number of amusement centers		11,499	10,759	10,109	9,515	9,091
Number of game machine units installed		439,937	428,358	438,986	445,025	460,031
Number of game machine units installed per center		38.3	39.8	43.4	46.8	50.6
Home videogame	Hardware net sales	790,767	631,481	425,143	862,163	958,129
	Software net sales	475,875	437,975	494,840	502,579	674,174

Source: JAMMA, AOU and NSA (net sales figures), and National Police Agency (Figures other than net sales are on a calendar year basis)

