

# SEGASAMMY REPORT

Summer  
Edition

**Special Feature**  
**Introducing the Main Companies**  
**in the Entertainment-Producing**  
**SEGA SAMMY Group**

**A Message from Management**  
We seek to create synergies as a comprehensive  
entertainment company group.

**SEGASAMMY TOPICS**  
Past & Future



## Core Businesses

# To All Places, To All People, Bringing Dreams and Inspiration.



Pachislot SOUTEN-NO-KEN © 2001 Tetsuo Hara & Buronson, Approved No. SAH-310 © Sammy  
Pachinko CR Hokuto No Ken Kenshiro © Buronson & Tetsuo Hara / NSP 1983, © NSP 2007, Approved No. YKN-101 © Sammy  
Pachislot Shin Onimusha © CAPCOM CO., LTD. ALL RIGHTS RESERVED. © Sammy © RODEO  
Shin Onimusha is a registered trademark of Capcom Co., Ltd.  
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SEGA, the SEGA logo and Sonic Colors are either registered trademarks or trademarks of SEGA Corporation. Wii and Nintendo DS are trademarks of Nintendo. © 2006 Nintendo  
SONIC THE HEDGEHOG © SEGA  
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SENGOKU TAISEN © SEGA  
Li'l'Pri-Yubi Puru Hime Chen! © SEGA SHOGAKUKAN JINNA MAI  
ANPANMAN OSHABERIPPAI IMAKARAHAJIMERU SEIKATSU CARD © Takashi Yanase / Froebel-kan · TMS · NTV  
Bakugan -Battle Brawlers- © SEGA TOYS / SPIN MASTER / BAKUGAN 2 PROJECT-TV TOKYO  
ANPANMAN © Takashi Yanase / Froebel-kan · TMS · NTV © Takashi Yanase / ANPANMAN Project



On Earning



**Could you give us an overview of the Group's earnings in the fiscal year under review?**

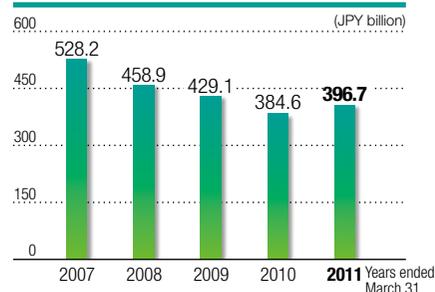


**We achieved a large profit increase from the previous year.**

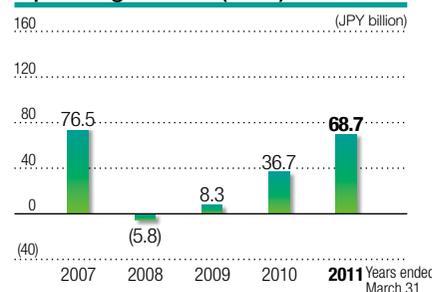
In the year under review, consolidated net sales were JPY396.7 billion (up 3.1% from the previous year), operating income was JPY68.7 billion (up 87.3% from the previous year), and ordinary income was JPY68.1 billion (up 89.6% from the previous year). Thus, we achieved increases both in sales and profits. This was mainly because results in our high-margin Pachislot and Pachinko Machines Business segment remained strong.



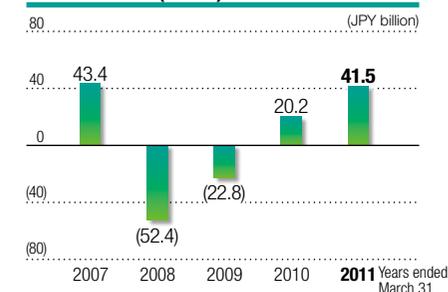
**Net Sales**



**Operating Income (Loss)**



**Net Income (Loss)**



**We seek to create synergies as a comprehensive entertainment.**

**Hajime Satomi**

Chairman of the Board and Chief Executive Officer, SEGA SAMMY HOLDINGS INC.  
 Chairman, Representative Director and Chief Executive Officer, Sammy Corporation  
 Chairman, Representative Director and Chief Executive Officer, SEGA CORPORATION

Operating income was JPY68.7 billion. We achieved a profit increase of 87.3% from the previous year.



**What is your evaluation of the Group's earnings during the fiscal year under review?**

**This was a year in which we were able to perceive the results of the profit improvement measures that we had undertaken from the fiscal year ending in March 2009.**

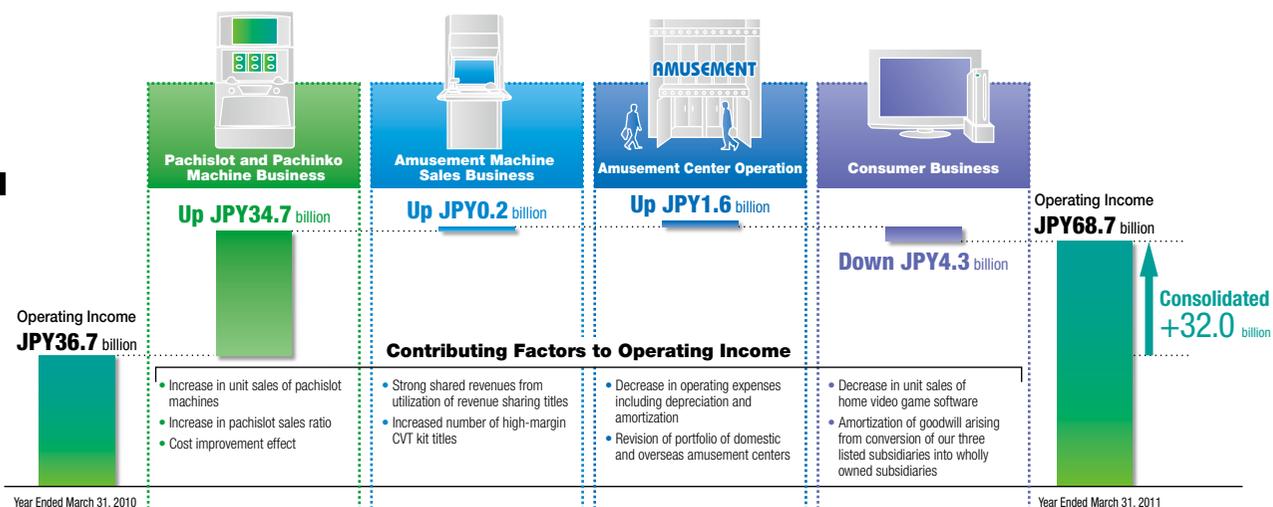
In order to establish an organization to ensure stable earnings, from the fiscal year ending in March 2009, we had undertaken profit-improvement measures in all business segments. We believe that the results showed up as an increase in net sales and a dramatic improvement in operating income in the fiscal year under review. Nevertheless, we still have to meet many challenges such as profit improvement in the Consumer Business segment.

## On the Segment Information

**What are the main factors contributing to the improved operating margin in the Pachislot and Pachinko Machines Business segment?**

**The main factors include strong sales of high-margin products and our efforts to reduce costs by reusing parts.**

The biggest factor was that our high-margin, mainstay pachislot machines found favor with both pachinko halls and players and maintained a high level of sales. In addition, our efforts to reduce costs by promoting the reuse of parts including LCD panels also led to the improved margin in the Pachislot and Pachinko Machines Business segment.



**Could you tell us the utilization result for the revenue-sharing titles in the Amusement Machine Sales Business segment?**

**In continuation from the previous fiscal year, shared revenues have remained strong.**

Utilization of revenue-sharing titles continues to remain strong. In the fiscal year under review, the percentage of shared revenues from utilization of revenue-sharing titles in the net sales of domestic amusement machines, prizes, and so forth was 14 percent, indicating a steady rise since the launch of service.

**Please explain the main factors contributing to the return to an operating profit in the Amusement Center Operations segment.**

**Good results were achieved from measures such as closing or selling unprofitable centers, reducing operating expenses, and strengthening operational management capabilities.**

While closing or selling approximately 200 centers in the past three years, we strived to reform our profit structure mainly by reducing operating expenses, and we also strengthened our operational management capabilities. These are the main factors why we were able to achieve an operating profit for the first time in four periods. In order to improve profitability even more, we have decided to sell our Amusement Center Operations business in North America.

**Could you explain the status of efforts toward new platforms in the Consumer Business segment?**

**We launched full-scale efforts for new platforms such as smartphones and SNS.**

In the fiscal year under review, we started to deliver *Kingdom Conquest* for iOS, and the number of downloads has already exceeded one million worldwide. Other endeavors include activities aimed at the Online Games Business for Asia, so we are actively striving to provide titles for a diversity of platforms.

**Strong pachislot machine sales drove group profits. Launched full-scale development of content business for smartphones and SNS, positioned as a new growth field.**



## On the Outlook for the Next Fiscal Year

**Please tell us about the outlook for the next fiscal year.**

**We will dedicate all our efforts to continuing to improve profit.**

While we expect increased net sales from sales of mainstay titles in the Pachislot and Pachinko Machines Business segment and the Consumer Business segment, by taking into account factors such as parts procurement risk resulting from the impact of the Great East Japan Earthquake as well as weak consumer spending, we expect a decline in profits.

For the full fiscal year ending on March 31, 2012, we forecast consolidated net sales of JPY450.0 billion (up 13.4% from the previous year), operating income of JPY60.0 billion (down 12.7% from the previous year), ordinary income of JPY59.0 billion (down 13.4% from the previous year), and net income of JPY33.0 billion (down 20.5% from the previous year). But even though we are in this difficult situation, we will dedicate all our efforts to continuing to improve profit.

**Please tell us about the corporate dividend.**

**We will continue to strive for appropriate dividends commensurate with profits.**

In the fiscal year under review, we paid an annual dividend of JPY40 (an interim dividend of JPY20 and a year-end dividend of JPY20). In addition, as for treasury stock, we retired 17 million shares and newly acquired 14 million shares (total acquisition amount: JPY24.2 billion). In the fiscal year ending on March 31, 2012, similar to the fiscal year under review, we forecast an annual dividend of JPY40 (an interim dividend of JPY20 and a year-end dividend of JPY20). We will continue to strive for appropriate shareholder returns commensurate with profits.

## TAIYO ELEC Converted into Wholly Owned Subsidiary TAIYO ELEC

A resolution has been reached at each of the board meetings of SEGA SAMMY HOLDINGS INC., Sammy Corporation, a wholly owned subsidiary of SEGA SAMMY, and TAIYO ELEC Co., Ltd., a subsidiary of SAMMY, held on May 13, 2011 to conduct an exchange of shares involving common stock of SEGA SAMMY as consideration in order to convert TAIYO ELEC into a wholly owned subsidiary of SAMMY, which will become the wholly owning parent of TAIYO ELEC. The Share Exchange will be conducted pursuant to an agreement to exchange shares that has been executed between SAMMY and TAIYO ELEC.

On December 1, 2010 SEGA SAMMY converted Sammy NetWorks Co., Ltd., SEGA TOYS CO., LTD. and TMS ENTERTAINMENT, LTD., which were listed subsidiaries, into wholly owned subsidiaries with the aim of strengthening its competitiveness as a "Comprehensive Entertainment Company" and consolidated the group structure, achieving an effective synergy of our management resources within the group. The Share Exchange will further reinforce the management structure of the group and promote the maximization of group earning power by converting TAIYO ELEC, the sole listed subsidiary in the SEGA SAMMY group, into a wholly owned subsidiary.

As a specific example of such a business alliance, we aim to establish a robust TAIYO ELEC brand in the pachislot and pachinko machines market by improving TAIYO ELEC's pachislot and pachinko machines development capability through measures such as personnel exchanges involving highly skilled pachislot and pachinko developers, leveraging the substantial intellectual property of the SEGA SAMMY group and joint development involving integrated technologies, in addition to the exchange of personnel from administration and sales departments and sharing of certain components that have been conducted thus far.

### (SEGA SAMMY HOLDINGS)

#### Disposal of Treasury Stocks to Sammy Corporation

- Disposal date ..... May 30, 2011
- Number of disposed shares ..... 4,423,660 shares of common stock
- Disposal amount ..... JPY1,583 per share
- Funds procured ..... JPY7,002,653,780
- Subscription or disposal method ..... Disposal by third-party allotment
- Allottee ..... Sammy Corporation
- Other ..... Number of treasury shares after disposal: 10,081,002 shares

### (Sammy)

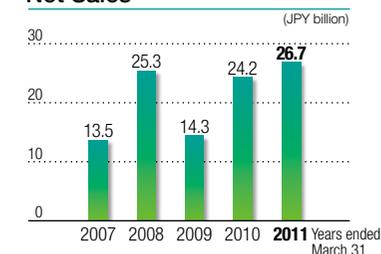
#### Conversion of TAIYO ELEC into a Wholly Owned Subsidiary in Consideration of Common Stock of SEGA SAMMY

Stock conversion effective date: August 1, 2011 (tentative)  
Sammy Corporation will convert TAIYO ELEC into a wholly owned subsidiary by a stock conversion in which it allocates 0.40 shares of common stock of SEGA SAMMY HOLDINGS per share of common stock of TAIYO ELEC.

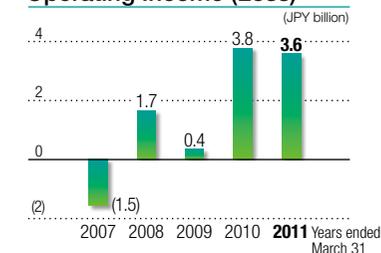
Common stock of SEGA SAMMY to be used: 4,423,660 shares (tentative)

### Progress of TAIYO ELEC Earnings

#### Net Sales



#### Operating Income (Loss)



## Special Report

# Measures to support the recovery from the Great East Japan Earthquake

SEGA SAMMY HOLDINGS extends its deepest sympathies and condolences to all those who have suffered from the Great East Japan Earthquake that occurred on March 11, 2011.

We report below the support activities that the SEGA SAMMY Group has been undertaking to assist with relief for the victims of the earthquake and with recovery of the afflicted areas.

We wish for a quick recovery of the afflicted areas.

## SEGA SAMMY Group's Recovery Support Activities

In order to assist with relief for the victims of the earthquake and with recovery of the afflicted areas, the SEGA SAMMY Group and each of its companies have been carrying out the support activities described to the right.

The SEGA SAMMY Group has been making monetary donations, and its employees have been conducting fundraising. Furthermore, the SEGA SAMMY Group has also been carrying out support activities in cooperation with its customers by having its loyal customers participate in its support activities through sales of the Group's products and services. By means of activities including fundraising through purchases of game titles delivered to handsets such as iPhones, the circle of these activities has already widened beyond Japan to include overseas countries.

The SEGA SAMMY Group will continue to work hard to assist with support of everyone who has suffered as a result of the unprecedented earthquake that struck Japan, as well as with recovery of the afflicted areas.

### Main Measures Undertaken by Companies in the SEGA SAMMY Group

(As of May 16, 2011)

Company Name	Main Measures	Company Name	Main Measures
<b>The whole SEGA SAMMY Group</b>	<ul style="list-style-type: none"> <li>• Donate JPY200 million in monetary donations via the NGO Japan Platform</li> <li>• SEGA SAMMY Baseball Club conducts a street donation campaign. Collected donations are donated via the City of Hachioji.</li> <li>• Employees of the SEGA SAMMY Group conduct fundraising</li> </ul>	<b>TAIYO ELEC Co., Ltd.</b>	<ul style="list-style-type: none"> <li>• Donate JPY10 million via the Japanese Red Cross Society</li> </ul>
<b>SEGA CORPORATION</b>	<ul style="list-style-type: none"> <li>• SEGA and its European and North American subsidiaries donate via the Red Cross Society, during the applicable period, all of the profits (US\$250,000) from purchases of some game titles delivered to iPhone/iPod touch/iPad domestically and overseas.</li> <li>• Donate some of the proceeds from all the amusement centers as monetary donations</li> <li>• Donate some of the shared revenues from revenue-sharing titles (SEGA's own proceeds) as monetary donations</li> <li>• Conduct fundraising through sales of exclusive items and the like for ten titles available through various online title services</li> <li>• Donate prize merchandise (stuffed toys) to afflicted areas via NPOs</li> <li>• Donate some of the proceeds from <i>Ryu-Ga Gotoku OF THE END</i> via the Japan Red Cross Society</li> </ul>	<b>DARTSLIVE Co., Ltd. DARTSLIVE GAMES Co., Ltd. DARTSLIVE ASIA Ltd.</b>	<ul style="list-style-type: none"> <li>• Donate JPY10 million via the Japanese Red Cross Society</li> </ul>
<b>Sammy NetWorks Co., Ltd.</b>	<ul style="list-style-type: none"> <li>• Conduct fundraising using services for online games: <i>777 Town.net</i> (for PCs) and <i>Sammy 777 Town</i></li> </ul>	<b>SEGA Bee LINK Co., Ltd.</b>	<ul style="list-style-type: none"> <li>• Donate some of the proceeds from all the amusement facilities as monetary donations</li> <li>• Install donation boxes at the nationwide dining and entertainment facilities (Bee, etc.)</li> </ul>
		<b>REALUS Ltd. INC.</b>	<ul style="list-style-type: none"> <li>• Conduct donation activities using points on <i>yosoo.net</i> for donation to the Japanese Red Cross Society</li> <li>• Conduct fundraising using points on <i>Point-Box</i></li> </ul>
		<b>OASIS PARK Co., Ltd.</b>	<ul style="list-style-type: none"> <li>• Install donation boxes in the information corner at Oasis Park (Gifu Prefecture)</li> </ul>
		<b>SEGA SAMMY GOLF ENTERTAINMENT Co., Ltd.</b>	<ul style="list-style-type: none"> <li>• Donate some of the proceeds from The North Country Golf Club (Chitose City, Hokkaido) as monetary donations</li> <li>• Hold a charity golf competition to support the afflicted areas</li> <li>• Install donations boxes inside the club house</li> </ul>

\*Please refer to the Web site of each company for the details of the measures taken by each company in the SEGA SAMMY Group.  
\*The company names and product names mentioned here are the registered trademarks or trademarks of the respective companies.



Handing out stuffed toys in afflicted areas



SEGA SAMMY Baseball Club conducts fundraising

# Past & Future

## Amusement Machine Business Development Launched in China!!



In October 2010, SEGA JINWIN (SHANGHAI) AMUSEMENTS CO., LTD., the joint venture company incorporated by SEGA and Shanghai Jinwin Investment Co., Ltd., obtained a license to manufacture and sell amusement machines in China.



This will allow SEGA to keep production and transport costs way down and to deliver products at prices suitable to the Chinese market. SEGA will carry out full-scale business development aimed at the Chinese amusement market, which is expected to grow in the future as a result of regulatory revisions. Furthermore, SEGA will strive to contribute to expansion of the market.

## London's Calling Mario & Sonic

SEGA and Nintendo Co., Ltd. announced that the record breaking partnership of Mario™ and Sonic™ will once again join forces on the Wii™ home video game system and, for the first time ever, on the Nintendo 3DS™. Over 19 million people worldwide have bought video games from the Mario and Sonic series, and now the much loved duo are heading to London to participate in the officially licensed Olympic-themed video game, Mario & Sonic at the London 2012 Olympic Games™. The new Mario & Sonic software will be sold, in Europe and North America by SEGA and in Japan by Nintendo Co., Ltd.



Published by



in North America and Europe

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The Sonic series, with cumulative sales of 70 million units worldwide since its launch in 1991, has marked its 20th anniversary. This year, SEGA will show its appreciation to all of its supportive customers by holding very enjoyable special projects and events in locations all over the world. Sonic, which has kept on running on since his birth, will pick up even more speed as he marks his memorable 20th anniversary. Don't miss Sonic's adventures in all kinds of scenes!



©SEGA

### Congratulations! Sonic the Hedgehog 20th Anniversary Don't miss his further adventures!!



Kingdom Conquest, a free online RPG for iPhone and iPod touch, launched service in November of last year beginning in North America and Europe, and the total number of worldwide downloads has surpassed one million. With rich game features that allow players to simultaneously enjoy an Action Mode for experiencing very visually appealing 3D graphics and a Strategy Mode for following sophisticated strategies, Kingdom Conquest has won accolades from users all over the world. By continuing to expand service availability areas to even more countries of the world, we will strive to enable even more people to enjoy the leading role-playing game.



©SEGA



### Kingdom Conquest Surpasses One Million Downloads Worldwide!!

## Punickies, Winner of the North American 2011 Girl Toy of the Year Award, Arrives in Japan!!



SEGA TOYS has acquired marketing rights in Japan for the blockbuster product Squinkies, the winner of the 2011 Girl Toy of the Year award in North America.

This is a toy in which more than 100 types of soft and squishy figures are used for activities like playing capsule games and making accessories. With the Japanese product name of Punickies, it will be launched this summer with a target market ranging from preschool children to elementary school girls.



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## Animated Show of the Hugely Popular Zoobles! Will Air throughout East Asia!!



Following the worldwide blockbuster action card game BAKUGAN, Zoobles!, the second overseas development project undertaken by SEGA TOYS and Spin Master, is now being televised in South Korea as a Japanese-Korean co-produced animated show. Since mid-June in Japan, SEGA TOYS has also been posting a promotional video of the latest animation on its Zoobles! Web site. Furthermore, broadcasting in ten East Asian countries including China has been decided.



©SEGA TOYS / SPIN MASTER / ZOOBLES COMMITTEE

# Introducing the Main Companies in the Entertainment-Producing SEGA SAMMY Group

The SEGA SAMMY Group delivers all kinds of entertainment to everyone in the world. Here, we introduce the four main companies that are the driving force behind the creation of group synergies.



## TAIYO ELEC Co., Ltd. TAIYO ELEC Pachinko & Pachislot



### Always with a Pioneering Spirit

**TAIYO ELEC conducts development, production, and sales of pachislot and pachinko machines.**

By striving to develop game features overflowing with originality ahead of its time and ahead of the information curve, and by working to develop pachislot and pachinko machines emphasizing game features and visually and audibly rich staging, TAIYO ELEC has established a business infrastructure unparalleled in today's pachislot and pachinko machines industry. The never-ending new ideas and creative approach achieved with TAIYO ELEC's pioneering spirit is deeply embedded within each and every employee. The result is a certain sense of passion and energy for work, seen within every aspect of the company's characteristics.

#### Major Content

**Ring ni Kakero**



#### Company Profile

**Company name:** TAIYO ELEC Co., Ltd.  
**Established:** July 1973  
**President and Representative Director:** Eriko Sato  
**Capital:** 5,125 million yen  
**Number of Employees:** 282  
 (Consolidated as of March 31, 2011)

## Sammy NetWorks Co., Ltd. Sammy NetWorks

## Mobile & PC



### Delivering "Wow!" to the World via Networks

**Sammy NetWorks' distribution services for game-related content for mobile phones and PCs.**

The company conducts business development focused on content business including the planning, production and delivery of game-related content over the Internet, for PCs and mobile phones. It delivers the content of a wide variety of actual leading pachislot and pachinko machines on pachislot and pachinko online game sites for PCs and on pachislot and pachinko game sites for mobile phones, which are the company's core amusement businesses. In addition, Sammy NetWorks is striving to expand its business domain through activities including development of new, SNS-based online games.

#### Major Content

**Sammy 777 Town**

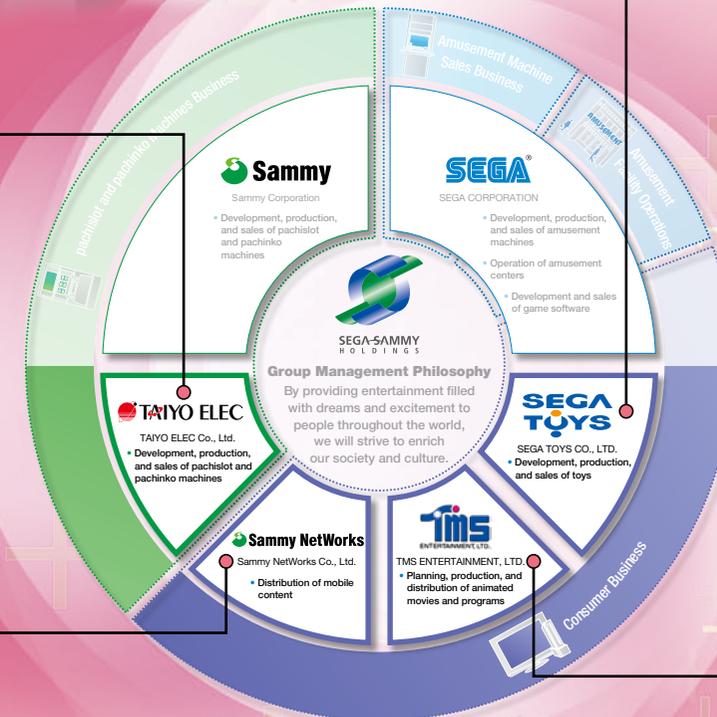


**777TOWN.net**



#### Company Profile

**Company name:** Sammy NetWorks Co., Ltd.  
**Established:** March 2000  
**President and CEO:** Masaaki Ono  
**Capital:** 2,330 million yen  
**Number of Employees:** 156  
 (Consolidated as of March 31, 2011)





## Delivering the Best Smiles and Excitement to People all over the World

**SEGA TOYS conducts development, production, and sales of toys.**

Based on our corporate mission "Creating New Value: for the next smile," SEGA TOYS' goal is to provide fresh and innovative ways of playing that are not bound by the confines of conventional toys. Creating new value, we will satisfy the universal need for "enjoyment" that is an essential human quality, and we will also continue to give full consideration to the social environment and safety while contributing to the creation of a society that enriches people's lives.

### Company Profile

**Company name:** SEGA TOYS CO., LTD.  
**Established:** February 1991  
**President and CEO:** Yoshiharu Suzuki  
**Capital:** 1,804 million yen  
**Number of Employees :** 125 (Consolidated as of March 31, 2011)

### Major Content

**Bakugan**



**Zoobles**



**HOMESTAR AQUA**



## Delivering Animated Works to Be Loved beyond Generations

**TMS ENTERTAINMENT conducts planning, production, sales, distribution, and export of animated works.**

Through animation, TMS ENTERTAINMENT has delivered a great deal of excitement and enjoyment and smiles beyond generations. That value has now received high commendation not only in Japan but also in all the other countries of the world. As a pioneering animation producer, TMS ENTERTAINMENT will make good use of its outstanding assets and continue taking on future challenges, such as delivery of digital content and development of business in new media.

### Company Profile

**Company name:** TMS ENTERTAINMENT, LTD.  
**Established:** October 1946  
**President:** Hideki Okamura  
**Capital :** 8,817 million yen  
**Number of Employees :** 158 (Nonconsolidated as of March 31, 2011)

### Major Content

**ANPANMAN**



**Detective Conan: Quarter of Silence**



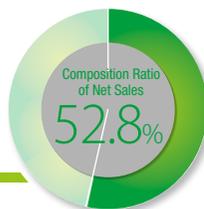
**Bakugan -Battle Brawlers-**



## Segment Information



### Pachislot and Pachinko Machines Business Segment



#### Market Environment

- Replacement of pachinko machines remains weak.
- Provision of pachislot machines equipped with innovative game features has begun, and a rebound in utilization and an increase in the number of installed machines are apparent.

#### Overview of the Fiscal Year under Review

##### Pachinko

**Sales of mainstay titles are firm despite the prolonged market downturn**

The SEGA SAMMY Group launched this year's major series *Pachinko CR Hokuto No Ken*, which received a favorable evaluation from the market and recorded sales in excess of 200,000 units, under the Sammy brand. In addition, as a new approach, we launched *Dejiten CR Nogatemono Orin* and *Dejiten CR Hakushon Daimaoh*. Our total unit sales of pachinko machines were 343,000 units.

#### Main Sales Items (Pachinko)

Title Name	Unit Sales	Installation Start
<i>Pachinko CR Hokuto No Ken Raoh Series</i>	123,939	July and September
<i>Pachinko CR Hokuto No Ken Kenshiro</i>	78,018	March
<i>Pachinko CR Juoh</i>	33,691	December
<i>Pachinko CR GATCHAMAN UNMEI-NO-KIZUNA Series</i>	21,097	August and January

##### Pachislot

**Operating income grows sharply on market recovery**

In pachislot machines, amid a recovery trend in the market owing to factors such as a recovery in pachinko hall utilization and an increase in the number of installed machines, sales of *Pachislot SOUTEN-NO-KEN*, launched under the Sammy brand in the first quarter of the fiscal year, did well. Furthermore, since sales of the Pachislot title *Shin Onimusha*, launched in the previous fiscal year under the Rodeo brand, continued to remain strong, total unit sales of pachislot machines came to 302,000 units, considerably above the result in the previous fiscal year. In addition, the operating margin improved because of efforts such as reusing parts, primarily LCD panels.

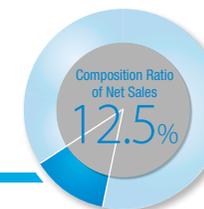
#### Main Sales Items (Pachislot)

Title Name	Unit Sales	Installation Start
<i>Pachislot SOUTEN-NO-KEN</i>	92,781	May
<i>Pachislot Shin Onimusha</i>	62,285*	FY2010
<i>Oreno Sora ~ Spirit of Young Justice ~</i>	38,062	December
<i>Ring ni Kakero ~ Golden Japan Jr. Series ~</i>	36,039	September

\**Shin Onimusha* cumulative unit sales since FY2010: 90,456



### Amusement Machine Sales Business Segment



#### Market Environment

- Within a market environment that continues to remain challenging, there are signs of a recovery primarily in the prize category for games such as *UFO Catcher*.
- Development and provision of innovative game machines that lead to revitalization of the market are anticipated.

#### Overview of the Fiscal Year under Review

**Strong utilization of revenue-sharing titles continues**

With arcade games like *BORDER BREAK*, launched in the previous fiscal year, and *HATSUNE MIKU Project DIVA Arcade*, launched in the first quarter of the fiscal year under review, distribution revenues remained solid. Such revenues arise from utilization of revenue-sharing titles whose purpose is to improve the investment efficiencies of amusement center operators and to secure long-term stable earnings for the SEGA SAMMY Group.

In addition, CVT kits as well as prize products, cards, and other miscellaneous items for mainstay

titles such as *SENGOKU TAISEN* and *WORLD CLUB Champion Football Intercontinental Clubs 2009-2010* remained strong.

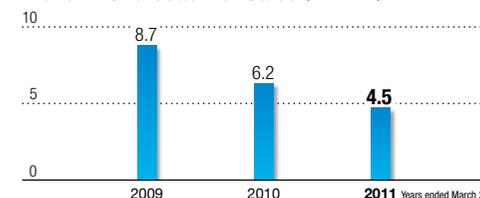
#### Launching development of Amusement Machine Business in China

Sega Jinwin (Shanghai) Amusements Co., Ltd., the company incorporated through a joint venture between SEGA and Shanghai JinWin Investment Co., Ltd., obtained a license to manufacture and sell amusement machines in China. Through this, SEGA has launched development of its Amusement Machine Business in China.

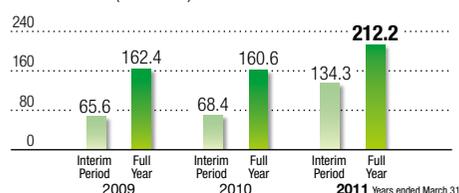
#### Sales Performance of Mainstay Titles

Title Name	Unit Sales
<i>SENGOKU TAISEN</i>	Trading card games JPY6.4 billion
<i>WORLD CLUB Champion Football Intercontinental Clubs Series</i>	Trading card games JPY3.8 billion
<i>SANGOKUSHI WAR 3 Series</i>	Trading card games JPY2.6 billion
<i>BORDER BREAK</i>	Video games JPY2.5 billion

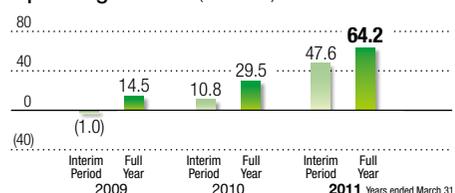
#### Trend in Overseas Net Sales (JPY billion)



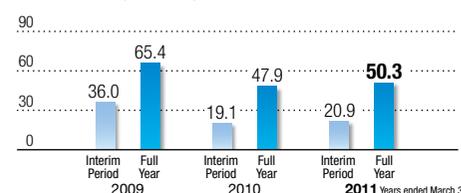
#### Net Sales (JPY billion)



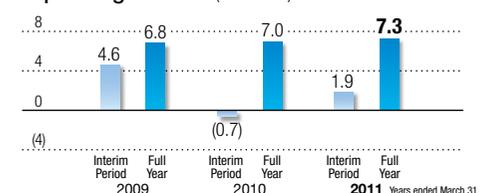
#### Operating Income (JPY billion)



#### Net Sales (JPY billion)

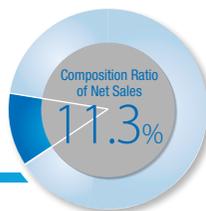


#### Operating Income (JPY billion)





# Amusement Center Operations Segment



## Market Environment

- The amusement market's shift to a business model that aims to improve the investment efficiencies of amusement center operators and to secure long-term stable earnings for manufactures is progressing.

## Overview of the Fiscal Year under Review

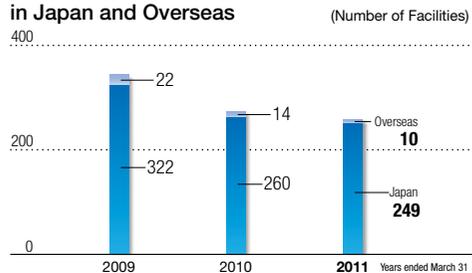
### Reductions in operating expenses enable a return to an operating profit.

Net sales at SEGA's domestic existing-centers remained at levels above the results in the year-ago periods until the third quarter of the year. This was due to factors such as the strengthening of operational management capabilities. Nonetheless, net sales at domestic existing-centers in the fiscal year under review dropped to 99.3% of the level achieved in the previous year as SEGA suspended operations and shortened business hours for some centers. These actions were due to the impact of factors including the Great East Japan Earthquake, which struck on

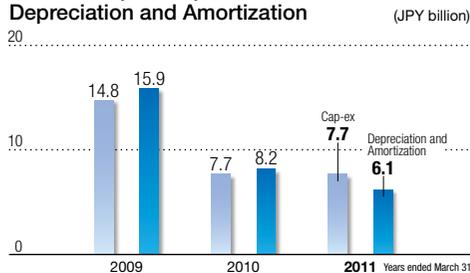
March 11, and the subsequent rolling blackouts. Meanwhile, due to the closings of 17 centers and the openings of 6 centers, the total number of domestic amusement centers as of the end of the fiscal year under review came to 249 centers.

Although net sales decreased on the reduction in the number of centers and the drop in existing-center net sales to a level below the year-ago level, due to closures and sales of unprofitable centers, which had been undertaken over the previous two fiscal years, and to reductions in operating expenses, an operating profit was recorded in Amusement Center Operations for the first time in four years.

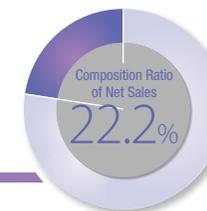
## Trend in Amusement Facilities in Japan and Overseas



## Trend in Capital Expenditure / Depreciation and Amortization



# Consumer Business



## Market Environment

- Demand remains weak mainly in the European and North American markets because of the slump in consumer spending.
- New content markets including those for SNS and smartphones are growing.

## Overview of the Fiscal Year under Review

### Home Video Game Software Launched multiple titles domestically and overseas Profit improvement in overseas markets remains a challenge

The SEGA SAMMY Group launched multiple titles for overseas markets and the domestic market, namely, *Sonic Colors* and *SHOGUN 2: Total War* overseas and *Phantasy Star Portable 2 Infinity* in Japan. Although the release of some mainstay titles was postponed until the next fiscal year because of the impact of the Great East Japan Earthquake, domestic sales of video game software remained strong. On the other hand, in overseas markets, sales of new video game software remained weak as

a result of the adverse market conditions. Consequently, unit sales of home video game software totaled 18.71 million units.

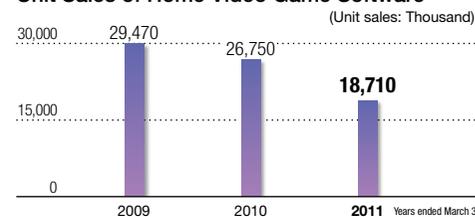
### Others Utilizing group capabilities for diverse businesses

In our toy sales business, sales of *BAKUGAN* products by Bakugan Limited Liability Partnership (Bakugan LLP), which was formed mainly by the five Group companies, remained strong. In addition, in a new business development endeavor, the Group began full-scale sales of *Zoobles!*

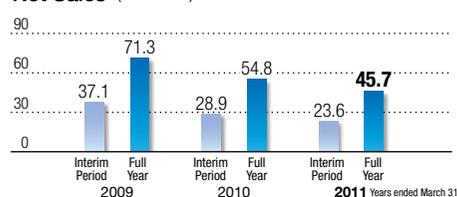
In the content business for mobile phones, smartphones, and PCs, the pay-per-use for *Sammy 777 Town* continued to do well. Furthermore, we started full-scale delivery of titles for new platforms.

Finally, as for animation products, shared revenues from the fourteenth cinema installment of *Detective Conan* and royalty revenues from domestic and overseas sales of *BAKUGAN* products were strong.

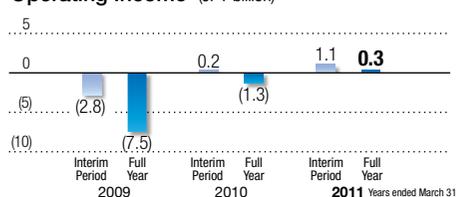
## Unit Sales of Home Video Game Software



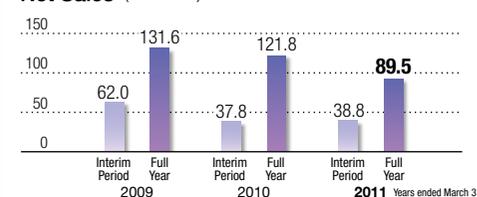
## Net Sales (JPY billion)



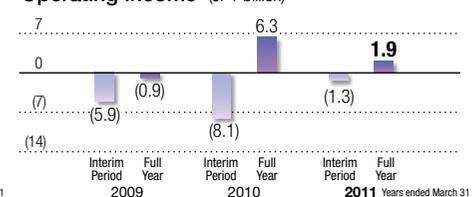
## Operating Income (JPY billion)



## Net Sales (JPY billion)



## Operating Income (JPY billion)



# Overview of Consolidated Financial Statements

## Consolidated Balance Sheets (Summary)

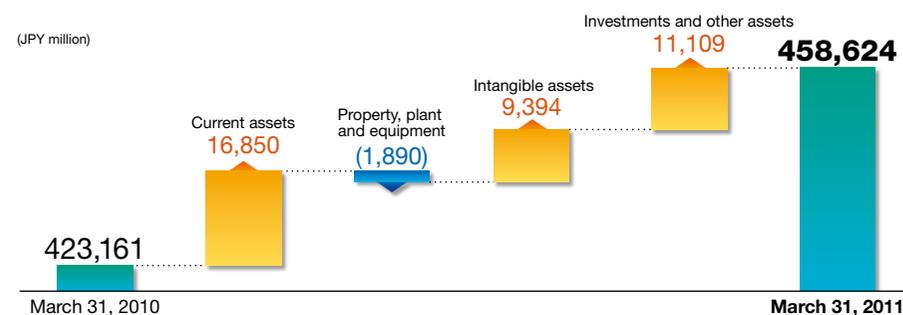
(JPY million)

Assets	As of March 31, 2011	As of March 31, 2010
<b>Current assets</b>	315,580	298,730
<b>Noncurrent assets</b>	143,044	124,431
Total property, plant and equipment	57,140	59,030
Total intangible assets	22,754	13,360
Total investments and other assets	63,149	52,040
<b>Total assets</b>	<b>458,624</b>	<b>423,161</b>

Liabilities / Net Assets	As of March 31, 2011	As of March 31, 2010
<b>Current liabilities</b>	109,028	92,817
<b>Noncurrent liabilities</b>	64,135	73,573
<b>Net assets</b>	285,461	256,770
Total shareholders' equity	289,077	259,468
Total accumulated other comprehensive income	(13,883)	(23,222)
Subscription rights to shares	406	1,188
Minority interests	9,861	19,335
<b>Total liabilities and net assets</b>	<b>458,624</b>	<b>423,161</b>

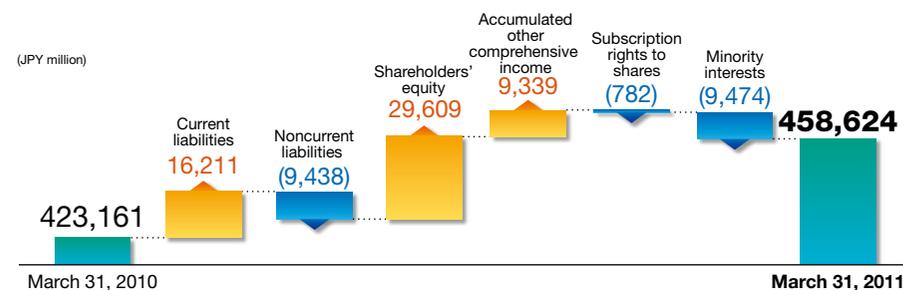
### Factors Affecting Assets

Current assets increased by JPY16.850 billion primarily due to an increase in cash and deposits resulting from redemption at maturity of negotiable certificates of deposit, in addition to a review of realizability of deferred tax assets associated with the introduction of filing the consolidated tax return scheduled for the fiscal year ending March 31, 2012. In addition, noncurrent assets increased by JPY18.612 billion primarily due to an increase in goodwill arising from the conversion of Sammy NetWorks Co., Ltd., SEGA TOYS CO., LTD., and TMS ENTERTAINMENT, LTD., into wholly owned subsidiaries, and to an increase in investment securities mainly because of an increase in the market value of the securities holdings. As a result of these factors, total assets as of the end of the consolidated fiscal year under review increased by JPY35.463 billion from the end of the previous consolidated fiscal year, to JPY458.624 billion.



### Factors Affecting Liabilities and Net Assets

Total liabilities increased by JPY6.773 billion from the previous consolidated fiscal year. Of these, total current liabilities increased by JPY16.211 billion on factors including an increase in income taxes payable. Total noncurrent liabilities decreased by JPY9.438 billion mainly because bonds payable decreased. Net assets increased by JPY28.690 billion from the end of the previous consolidated fiscal year. This was mainly because, while shareholders' equity increased by JPY29.609 billion in comparison to the previous consolidated fiscal year mainly because of the posting of net income and the share exchange, and while valuation difference on available-for-sale securities increased by JPY11.004 billion, minority interests decreased by JPY9.474 billion yen.



## Consolidated Statements of Income and Comprehensive Income (Summary)

(JPY million)

	From April 1, 2010 To March 31, 2011	From April 1, 2009 To March 31, 2010
Net sales	396,732	384,679
Cost of sales	230,677	245,811
Gross profit	166,055	138,867
Selling, general and administrative expenses	97,304	102,154
Operating income	68,750	36,712
Non-operating income	1,812	1,958
Non-operating expenses	2,439	2,745
Ordinary income	68,123	35,925
Extraordinary gain	3,705	3,125
Extraordinary loss	14,361	11,953
Income before income taxes and minority interests	57,467	27,097
Total income taxes	13,320	5,627
Minority interests in income	2,636	1,200
Net income	41,510	20,269
Minority interests in income	2,636	—
Total other comprehensive income	9,288	—
Comprehensive income	53,435	—

## Consolidated Statements of Cash Flows (Summary)

(JPY million)

	From April 1, 2010 To March 31, 2011	From April 1, 2009 To March 31, 2010
Cash flows from operating activities	87,696	54,998
Cash flows from investing activities	(29,585)	(7,640)
Cash flows from financing activities	(57,168)	(3,401)
Cash and cash equivalents at end of period	<b>165,983</b>	<b>167,000</b>

## Factors Affecting Net Income and Comprehensive Income

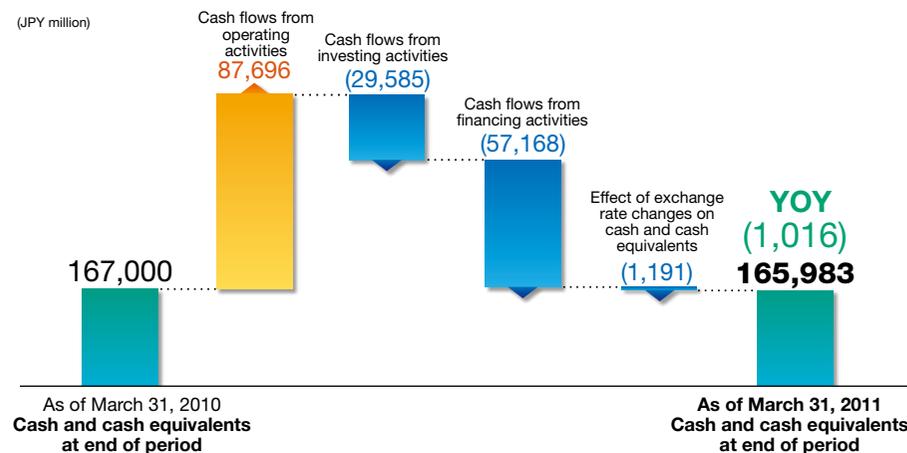
In the consolidated fiscal year under review, although net sales increased by only JPY12.053 billion in comparison to the previous consolidated fiscal year, through measures such as cost reductions mainly in the Pachislot and Pachinko Machines Business segment, the profit margin improved dramatically, and gross profit increased by JPY27.188 billion. Furthermore, since selling, general and administrative expenses decreased by JPY4.850 billion because of measures such as cutting back on advertising expenses, operating income increased by JPY32.038 billion. In addition, since the introduction of filing the consolidated tax return is slated for application beginning in the next consolidated fiscal year, the realizability of deferred tax assets was reviewed, and tax expenses were reduced by JPY12.154 billion compared with previous years. Due to the factors described above, net income in the consolidated fiscal year under review increased by JPY21.241 billion in comparison to the previous consolidated fiscal year.

In addition, mainly because the valuation difference on available-for-sale securities increased by JPY10.986 billion, comprehensive income increased by JPY11.925 billion compared with net income.

## Factors Affecting Cash Flows

For cash flows from operating activities in the consolidated fiscal year under review, the Company recorded a net cash inflow of JPY87.696 billion. This was due to factors including the posting of income before income taxes and minority interests for JPY57.467 billion, and to a decrease of JPY10.033 billion in notes and accounts receivable-trade. For cash flows from investing activities in the consolidated fiscal year under review, the Company recorded a net outflow of JPY29.585 billion. This was due to factors including an outflow of JPY24.300 billion for purchase of investment securities and an outflow of JPY10.901 billion for acquisition of property, plant and equipment. For cash flows from financing activities in the consolidated fiscal year under review, the Company recorded a net outflow of JPY57.168 billion. This was due to factors including an outflow of JPY9.209 billion for cash dividends paid (including cash dividends paid to minority shareholders), a net outflow of JPY24.530 billion for purchase of treasury stock, and an outflow of JPY20.600 billion for redemption of bonds.

Due to the factors described above, the balance of cash and cash equivalents at the end of the consolidated fiscal year under review was JPY165.983 billion, a decrease of JPY1.016 billion in comparison to the previous consolidated fiscal year.



# Overview of Consolidated Financial Statements

## Consolidated Statements of Changes in Net Assets

(JPY million)

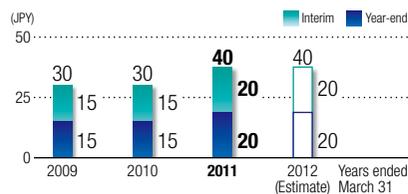
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulate other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of March 31, 2010	29,953	171,080	132,128	(73,694)	259,468	346	24	(5,966)	(17,626)	(23,222)	1,188	19,335	256,770
Dividends from surplus			(8,816)		(8,816)								(8,816)
Net income			41,510		41,510								41,510
Increase through share exchanges		(11,294)		32,890	21,595								21,595
Retirement of treasury stock		(40,000)		40,000	—								—
Purchase of treasury stock				(24,530)	(24,530)								(24,530)
Disposal of treasury stock		(1)		3	2								2
Change of scope of consolidation			(155)		(155)								(155)
Reversal of revaluation reserve for land			2		2			(2)		(2)			—
Net change in items other than shareholders' equity						11,003	(24)		(1,637)	9,341	(782)	(9,474)	(915)
Balance as of March 31, 2011	29,953	119,784	164,669	(25,329)	289,077	11,350	(0)	(5,969)	(19,264)	(13,883)	406	9,861	285,461

### Notice of Dividend

The Company paid the year-end dividend for the 7th term as follows.

Dividend ..... JPY20 per share

Effective date (payment start date) ..... June 2, 2011



For detailed financial information, please see the investor information section of the Company's website.



<http://www.segasammy.co.jp/english/ir/>

### IR Information Center

Please inquire to the following inquiry desk regarding any questions you may have in relation to stock information, Group information, or other such matters.

**PHONE +81-3-6215-9839 9:00-18:00**

Please be aware that the IR Information Center is closed on Saturdays, Sundays, national holidays, and company holidays.

# IR Information

## Company Profile As of March 31, 2011

<b>Company Name</b>	SEGA SAMMY HOLDINGS INC.
<b>Address</b>	Shiodome Sumitomo Building 21F, 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo 105-0021
<b>URL</b>	<a href="http://www.segasammy.co.jp/english/">http://www.segasammy.co.jp/english/</a>
<b>Principal Business</b>	Management of the SEGA SAMMY Group as the Group's holding company
<b>Established</b>	October 1, 2004
<b>Capital</b>	JPY29.9 billion
<b>Number of Employees</b>	6,000 (Consolidated)
<b>Directors and Auditors</b>	
	Hajime Satomi Chairman of the Board and Chief Executive Officer
	Keishi Nakayama Executive Vice President and Representative Director
	Okitane Usui                      Director
	Hisao Oguchi Director and CCO (Chief Creative Officer)
	Yuji Iwanaga                      Director
	Takeshi Natsuno                  Director
	Tomio Kazashi Standing Corporate Auditor
	Toshio Hirakawa                  Corporate Auditor
	Hisashi Miyazaki                  Corporate Auditor
	Mineo Enomoto                      Corporate Auditor

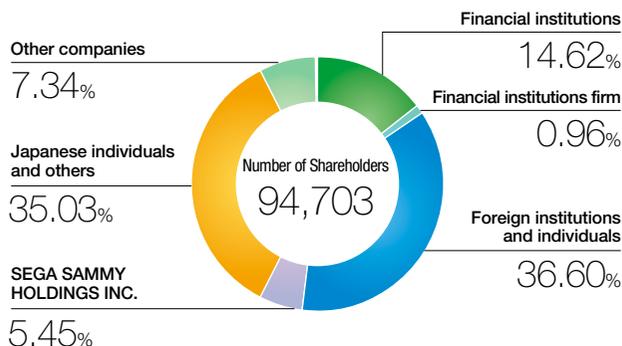
## Information on Outstanding Shares As of March 31, 2011

Number of shares authorized for issue	800,000,000
Total shares issued and outstanding	266,229,476

### Principal Shareholders

Name of Shareholder	Shares	Shareholding Ratio (%)
Hajime Satomi	43,569,338	17.48
Mellon Bank N.A. Treaty Clients Omnibus	18,128,563	7.27
SEGA SAMMY HOLDINGS INC.	14,504,662	-
FSC Co., Ltd.	14,172,840	5.68
Japan Trustee Services Bank, Ltd. (Trustee)	10,454,100	4.19
The Master Trust Bank of Japan, Ltd. (Trustee)	7,998,300	3.21
State Street Bank - West Pension Fund Clients - Exempt	4,448,554	1.78
Japan Trustee Services Bank, Ltd. (Trustee 9)	3,283,800	1.31
Morgan Stanley and Company Inc.	2,945,886	1.18
Mellon Bank, N. A. as Agent for its Client Mellon Omnibus US Pension	2,938,041	1.17

### Distribution of Shareholders



## Shareholder Memo

<b>Stock Code</b>	6460
<b>Round Lot</b>	100 shares
<b>Fiscal Year-End</b>	March 31
<b>Ordinary General Meeting of Shareholders</b>	June
<b>Date of Record for Dividends</b>	March 31 (September 30 for interim dividends, if paid) Advance public notice is given when required for other dividend payments.
<b>Method of Public Notice</b>	Electronic public notices
<b>Notification URL</b>	<a href="http://www.segasammy.co.jp">http://www.segasammy.co.jp</a> If, due to unavoidable circumstances, electronic notification is not possible, the Company shall post the notice in The Nihon Keizai Shimbun.
<b>Administrative Office of Transfer Agent</b>	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Toyko 137-8081, Japan Telephone : +81-3-5683-5111
<b>Agency</b>	Mitsubishi UFJ Trust and Banking Corporation branches in Japan The website of Mitsubishi UFJ Trust and Banking Corporation, the Company's transfer agent, provides information on share registration, purchase or additional purchase of shares in fractional lots, and other stock-related procedures. If using the storage transfer system for share certificates, etc., please contact the securities company that handles the transaction. Mitsubishi UFJ Trust and Banking Corporation website: <a href="http://www.tr.mufg.jp/daikou/">http://www.tr.mufg.jp/daikou/</a>



## SEGA SAMMY HOLDINGS INC.

Shiodome Sumitomo Building 21F, 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo

### CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and its SEGA SAMMY Group Companies ("the Group"), including SEGA CORPORATION and Sammy Corporation, are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management.

The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not assume that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation.

Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.

[This business report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.]