

## Summary of Results through 3rd Quarter of FY 2011

February 7, 2011

SEGA SAMMY HOLDINGS INC.

### □ Highlights

From the first quarter through the third quarter, sales and profits increased year-on-year.

In the Pachislot Pachinko Business, pachinko unit sales fell short of results of the previous fiscal year, but pachislot unit sales significantly exceeded results of the previous fiscal year.

In the Amusement Machine Sales Business, sales of CVT kits and distribution of earnings due to utilization of revenue sharing model remained strong.

In the Amusement Center Operations Business, SEGA domestic same-store sales performed mostly at year-before level.

In the Consumer Business, domestic sales of game software were strong, but market environment remained severe for overseas sales of new titles.

### □ Major Business Measures

We implemented the three major business measures in the third quarter.

Firstly, we converted the three listed subsidiaries of **Sammy NetWorks**, **SEGA TOYS** and **TMS ENTERTAINMENT** into our wholly owned subsidiaries on December 1, 2010 through share exchange, as we publicized in August 2010.

We believe we can mutually utilize management resources within the Group and further enhance our competitiveness as a comprehensive entertainment company through this move.

As for the total of around **10.8 billion yen** in goodwill that occurred as a result of this conversion to wholly owned subsidiaries, we plan to amortize such in **five years**. For this period, amortization will take place only in the fourth quarter, so the amortized amount will be around **540million yen**, and the impact of such on operating results is expected to be minimal.

Secondly, we cancelled **17,000,000 shares** of treasury stocks on **December 10, 2010** for the purpose of improving capital efficiency and value for investors.

Thirdly, we have resolved the acquisition of treasury stocks in order to improve capital efficiency and prepare for strategic capital policies. We restrict the number of shares to be purchased within **14,000,000 shares** and the amount of shares to be purchased within **25.0 billion yen**.

## □ Consolidated Income Statements

Net Sales: **310.1 billion yen** (increased by **8.7%** year-on-year)

Operating Income: **62.9 billion yen** (increased by **118.4%** year-on-year)

Ordinary Income: **62.3 billion yen** (increased by **125.7%** year-on-year)

We posted a quarterly net income of **36.8 billion yen, up 117.8%** year-on-year, as a result of recording an extraordinary gain of **3.0 billion yen** while recording an extraordinary loss totaling **4.9 billion yen**, which included loss on revaluation of investments in securities, through the third quarter.

## □ Consolidated Balance Sheet

Current assets increased **44.3 billion yen** due primarily to an increase in cash and deposits thanks to the strong operation result. Meanwhile, noncurrent assets increased by **14.8 billion yen** due primarily to an increase in goodwill, resulting from the exchange of shares to convert Sammy NetWorks Co., Ltd., SEGA TOYS CO., LTD., and TMS ENTERTAINMENT, LTD. into wholly owned subsidiaries of the Company. As a result, total assets increased **59.1 billion yen** from the previous period end to **482.2 billion yen** as of the end of the 3Q.

Net assets at the end of the current third quarter increased **41.1 billion yen** from the end of the previous fiscal year, to **297.8 billion**, as a result of the combined effect of dividends payment thanks to the net income reported for the nine months ended December 31, 2010, and the decrease in capital surplus, treasury stock and minority interests due to the exchange of shares as well as retirement of treasury stock.

Equity ratio was **59.8%**, continuing to maintain a healthy level.

## □ Pachislot and Pachinko Machines

Net Sales: **167.9 billion yen** (increased by **33.7%** year-on-year)

Operating Income: **54.6 billion yen** (increased by **103.0%** year-on-year)

In accordance with Japan's hosting of APEC, pachinko parlors restrained themselves from replacing old pachinko machines with new ones from the middle of October to the middle of November 2010 in the third quarter.

In pachislot machines overall, pachislot unit sales increased by about **189 thousand units** to **268 thousand units** as a result of strong sales of “**Oreno Sora ~ Spirit of Young Justice ~**” launched in the third quarter and continued strong sales of “**Pachislot Shin Onimusha**” released in the previous term.

In pachinko machines overall, pachinko unit sales decreased by about **88 thousand units** to **241 thousand units** although sales of “**Pachinko CR Juoh**” was strong.

In the fourth quarter, we plan to launch middle-type and mainstay pachinko machine **“Pachinko CR Hokuto No Ken Kenshiro”** in March.

We also plan to launch other multiple titles for both pachislot and pachinko.

As we announced on January 27, 2011, we have received the report from some pachinko halls that the payout of the **“Pachislot Sakura Wars 3”**, is fluctuating at a relatively high rate. We confirmed the facts and following deliberations on countermeasures has come to the decision as described below.

Pachinko halls who wish to continue use of **“Pachislot Sakura Wars 3”** may continue to use the product.

On the other hand, for pachinko halls who do not wish to continue installation of this product, a replacement machine will be prepared at no cost on the condition that the **“Pachislot Sakura Wars 3”** machine is retrieved. Furthermore, **3,000 yen** per day shall be paid for each **“Pachislot Sakura Wars 3”** machine until the date when a replacement machine is installed (planned for the middle of February 2011), as a compensation for operations.

We are currently reviewing the impact of this incident on its operating results. However, in view of the progression of operating results up to the third quarter of the fiscal year ending March 31, 2011, and the robust status of orders of **“Pachinko CR Hokuto No Ken Kenshiro,”** it is judged that there will be no need to revise forecasts of operating results.

The Company will promptly disclose any changes in the event that revisions of forecasts of operating results become necessary.

#### □ Amusement Machine Sales

Net Sales: **38.4 billion yen (increased by 16.0% year-on-year)**

Operating Income: **8.4 billion yen (increased by 78.7% year-on-year)**

In the third quarter, we sold this period's mainstay title **“Sengoku Taisen”** and multiple CVT kits. We saw continuing solid distribution of earnings due to utilization of the revenue sharing model. Sales of prize products were strong as well in the wake of market recovery. Furthermore, in net sales of domestic amusement machines, prizes, etc., the ratio of distribution of earnings due to utilization of revenue sharing model titles was **about 13%** in the period through the third quarter.

As for the third quarter operating results, we have remained strong for the full year plan. This results includes the sales of some high-margin products in third quarter which was originally scheduled for the fourth quarter.

In the fourth quarter, we plan to sell CVT kits for **“INITIAL D ARCADE STAGE 6 AA”** and expect continued contribution to profits from revenue sharing titles.

In addition, “**Sega Jinwin (Shanghai) Amusements Co., Ltd.**”, Sega’s joint venture established in Shanghai, obtained approval in October 2010 to manufacture and sell amusement machines in China. In the wake of review of regulations, etc. we are starting full-fledged business development this spring in China's amusement market, which is expected to post future growth.

#### □ Amusement Center Operations

Net Sales: **34.5 billion yen (decreased by 16.7% year-on-year)**

Operating Income: **0.8 billion yen (operating loss of 0.6 billion yen in the previous fiscal year)**

Although net sales decreased in accordance with the reduction of the number of facilities, operating income returned to profitability, due to such factors as reduction of operating expenses.

SEGA domestic same-store sales were **100.5%** year-on-year, thanks to continued strong sales in the prize category such as UFO catchers.

As a result of the opening of four facilities and the closure of **12 facilities** in the period through the third quarter, the number of domestic facilities at the end of the third quarter came to **252 facilities**.

In the fourth quarter, we expect earnings recovery at existing facilities and aim for SEGA domestic same-store sales comparison at **100%** for the full year.

#### □ Consumer Business

Net Sales: **66.9 billion yen (decreased by 19.3% year-on-year)**

Operating Income: **2.8 billion yen (increased by 100.0% year-on-year)**

In the Home Video Game Software Business, we sold mainstay titles such as “**Sonic Colors**” and “**Football Manager 2011**” in the third quarter.

Domestic sales were strong, but the environment for overseas sales of new titles remained severe.

Game software unit sales decreased to **13.63 million units**, down **3.1 million units** from the previous term.

As for toys, sales of “**BAKUGAN**” were solid.

As for mobile phone and PC content, the "pay-per-use" service for “**Sammy 777 Town**” for mobile phones was strong.

As for the Animation Business, distribution of earnings from “**Detective Conan**” and royalty revenue from domestic and overseas sales of “**BAKUGAN**” were strong.

In the fourth quarter, we plan to release several mainstay game software including “**SHOGUN 2: Total War**” for overseas and “**Phantasy Star Portable 2 Infinity**”, “**Ryu ga Gotoku OF THE END**” and “**Super Monkey Ball 3D**” for Japan.

As for toy sales, we will make proactive efforts to expand sales of “**BAKUGAN**” and global expansion of “**Zoobles.**”

As for mobile phone and PC content, we will introduce mainstay titles for “**Sammy 777 Town**” and strive to expand "pay-peruse" service as well as launch full-fledged efforts including providing titles and services to new platforms such as “**Ryu ga Gotoku Mobile for GREE**” for GREE Platform and “**Phantasy Star Eternal Hunters**” for DeNA Platform.

In the Animation Business, we expect royalty revenue from overseas sales of “**BAKUGAN**” and revenue from animation production work for pachislot and pachinko machines.

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