

Summary of FY Ending March 2012 Interim Results

November 7, 2011
SEGA SAMMY HOLDINGS INC.

(1)FY Ending March 2012 Interim Results

□Results Highlights

For the second quarter, sales and profits decreased year-on-year.

However, performance is strong with regards to the forecasts that have been announced. As announced the other day, upward revisions have been made to operating income, ordinary income and quarterly net income based on the results through the 2Q.

□Major Business Measures

We have been acquiring treasury stocks beginning from August. On September 5, 2011, we reached the upper limit established for stocks of 5 million shares and completed the acquisition process.

Also, as we explained during the financial results announcement for the first quarter, we converted TAIYO ELEC Inc. into wholly owned subsidiaries effective August 1, 2011.

Negative goodwill of around **800 million yen** arose due to the conversion into a wholly owned subsidiary and was posted as extraordinary gain in the 2Q.

□Consolidated Income Statements

Net Sales: **152.6 billion yen (decreased by 29.9% year-on-year)**

Operating Income: **15.1 billion yen (decreased by 67.7% year-on-year)**

Ordinary Income: **14.7 billion yen (decreased by 68.0% year-on-year)**

Net Income: **3.9 billion yen (decreased by 84.0% year-on-year)**

As for extraordinary gain and loss, extraordinary gains of **1.1 billion yen** was posted, due to factors such as gain on negative goodwill. Extraordinary losses posted amounted to **5.3 billion yen** due to the settlement payment for patent royalty in the 1Q.

As for dividends, we are planning interim dividends of **20 yen** as we initially announced.

□Costs and Expenses

R&D expense, content production expense and advertising expense decreased against initial forecasts mainly in the Pachislot and Pachinko Machines Business.

□ Consolidated Balance Sheet

Current assets decreased **11.2 billion yen** due primarily to the tax payment, etc.

Meanwhile, noncurrent assets increased by **13.5 billion yen** due primarily to the increase of the value of the investment securities etc.

As a result, total assets increased **2.3 billion yen** from the previous period end to **460.9 billion yen**.

Net assets decreased **2.5 billion yen** from the end of the previous fiscal year, to **282.9 billion yen**.

Equity ratio was **60.8%**, continuing to maintain a healthy level.

□ Pachislot and Pachinko Machines

Net Sales: **74.8 billion yen (decreased by 44.3% year-on-year)**

Operating Income: **20.6 billion yen (decreased by 56.7% year-on-year)**

For pachislot machines, sales of each title were solid against our initial forecasts but since sales of major and mainstay titles are centered on the 2nd half overall unit sales decreased year-on-year by around **149,000 units to 52,000 units**.

In the pachinko sector, as a result of the sales of titles such as “**Pachinko CR ALADDIN NEO**”, “**Pachinko CR Hokuto No Ken Yuria**” and “**Pachinko CR Hokuto No Ken Falco**” being strong, due to the impact of the launch of some titles being postponed to 3Q and later, as a whole unit sales was **181,000units**, a decrease of **17,000units** from the same period last year.

In 2Q, there was cost improvement effect through the 2Q against forecasts as a result of focusing on reuse centered on liquid crystal displays.

The forecasts for this period had incorporated the risk of increase of material procurement costs from the effects of the earthquake, but looking at the results of up to the 2nd Quarter, these costs are nearly the same as the same period last year.

□ Amusement Machine Sales

Net Sales: **19.3 billion yen (decreased by 1.5% year-on-year)**

Operating Income: **1.5 billion yen (decreased by 21.1% year-on-year)**

In the 2nd Quarter, other than selling the mainstay title, “**SEGA NETWORK MAHJONG MJ5**”, utilization of the revenue sharing model showed a strong performance.

Furthermore, sales of consumables such as trading cards were strong with the recovery in the amusement center market.

Of the net sales for domestic amusement machines and the prize category, the distribution of earnings through utilization of the revenue sharing model comprised around **16%**.

□ Amusement Center Operations

Net Sales: **23.2 billion yen** (decreased by **1.7%** year-on-year)

Operating Income: **1.6 billion yen** (increased by **45.5%** year-on-year)

Decreased sales year-on-year, but operating income increased due to efforts to reinforce management capabilities of the existing amusement centers.

Sales of the prize category, such as “UFO catchers”, remained strong. As a result, sales of SEGA domestic same-stores was **101.2%**.

3 new domestic stores were opened and **3** closed. As a result, the number of facilities as of the end of the second quarter was **248**.

□ Consumer Business

Net Sales: **33.4 billion yen** (decreased by **13.7%** year-on-year)

Operating Loss: **6.0 billion yen** (operating loss of **1.3 billion yen** in the same period last year)

In the home video game software business, domestic sales was robust, while sales of new titles overseas were weak. As a result, home video game software sales was **4,840 thousand units**, a decrease of **1,760 thousand units** compared to the same period last year.

With regards to contents for social games and smartphones, “**Kingdom Conquest**” for iOS, achieved over **1.6 million** downloads as of end of September.

In the toys business, sales of mainstay titles such as “**Anpanman**” and “**Jewel Pod**” were solid and in the animation business, distribution of earnings from “**Detective Conan**” was strong.

(2)FY Ending March 2012 Full Year Forecasts

□ Consolidated Income Statements

Net Sales: **440.0 billion yen** (increased by **10.9%** year-on-year)

Operating Income: **77.0 billion yen** (increased by **12.1%** year-on-year)

Ordinary Income: **75.5 billion yen** (increased by **10.9%** year-on-year)

Net Income: **38.0 billion yen** (decreased by **8.4%** year-on-year)

Along with the solid results through the 2Q, orders for mainstay products planned for shipment in the third quarter have been doing well, we have made an adjustment to the forecasts of full year consolidated operating results for the year ending March 31, 2012.

As for dividends, we are planning year end dividends of **20 yen** as we initially announced which will be an annual dividend of **40yen**.

□ Costs and Expenses Forecasts

R&D expense, content production expense and advertising expense will decrease compared to initial forecast mainly from the Pachislot and Pachinko Machine Business.

Since Sammy decided the construction of new factory and new logistics center , Cap-ex are to increase compare to the initial forecast but since the completion of construction of both facilities are planned in next fiscal year, the impact to this fiscal year's operating result will be minimal.

□ Pachislot and Pachinko Machines

Net Sales: **237.0 billion yen (increased by 11.8% year-on-year)**

Operating Income: **76.0 billion yen (increased by 18.4% year-on-year)**

Pachislot operations at pachinko halls are extremely strong, indicating a clear recovery in the sales market. Accordingly, we analyze that the number of pachislot machines installed shall shift to an increasing trend in the near future.

As of late, sales of mainstay title **“Pachislot Hokuto No Ken”** scheduled to be installed in December are extremely strong. Order receipt status as of the end of October exceeded **160,000 units**. Furthermore, a major title other than **“Pachislot Hokuto No Ken”** is expected to be introduced in the 4Q.

In the pachinko machines business, sales of **“Pachinko SOUTEN-NO-KEN”** and **“Ryu ga Gotoku Kenzan!”** are scheduled to be released as mainstay titles. Order receipt status for **“Pachinko SOUTEN-NO-KEN”** as of the end of October stands at around **62,000 units**.

As explained earlier, profit margins are projected to increase against forecasts, with selling, general and administrative expenses expected to decrease against forecasts centered on advertising expense, the impact of the increase in material procurement costs due to the earthquake being minimal, on top of cost improvement effects from reuse and such.

As for TAIYO ELEC, which was converted to a wholly owned subsidiary, we are seeking to further strengthen business collaboration between Sammy Corporation and TAIYO ELEC by dispatching from Sammy Corporation management personnel and supplying human resources to the development department, in addition to personnel exchange in the administration and sales departments that had already been implemented.

In addition, although we have been implementing the standardization of pachislot chassis from before, we are further aiming to standardize pachinko chassis. We will continue efforts such as standardization of materials and joint procurement of materials among the group to further reduce production costs and improve quality.

□ Amusement Machine Sales

Net Sales: **52.0 billion yen (increased by 10.2% year-on-year)**

Operating Income: **5.5 billion yen (decreased by 24.7% year-on-year)**

The reason income is expected to decrease year-on-year despite the increase in sales in the initial forecasts is because the number of high margin CVT KIT titles introduced will decrease due to the product development cycle and costs will temporarily increase in accordance with changes in circuit boards of some titles.

The sales of this fiscal year's major title “**StarHorse3 Season I A NEW LEGEND BEGINS.**” have been strong recently.

Utilization of the revenue sharing model is expected to continue to stably contribute to earnings.

□ Amusement Center Operations

Net Sales: **44.0 billion yen (increased by 3.5% year-on-year)**

Operating Loss: **100 million yen (operating income of 300 million yen in the previous fiscal year)**

SEGA domestic same-store sales, we aim to achieve **100%** in the full year, following strong progress through the 2Q.

In the 3Q, we are planning to launch major and mainstay titles such as “**StarHorse3 Season I A NEW LEGEND BEGINS.**” and we will strive to maximize the impact of the installing of each title to sales growth.

With regards to introduction of major titles, we are projecting the cap-ex and depreciation will increase.

□ Consumer Business

Net Sales: **104.0 billion yen (increased by 17.1% year-on-year)**

Operating Income: **1.5 billion yen (decreased by 21.1% year-on-year)**

In the home video game software business, we plan to introduce multiple mainstay standard titles centered on the overseas market such as “**Mario & Sonic at the London 2012 Olympic Games™**” for Wii and 3DS. Shipment of “**Mario & Sonic at the London 2012 Olympic Games™**” for Wii to be introduced in November is currently strong. We also plan to launch “**Sonic Generations.**”

However, we adjusted our full-year sales forecast to **20 million units** because of market sales for new titles overseas are expected to continue to face a severe environment.

We are also planning to continue proactively carrying out activities for smartphones and SNS centered on proven IP's such as franchising of the “**Kingdom Conquest.**”

We will also carry out activities towards development of “**Sammy 777 Town**” for smartphones.

Other than the aforementioned, for the online business, we are planning to begin the service “**Football Manager Online**” in South Korea from 4Q.

In the toys business, we will strengthen activities of mainstay products such as “**Jewel Pod**” and “**Anpanman**.”

In the animation business, we are planning production of several new titles, such as films for theaters and a series for television. Also, we will continue to strive to reduce content production expenses.

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* 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. The contents involve risk and uncertainty and the actual results may differ materially from these contents / comments.