

**Major Questions Concerning Actual Results for Year Ended March 2011  
and Projections for Year Ending March 2012**

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Investor Relations, SEGA SAMMY HOLDINGS INC.

**Actual Results for the Year Ended March 2011**

**■ General Matters**

Q: What factors led to the increases in sales and income compared to the previous fiscal year (year ended March 2010)?

A: Sales and income increased mainly due to significant growth in sales volume of pachislot machines, which have a high income margin, in the Pachislot and Pachinko Machine Business. The Amusement Center Operations Business returned to profitability as a result of reduction in operating expenses, among other factors.

Q: What was the level of impact of the Great East Japan Earthquake?

A: In the Amusement Center Operations Business, some facilities were unable to conduct operations and in the Consumer Business, the release of home video game software “Ryu ga Gotoku OF THE END” was postponed to the next fiscal year. A total of around 1.2 billion yen has been posted as losses due to the earthquake, but the earthquake had minimal impact on overall operating results.

Q: What is the total of goodwill as a result of the conversion of three listed subsidiaries into wholly owned subsidiaries in December 2010?

A: The total of goodwill was around 10.8 billion yen and we plan to amortize such in five years. We started amortization in the fourth quarter, and the amortized amount was around 540 million yen. The amortization amount in the next fiscal year is expected to be around 2.16 billion yen.

**■ Pachislot and Pachinko Machines Business**

Q: What factors led to the increases in sales and income compared to the previous fiscal year (year ended March 2010)?

A: Sales and income increased mainly due to the significant growth in sales volume of pachislot machines, which have a high income margin.

Q: What factors led to the marked improvement in income margin compared to the previous fiscal year (year ended March 2010)?

A: The sales volume share of pachislot machines, which have a high income margin, increased and costs also improved mainly through reuse of liquid crystal. Income margin improved markedly as a result.

**■ Amusement Machine Sales Business**

Q: What factors led to the increases in sales and income compared to the previous fiscal year (year ended March 2010)?

A: Sales and income increased due to the selling of mainstay titles and CVT kits. In addition, we saw solid distribution of earnings due to utilization of the revenue sharing model and the sales of prize products were strong as well.

#### **Amusement Center Operations Business**

Q: What factors led to the return to profitability despite sales decreasing compared to the previous fiscal year (year ended March 2010)?

A: Sales decreased in accordance with the reduction of the number of facilities, among other factors. However, operating income returned to profitability due to the review of facility portfolios and such factors as reduction of operating expenses.

#### **Consumer Business**

Q: What factors led to the decreases in sales and income compared to the previous fiscal year (year ended March 2010)?

A: Sales and income decreased mainly due to slow sales of new game software overseas owing to the severe market environment and recording of loss on valuation of game software related assets.

Q: How much loss on valuation of game software related assets was recorded?

A: In consideration of the current market trend and other factors, we reviewed assets such as contents production expenses concerning some overseas game software that are being developed, and recorded as expenses around 3.1 billion yen for this fiscal year.

### **Projections for the Year Ending March 2012**

#### **General Matters**

Q: Why is income expected to decrease despite sales increasing compared to the previous fiscal year (year ended March 2011)?

A: Sales are expected to increase, mainly due to growth in pachinko machine sales volume in the Pachislot and Pachinko Machines Business, as well as growth of home video game software sales volume in the Consumer Business owing to the release of major titles.

Operating income is expected to decrease compared to the previous fiscal year due to projected decreases in income in the Pachislot and Pachinko Machines Business, Amusement Machine Sales Business and Amusement Center Operations Business. In the Pachislot and Pachinko Machines Business, risks of increase in raw material procurement costs due to the impact of the Great East Japan Earthquake, and increase in some selling, general and administrative expenses such as R&D expenses are anticipated. In the Amusement Machine Sales Business, the number of CVT kit

titles, which have a high income margin, to be introduced will decrease compared to the previous fiscal year due to our product development cycle. In addition, parts prices are expected to rise temporarily due to changes in circuit boards of some products. In the Amusement Center Operations Business, we expect a decrease in sales of existing SEGA amusement centers in Japan and an increase in depreciation expenses in accordance with introduction of major titles.

Q: What factors led to the projection of significant growth of operating results in the second half?

A: The primary factor is that we plan to sell major titles and multiple mainstay titles in the Pachislot and Pachinko Machines Business, Amusement Machine Sales Business and Consumer Business in the second half.

Q: What impact will the conversion of Taiyo Elec into a wholly owned subsidiary have on operating results?

A: We believe that there are big advantages also from the standpoint of increasing the corporate value of the Group since the conversion will enable strategic investment and business developments from a medium- to long-term perspective geared toward maximization of group revenue. The impact on the operating results this fiscal year is expected to be minimal.

#### **■ Pachislot and Pachinko Machines Business**

Q: Why is income expected to decrease despite sales increasing compared to the previous fiscal year (year ended March 2011)?

A: Sales are expected to increase from the previous fiscal year mainly due to growth in pachinko machine sales volume. However, operating income is expected to decrease from the previous fiscal year, as risks of increase in raw material procurement costs due to the impact of the Great East Japan Earthquake, and increase in some selling, general and administrative expenses such as R&D expense are anticipated.

Q: Have there not been issues in parts procurement due to the impact of the Great East Japan Earthquake?

A: Risks of increases in raw material procurement costs are anticipated. There also may be the possibility of difficulty in procuring some parts.

### **Amusement Machine Sales Business**

Q: Why is income expected to decrease despite sales increasing compared to the previous fiscal year (year ended March 2011)?

A: Sales are expected to increase due to the release of some major titles, among other factors. However, operating income is expected to decrease from the previous fiscal year, since the number of CVT kit titles, which have a high income margin, to be introduced will decrease compared to the previous fiscal year due to our product development cycle. In addition, parts prices are expected to rise temporarily due to changes in circuit boards of some products.

### **Amusement Center Operations Business**

Q: What factors lead to the projection of decreased sales compared to the previous fiscal year (year ended March 2011) and posting of losses?

A: Sales are expected to decrease from the previous fiscal year, given the decrease in number of facilities, as well as the projection for the sales of existing SEGA amusement centers in Japan at 96.3%. We expect to post operating losses due to the decrease in sales as well as increase in depreciation expenses in accordance with introduction of major titles, among other factors.

Q: How much impact has the Great East Japan Earthquake had?

A: As of May 13, we have suspended operations of nine amusement centers in Japan.

### **Consumer Business**

Q: What factors led to the projection of increased sales and income compared to the previous fiscal year (year ended March 2011)?

A: Both sales and operating income are expected to exceed that in the previous fiscal year due to an increase in game software sales volume with the release of the major title "Mario & Sonic at the London 2012 Olympic Games™" as well as the contribution of mobile and network businesses to revenue.

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\*The contents in this material are the judgment and projections of the Company's management based on currently available information. These contents involve risks and uncertainties, and the actual results may differ materially from these contents/comments.