

## Major Questions Concerning Actual Results for Third Quarter of Year Ending March 2011

February 7, 2011

SEGA SAMMY HOLDINGS INC.

### Actual Results for the Third Quarter of the Year Ending March 2011

#### ■ General Matters

Q: What factors led to the increases in sales and income compared to the same period of the previous year (first 3 quarters of the year ended March 2010)?

A: Concerning net sales, the Pachislot and Pachinko Machines Business and the Amusement Machine Sales Business saw sales increase, exceeding the results of the same period of the previous year.

In the Pachislot and Pachinko Machines Business, pachislot machine sales volume grew significantly compared to the same period of the previous year.

In the Amusement Machine Sales Business, in addition to selling mainstay titles and CVT kits, we saw continuing solid distribution of earnings due to utilization of the revenue sharing model and the sales of prize products were strong as well in the wake of market recovery.

Concerning operating income, all core segments saw income increase (return to profitability), significantly exceeding the results of the same period of the previous year.

In the Pachislot and Pachinko Machines Business and the Amusement Machine Sales Business, the income margin improved along with the increase in net sales.

The Amusement Center Operations Business returned to profitability as a result of reduction in operating expenses, among other factors.

In the Consumer Business, reduction of operating expenses led to and the revenue of the network/other businesses contributed to an increase in income.

#### ■ Pachislot and Pachinko Machines Business

Q: What factors led to the increases in sales and income compared to the same period of the previous year (first 3 quarters of the year ended March 2010)?

A: While pachinko machine sales volume declined compared to the same period of the previous year, the sales volume of pachislot machines, which have a high income margin, grew significantly compared to the same period of the previous year and the cost also improved mainly through reuse of especially liquid crystal. Income margin improved markedly as a result.

Q: What factors led to the marked improvement in income margin compared to the same period of the previous year (first 3 quarters of the year ended March 2010)?

A: The sales volume share of pachislot machines, which have a high income margin, increased and the

cost also improved mainly through reuse of especially liquid crystal. Income margin improved markedly as a result.

Q: What are the details of the “Pachislot Sakura Wars 3” issue?

A: 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 have 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 compensation for operations.

### ■ **Amusement Machine Sales Business**

Q: What factors led to the increases in sales and income compared to the same period of the previous year (first 3 quarters of the year ended March 2010)?

A: We sold mainstay title and multiple CVT kits. Also we saw continuing solid distribution of earnings due to utilization of the revenue sharing model and the sales of prize products were strong as well in the wake of market recovery.

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

Q: What factors led to the return to profitability despite sales decreasing compared to the same period of the previous year (first 3 quarters of the year ended March 2010)?

A: Net sales decreased in accordance with the reduction of the number of facilities.

However, operating income returned to profitability due to continued strong sales in the prize category such as UFO catchers and such factors as reduction of operating expenses.

### ■ **Consumer Business**

Q: What factors led to the increase in income despite sales decreasing compared to the same period of the previous year (first 3 quarters of the year ended March 2010)?

A: Sales decreased due to slow sales of new titles overseas owing to the severe market environment. On the other hand, income increased as led by reduction of R&D expenses, content production expenses and other operating expenses and contributed by the revenue of the network/other businesses, among other factors.

■ **General Matters**

Q: Has the dividend forecast changed?

A: There is no change at this point in time. The year-end dividend is expected to be 20 yen. Combined with the interim dividend, the annual dividend is expected to be 40 yen.

Q: What impact has the conversion of Sammy NetWorks, SEGA TOYS and TMS ENTERTAINMENT into wholly owned subsidiaries on business results?

A: 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 540 million yen, and the impact of such on operating results is expected to be minimal.

Q: To what extent do exchange rate fluctuations impact business results?

A: Fluctuation risks are mitigated through forward exchange contracts, etc. Thus, we deem that there will be no significant impact on business results.

■ **Pachislot and Pachinko Machines Business**

Q: Does the “Pachislot Sakura Wars 3” issue in the Pachislot and Pachinko Machines Business change the full year projection?

A: We are currently reviewing the impact of this incident on 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,” which Sammy Corporation is currently selling and other factors, it is judged that there will be no need to revise forecasts of operating results that were announced on September 30, 2010. The Company will promptly disclose any changes in the event that revisions of forecasts of operating results become necessary.

■ **Amusement Machine Sales Business**

Q: The full year projection is achieved with respect to the operating income for up to the third quarter, but are there any changes to the forecast for the full year projection?

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

Q: What is the progress of initiatives directed at the Chinese market? Also, what is the impact on business results?

A: "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 the 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.

Furthermore, as we are at the stage of embarking on business development in earnest, there is no significant impact on this fiscal year's business results at this point in time.

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

Q: What is the outlook for the sales of existing SEGA amusement centers in Japan for the full year?

A: We have achieved 100.5% of actual results for up to the third quarter and will aim for over 100% for the full year.

#### **■ Consumer Business**

Q: The rate of achievement of the full year projection is high in terms of the game software sales volume for the first 3 quarters, but what is the outlook for the full year?

A: Actual results for up to the third quarter have been buoyant sales of primarily repeat titles, but sales of new titles overseas have been slow owing to the severe market environment.

Q: What are the actual results of sales (distribution) of titles for smartphones and SNS and what upcoming introductions are planned?

A: In order to increase contact point with end-users, we will advance leveraging of the assets and development capacity accumulated by SEGA in our pursuit to serve not only mobile phone terminals (all carriers) as we have been promoting, but also new platforms, such as iPhone and other smartphones as well as GREE and other open platforms of other companies. In addition to utilizing SEGA's asset IP, we will proceed to provide new titles geared to platforms in an aim to make SEGA contents available anywhere in the future.

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

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