

Summary of 1st Quarter Results for FY Ending March 2013

August 10, 2012

SEGA SAMMY HOLDINGS INC.

□ Highlights

We posted year-on-year increases in sales and profits.

□ Major Business Measures

As disclosed in May this year, we have reached an agreement with Paradise Group on the business of resort complex development including casinos in the Incheon City area of South Korea.

We have already established a joint venture to implement this joint business project.

We also announced as of May 31 the acquisition of treasury stocks aimed at boosting capital efficiency and preparing for strategic capital policies. The upper limit of shares to be acquired is **10,000,000 shares** and the upper limit of acquisition costs is **17 billion yen**.

Also, we announced the completion of above-mentioned acquisition of treasury stocks on August 8.

□ Consolidated Income Statements

Net Sales: **69.9 billion yen (increased by 7.0% year-on-year)**

Operating Income: **5.4 billion yen (increased by 86.2% year-on-year)**

Ordinary Income: **4.6 billion yen (increased by 43.8% year-on-year)**

Quarterly Net Income: **2.5 billion yen** (Quarterly Net Loss of **2.2 billion yen** in the previous 1Q)

After posting increases in both sales and profit in 1Q, we are faring well in terms of the fiscal first half forecasts that we disclosed earlier.

With regard to 1st half forecasts, we will monitor sales trends of mainstay products scheduled for launch in 2Q and when revisions to forecasts are deemed necessary, we will disclose such in a timely manner.

□ Cost and Expenses

Cap-ex increased year-on-year, mainly due to the establishment of a new pachislot and pachinko plant and distribution center.

Depreciation decreased by about **0.6 billion yen** from before, due to the impact of a changes in accounting policies starting this fiscal year.

□ Consolidated Balance Sheet

Current assets decreased by **31.8 billion yen**, due to payment of notes and accounts payable-trade, etc.

Noncurrent assets increased by **6.2 billion yen**, due in part to a construction of a new plant by Sammy.

As a result, total assets at the end of 1Q decreased by **25.5 billion yen** from the end of the previous fiscal year to **471.9 billion yen**.

Total net assets decreased by **12.2 billion yen** to **284.1 billion yen**.

Equity ratio stood at **59.4%** at the end of 1Q, as we continued to maintain it at a healthy level.

□ Pachislot and Pachinko Machines

Net Sales: **33.7 billion yen (increased by 12.7% year-on-year)**

Operating Income: **7.8 billion yen (increased by 9.9% year-on-year)**

In the pachislot machine business, sales increased by about **73,000 units** year-on-year to **80,000 units**, as multiple titles such as “**Pachislot Monster Hunter**” released in the previous fiscal year were highly rated.

On the other hand, overall sales in the pachinko machine business decreased by about **58,000 units** year-on-year to **23,000 units** due to the absence of major titles and mainstay titles for launch.

Cost levels improved against the forecast, thanks to the effect from reuse of components especially liquid crystal displays.

As for 1st half forecasts in the pachislot machine business, there are plans for launch of several titles, including a new title for the “**Pachislot Ring ni Kakero**” series, which has a strong track record. But sale of major titles and mainstay titles will center on the latter half of the fiscal year.

In the pachinko machine business, we have commenced order receipts for Sammy “**Pachinko CR Virtua Fighter REVOLUTION.**”

Major titles and mainstay titles in the pachinko machine business are scheduled for launch centering on the latter half of the fiscal year.

The overall pachislot and pachinko machines segment is faring well against the disclosed 1st half forecasts, and we will review them as necessary as we monitor the schedule of titles that are planned to launch at the end of 2Q.

□ Amusement Machine Sales

Net Sales: **8.3 billion yen (increased by 9.2% year-on-year)**

Operating Income: **0.2 billion yen (increased by 100.0% year-on-year)**

There were no plans of launching mainstay titles in 1Q, but distribution revenue continued to remain solid thanks to the operation of a revenue sharing model. Concerning domestic sales of amusement machines, prizes, etc., the ratio of distribution of earnings from operation of revenue sharing titles is approximately **17%**.

As for 1st half forecasts, we plan on launching major titles including “**maimai**” slated for July.

□ Amusement Center Operations

Net Sales: **10 billion yen (decreased by 8.3% year-on-year)**

Operating Income: **0.4 billion yen (decreased by 33.3% year-on-year)**

SEGA existing domestic in-store sales were slightly weak at **94.6%** compared to the same period the previous year, in a rebound from the same period in the previous year, when sales were relatively strong led by the prize category.

The Group **opened 1** new amusement centers and **closed 2** amusement centers in the domestic market. Consequently, the Group operated a total of **240 amusement centers** at the end of 1Q.

With regard to 1st half forecasts, we will strive to improve profitability at amusement centers by continuing to reinforce their management capabilities.

Also, there was a renewal opening of “**Tokyo Joypolis**” on July 14.

□ Consumer Business

Net Sales: **14.9 billion yen (decreased by 6.9% year-on-year)**

Operating loss: **1.5 billion yen (operating loss of 3.8 billion yen in the previous fiscal year)**

We will explain specific efforts regarding the structural reform of the packaged game software field at Sega that was disclosed on March 30, 2012.

As for expenses concerning the structural reform, we have posted them in the previous fiscal year's settlement of accounts as extraordinary losses and costs.

However, measures for “streamlining of the organization” and “reduction of number of titles” are taking place this fiscal year.

With regard to streamlining of the organization, we will close packaged game software sales bases in France, Germany, and Spain, etc. and liquidate them as soon as we complete collection of accounts receivable and take care of unsettled business.

We have also decided to employ external distributors as well as strived to reduce fixed costs by reducing the number of employees in the U.S. and Europe.

As for the reduction of the number of packaged game software titles, we plan on focusing on mainstay IPs such as “**Sonic the Hedgehog**” and “**Football Manager**,” while canceling development of some titles. The number of titles planned to be launched for this fiscal year is **24 titles**, down by **21 titles** from the previous fiscal year.

On the other hand, as for digital game software field, in which we position as the field for future growth, we carried out a company split of main functions of the network business operated by SEGA and transferred such to the newly established **SEGA Networks, Ltd.** as of July 2.

We will make proactive efforts in the future to strengthen the digital game software field by speeding up management decision making, and providing tailored services that cater to diversifying needs of customers, both of which are requisites in this business.

As for the segment results for the Consumer Business in 1Q, in the packaged game software field, we sold **“London 2012: The Official Video Game of the Olympic Games”** and other titles, but as I mentioned earlier, we are reducing the number of titles as a measure of structural reform. As a result, unit sales fell by **990,000 units** year-on-year to **1,340,000 units**.

In the digital game software field, **“Kingdom Conquest”** for iOS and Android continued to be rated highly, with **3 million downloads** on a cumulative basis.

We have also started supplying multiple new titles such as **“Miku Flick”** for iOS and **“Sakatsuku Social World Stars”** for DeNA.

As for pachinko and pachislot game site for mobile phones/PCs, pay-per-use services performed solidly.

In the toy sales business and animation business, sales of mainstay products and such were strong.

Moving on to 1st half forecasts, we will seek to improve profitability in the packaged game software field through structural reform, and we plan on launching a new **“HATSUNE MIKU -Project DIVA- f”** title in Japan in August.

In the digital game software field, we commenced service of the mainstay title of this fiscal period **“Phantasy Star Online 2”** in July and got off to a strong start.

As for pachinko/pachislot game sites for mobile phones/PCs, we will continue to implement smartphone compatibility of **“777 Town.”**

In the toy sales business, we will focus on expanding sales of domestic mainstay products.

In the animation business, distribution revenue from the movies **“DETECTIVE CONAN”** continued to remain solid.

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