



FY Ending March 2006 Interim Results Presentation

SEGA SAMMY HOLDINGS INC.

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Appendix - Attached Separately

FY Ending March 2006 Interim Results Condensed Consolidated Income Statement

Results Well Above Plan

(JPYBillions)	FY 2005 1 st Half		FY Ending March 2006		
	Sammy	Sega	1 st Half Results	% to Plan	1 st Half Plan
Net Revenue	198.2	93.1	248.5	103.5%	240.0
Operating Income	69.8	5.5	49.8	177.8%	28.0
Ordinary Income	67.5	5.5	49.4	176.4%	28.0
Net Income	40.4	1.0	24.9	276.6%	9.0

[Drivers]

- Sales Results above plan. Almost every segment exceeds expectations.
- Profit Operating and ordinary income come in at more than 170% of plan
Pachinko/Pachislot and Amusement Machine segments well above expectations
- Net Income Higher than anticipated revenue lifts SEGA's net income
Extraordinary gains: JPY900MM related to change in holding ratio of subsidiary Sega Toys
JPY500MM related to reversal of allowance for doubtful accounts
Extraordinary Losses: JPY500MM related to divestiture of fixed assets
JPY300MM related to restructuring charges

FY Ending March 2006 Interim Results - Segment Review

Almost All Segments Exceed Targets

(JPYBillions)	FY 2005 1 st Half		FY Ending March 2006		
	Sammy	Sega	1 st Half Results	% to Plan	1 st Half Plan
Net Revenue	198.2	93.1	248.5	103.5%	240.0
Pachinko/Pachislot	173.1	-	129.8	106.3%	122.0
Amusement Machines	5.6	28.5	30.8	102.6%	30.0
Amusement Facilities	- *	38.0	48.5	94.1%	51.5
Consumer Business	3.4	26.5	28.5	107.5%	26.5
Other	15.9	-	10.7	107%	10.0
Operating Income	69.8	5.5	49.8	177.8%	28.0
Pachinko/Pachislot	77.7	-	46.4	149.6%	31.0
Amusement Machines	(1.9)	5.7	4.5	180.0%	2.5
Amusement Facilities	- *	4.3	4.3	79.6%	5.4
Consumer Business	(2.0)	(4.0)	(4.3)	-	(8.3)
Other	0.4	-	(0.4)	-	(0.3)
Eliminations	(4.3)	(0.4)	(0.5)	-	(2.3)

(*) In 1st Half FY2005 Sammy's amusement facilities business was included in other.
 (For Reference: Prior year's 1st Half sales were about JPY1.7billion and operating loss was about JPY0.6 billion.)

FY Ending March 2006 Interim Results Condensed Consolidated Balance Sheet

Solid Financial Footing - Delivering returns to shareholders

(JPYBillions)	Period Ending March 2005	Period Ending September 2005	Increase/ (Decrease)
Current Assets	282.4	294.6	12.2
Fixed Assets	156.5	167.0	10.5
Total Assets	438.9	461.7	22.7

(JPYBillions)	Period Ending March 2005	Period Ending September 2005	Increase/ (Decrease)
Current Liabilities	110.2	122.3	12.1
Long Term Liabilities	61.2	51.9	(9.3)
Total Liabilities	171.5	174.3	2.7
Minority Interest	8.5	11.7	3.2
Stockholder's Equity	258.9	275.7	16.7
Total Liabilities, Minority Interest and Stockholder's Equity	438.9	461.7	22.7

[Topics]

CB conversions continue: JPY5.3Billion in outstanding notes in March JPY2.1Billion outstanding as of September end
Currently (as of 11/18) JPY170Million outstanding

September end 2:1 stock split Increase Share Flow, Broaden investor base

Substantive dividend increase (full year expected dividends JPY110) Full year increase of JPY30 on pre split basis

Completed stock buyback from Sammy 10.98MM shares on a pre-split basis (JPY76.1B in market value) Plan to repurchase shares held by SEGA in the near future (4.51MM shares on a pre-split basis)

FY Ending March 2006 Interim Results Condensed Consolidated Cash Flows

Utilizing Abundant Cash

(JPYBillions)	FY 2005	FY Ending March 2006 1 st Half
Net cash provided by operating activities	77.7	22.1
Net cash (used in) provided by investing activities	(39.6)	(26.7)
Net cash (used in) provided by financing activities	(25.7)	(9.7)
Effect of exchange rate changes on cash and cash equivalents	0	0.2
(Decrease) Increase in cash and cash equivalents	12.4	(14.1)
Cash and cash equivalents at beginning of period/year	138.7	151.2
Net increase in cash and cash equivalents due to consolidation scope change	-	0.4
Net increase in cash and cash equivalents due to merger	-	0.3
Cash and cash equivalents at end of period/year	151.2	137.8

[Topics]

Cash Flow from Operations Pretax earnings of JPY49.6Billion, Tax payments of JPY27.7Billion

Cash Flow from Investing Expenditures on fixed assets reduced cash flow by JPY12.5Billion, Investments in affiliates had a negative impact of JPY6.6Billion, and investments by a special purpose corporation totaled JPY3.6Billion

Cash Flow from Financing JPY7.4Billion outflow for payment of dividends

FY Ending March 2006 Interim Results Pachinko/Pachislot

Operating Margin Trends Up More Than Expected - Proportion of Sammy Branded and Direct Sales Increases

		FY 2005 1 st Half	FY Ending March 2006		
			1 st Half Results	1 st Half Plan	% to Plan
		(JPYBillions)			
Net Revenue		173.1	129.8	122.0	106.3%
	Pachislot	143.5	73.0	66.4	109.9%
	Pachinko	21.4	52.6	49.4	106.4%
	Peripherals/Other	8.1	4.2	6.2	67.7%
Operating Income		77.7	46.4	31.0	149.6%
Operating Margin		44.8%	35.7%	25.4%	

Pachislot

Growth in Unit Sales

Slightly above plan
By consistently providing hit products we are established as the industry leader

New Regulation Compliant Models Sales Plan

Due to later than expected approvals the number of titles released in the period was below plan
These new models will be marketed in the 3rd Quarter

Pachislot Machines

* For results by machine see Appendix Pg. 3

	1 Title	2 Titles	4 Titles		
	318,064 units	127,564 units	100,000 units		+27,564 units
	2 Titles	1 Title	4 Titles		
	66,785 units	52,704 units	110,000 units		-57,296 units
Unit Supply (Aristocrat, IGT)	3 Titles	3 Titles	2 Titles		
	39,550 units	75,018 units	40,000 units		+35,018 units
Total	6 Titles	6 Titles	10 Titles		
	424,399units	255,286units	250,000 units		+5,286 units
	JPY 143.5Billion	JPY 73.0Billion	JPY 66.4Billion		109.9%

Pachinko

Solid Growth in Unit Sales

Collaboration with Pachislot is a success - "Hokuto-no-ken"
By offering machines with a lower gambling element we are successfully creating a new market - "CR Choro Q"

Reduction in Titles Released in 1st Half

With existing models selling well in the 1st Half, sales of recently approved models strategically moved into the 2nd half

Pachinko Machines

* For results by machine see Appendix Pg. 3

	5 Titles	4 Titles	6 Titles	
	122,641units	223,920 units	230,000 units	
	JPY21.4Billion	JPY 52.6Billion	JPY 49.4Billion	106.4%

Profit Drivers in Pachinko/Pachislot

Greater % of sales derived from higher margin Sammy branded products and reduction of costs from recycling components
Sales through agents trended downward and direct sales grew significantly leading to higher margins

FY Ending March 2006 Interim Results Amusement Machines

High Value-Add Products Contribute to Results - Will Carry Over into the 2nd Half

(JPY Billions)	FY 2005		FY Ending March 2006		
	Sammy	Sega	1 st Half Results	1 st Half Plan	% to Plan
Net Revenue	5.6	28.5	30.8	30.0	102.6%
Domestic			27.1	26.2	103.4%
Overseas			3.7	3.8	97.3%
Operating Income	(1.9)	5.7	4.5	2.5	180.0%
Operating Margin	-	20.0%	14.6%	8.3%	-

* For results by machine see Appendix Pg. 4

Real Time Action Card Game

“San-Goku-Shi-Taisen (The Battle of Three Nations)”



Amusement Machine Business Points

Sales of Large Machines

Launched in July, sales of “Star Horse 2” are strong and should contribute to the 2nd Half as well

Launching High Value-Add Products

Networked and trading card game sales are proceeding well

“San-Goku-Shi-Taisen(The Battle of Three Nations)” was a revenue driver

Profit Drivers in Amusement Machines

Strong sales of “Star Horse 2” and “San-Goku-Shi-Taisen (The Battle of Three Nations)”

FY Ending March 2006 Interim Results – Amusement Facilities

Good Results in New Businesses – “Mushiking” and “Love and Berry” A Boom is Brewing

(JPYBillions)	FY 2005		FY Ending March 2006		
	Sammy	Sega	1 st Half Results	1 st Half Plan	% to Plan
Net Revenue	-(*)	38.0	48.5	51.5	94.1%
Operating Income	-(*)	4.4	4.3	5.4	79.6%
Operating Margin	-	11.5%	8.8%	10.4%	-
# of Facilities		463	451	462	
	Opened	11	6	7	
	Closed	26	32	22	
Capital Investment		7.8	10.8	18.2	

(*) In 1st Half FY2005 Sammy's amusement facilities business was included in other.
(For Reference: Prior year's 1st Half sales were about JPY1.7billion and operating loss was about JPY0.6 billion.)

Amusement Facilities Points

“Mushiking” Leads Our New Business Lineup

Mushiking : 13,500 Total Units, 280 million Total Cards

Love and Berry: 4,700 Total Units, 43 million Total Cards

Love and Berry sold 35.5 million cards in the 1st Half alone, and the pace is only accelerating

Existing Facilities Comparisons

Results were flat compared with a year ago

Aggressive Scrap & Build Program Continues

Closed 32 facilities and opened 6, ending the period with 451 facilities.

Tokyo Joypolis

Reopened in August - not included in 1st half plans.

Profit Drivers in Amusement Facilities

New businesses (card business) contributed with high margins
Increased overhead

* For information concerning existing facilities and new businesses see Appendix Pg. 5

FY Ending March 2006 Interim Results – Consumer Business

Smaller Loss Than Expected Each Business Unit Increases Sales

(JPYBillions)		FY 2005 1 st Half		FY Ending March 2006		
		Sammy	Sega	1 st Half Results	1 st Half Plan	% to Plan
Net Revenue		3.4	26.5	28.5	26.5	107.5%
	Entertainment Software			14.9	13.2	112.8%
	Networks/ Other			13.6	13.3	102.2%
Operating Income		(2.0)	(4.0)	(4.3)	(8.3)	-
Operating Margin		%	%	%	%	%
Game unit sales (millions)		1.14	3.73	4.48	4.57	98.0%
	Japan and Asia	1.03	1.02	1.54	1.48	104.0%
	US	0.11	1.68	1.01	1.07	94.3%
	Europe		1.03	1.93	2.01	96.0%
R&D Costs				7.5	10.7	
R&D as a % of Consumer Business Net Revenue				26.3%	40.3%	

* For sales of amusement software see Appendix Pg. 6

Results of Subsidiaries

(JPYBillions)				
	1 st Half Results	1 st Half Plan	1 st Half Results	1 st Half Plan
Net Revenue	3.93	4.15	6.34	5.20
Operating Income	0.92	1.08	0.29	0.25

* For detailed results of subsidiaries please see results posted to the web

Consumer Business Points

Entertainment Software

Sales according to plan, Mushiking for GBA is a hit
1st Half unit sales - Japan: 1.54MM, America: 1.01MM, Europe: 1.93MM

Networks/Other

The portal site “SEGA Link” has been running since June

As of the end of September there are 350,000 members
Ring tone service of Sega has 1.65MM subscribers as of the end of September

Results of Organizational Restructuring

Sale of Visual Concepts reduces development costs
Creative Assembly adds to profits, “Spartan” in Europe

Profit Drivers in Consumer Business

Strong sales of “Mushiking” for GBA, One European based title moved into period

Due to a delay in the launch of the online service
development costs and marketing expenses were delayed

FY Ending March 2006 Full Year Plan

- Due to the early stage in the sales cycle of our new products we cannot currently revise our full year plan
- With the pace of business this year outstripping expectations we are confident going forward

		FY 2005	FY Ending March 2006	
			1 st Half Results	Full Year Plan
(JPYBillions)				
Net Revenue		515.6	248.5	567.0
	Pachinko/Pachislot	280.1	129.8	284.0
	Amusement Machines	63.3	30.8	68.0
	Amusement Facilities	83.1	48.5	106.0
	Consumer	65.3	28.5	85.0
	Other	23.7	10.7	24.0
Operating Income		105.0	49.8	100.0
	Pachinko/Pachislot	103.9	46.4	86.0
	Amusement Machines	7.4	4.5	8.5
	Amusement Facilities	5.4	4.3	11.0
	Consumer	(8.8)	(4.3)	(1.0)
	Other	(0.5)	(0.4)	0.1
Ordinary Income		104.4	49.4	100.0
Net Income		50.5	24.9	56.0

FY Ending March 2006 Full Year Plan – Pachinko/Pachislot

Distribute Franchise Titles Aggressively Develop Core Titles in 2nd Half

(JPYBillions)		FY 2005	FY Ending March 2006	
			1 st Half Results	Full Year Plan
Net Revenue		280.1	129.8	284.0
	Pachislot	221.0	73.0	171.8
	Pachinko	44.4	52.6	94.6
	Peripherals and Other	14.7	4.2	17.7
Operating Income		103.9	46.4	86.0
Operating Margin		37.0%	35.7%	30.2%

Pachislot

* For sales projections by machine see Appendix Pg. 3

	2 Titles	2 Titles	9 Titles
	416,994 units	127,564 units	335,000 units
	4 Titles	1 Title	7 Titles
	165,239 units	52,704 units	140,000 units
Unit Supply (Aristocrat, IGT)	3 Titles	3 Titles	6 Titles
	94,700 units	75,018 units	105,000 units
Total	9 Titles	6 Titles	22 Titles
	676,933 units	255,286 units	580,000 units
	JPY221.1Billion	JPY73.0Billion	JPY171.8Billion

Pachinko

* For sales projections by machine see Appendix Pg. 3

	8 Titles	4 Titles	12 Titles
	233,049 units	223,920 units	430,000 units
	JPY44.4Billion	JPY52.6Billion	JPY94.6Billion

Full Year Plan Points

Respond to the post regulatory change market environment
 Change in profit structure - pachinko contributes more
 Recycling of components leads to better margins
 Support total hall services

(Pachislot)

- Aggressively develop new regulation titles - quickly assess market needs to create strategic titles
- Strategically deliver old regulation core titles

(Pachinko)

- Use development strength to increase conforming titles
- Place innovative products in the market

(Peripherals and Other)

- Strength in peripherals and hall design and construction

A Base for Shipments · Topics

(Pachislot)

- New regulation game “Hakushon-daimaoh” set to ship late November
- Franchise title “Aladdin 2 Evolution” being marketed
Shipments start early December
- Ultraman Club and Unit Supply titles continue to ship

(Pachinko)

- “CR Choro Q Turbo” approved by regulatory bodies

(Other)

- H.I. Systems subsidiary
- Capital investment & tie up with Pachinko/Pachislot maker Ginza

FY Ending March 2006 Full Year Plan – Amusement Machines

Expand Revenue Distribute Large Size High Value-Add Machines, A Full Line-up of Products

(JPYBillions)		FY 2005	FY Ending March 2006	
			1 st Half Results	Full Year Plan
Net Revenue		63.3	30.8	68.0
	Domestic	54.4	27.1	58.0
	Overseas	8.9	3.7	10.0
Operating Income		7.4	4.5	8.5
Operating Margin		11.6%	14.6%	12.5%

* For sales forecast by machine see Appendix Pg. 4



Product Design Award Winning Large Sized Medal Game
「Star Horse 2 New Generation」

Full Year Plan Points

Raise share with a full line-up up products
Continue to supply high value-add products
Expand our overseas market

(Domestic Market)

- Continue with our system of supplying high value-add machines

(Overseas Market)

- Establish our system of development, management and production in the mid term
- For FY '06 raise sales by 14.7% 18.8% for the period ending March 2008

Our Foothold

(Domestic Market)

- Drawing from the 1st Half, continue to deliver large size high value-add products
- Star Horse 2 orders were solid and are continuing into the second half

(Overseas Market)

- Work in tandem with overseas facilities business

FY Ending March 2006 Full Year Plan – Amusement Facilities

Moving Towards Increasing Margins - Continue Earnings Recovery at Existing Facilities, Jump on the Success of the New Business

	(JPY Billions)	FY 2005	FY Ending March 2006	
			First Half Results	Full Year Plan
Net Revenue		83.1	48.5	106.0
Operating Income		5.4	4.3	11.0
Operating Margin		6.4%	8.8%	10.3%
Number of Facilities		477	451	468
	New	24	6	13
	Closed	42	32	22
Capital Investment		24.8	10.8	26.8

The number of facilities will be revised in consideration of 1st Half results



Not a temporary business, positioning for long term growth
Success of "Love and Berry", "Kyoryu King"
Entertainment software, toys, imaging - creating synergies in our groups

Full Year Plan Points

Earnings recovery at existing facilities
Foster the emerging card games for children
Goal for facilities operating margin: 10%+

(Facilities Management)

- Emphasis on profit in Scrap & Build
- Draw visitors with complex facilities: Raise existing facility sales by 2%
- Cooperation with amusement machine segment in addressing market needs

(Children's Card Games)

- Mushiking doesn't stop here, continue to develop for this franchise and similar business platforms
- Test marketing to determine the scope of the development for overseas is well underway

The Existing Environment

(Existing Facilities Sales)

- Up 6.8% Y/Y in October
- New card business "Love and Berry" performing well
- Sales of "Kyoryu King" begin

(Overseas Development)

- Sega Entertainment U.S.A. Inc. is well into development of new facilities
- Joypolis like facility set to open in the middle of this period at Shanghai New World Department Store
- In developing the overseas market, overseas amusement machine sales will create synergies

FY Ending March 2006 Full Year Plan – Consumer Business

Aiming For A Profitable Business Efficient R&D, Synergies Create Efficiency

(JPYBillions)	FY 2005	FY Ending March 2006	
		1st Half Results	Full Year Plan
Net Revenue	65.3	28.5	85.0
Entertainment Software	39.4	14.9	49.6
Networks/Other	25.9	13.6	35.4
Operating Income	(8.8)	(4.3)	(1.0)
Operating Margin	%	%	%
Sales of Games (Units in Millions)	11.79	4.48	15.37
Japan and Asia	3.39	1.54	4.83
US	4.53	1.01	4.75
Europe	3.87	1.93	5.79
R&D Costs	21.7	7.5	21.3
R&D Costs as a % of Sales in the Consumer Business	33.2%	26.3%	25.0%

* For software sales forecast see Appendix Pg. 6

Business Plans for Listed Subsidiaries

				
	1st half Results	Full year Plan	1st half Results	Full year Plan
Net Revenue	3.93	10.0	6.34	13.5
Operating Income	0.92	3.1	0.29	1.1

Full Year Plan Points

Foster Earnings recovery into the mid-term
Deal with the changing landscape to be a player in next generation platforms

(Software for Consoles)

- Choose and develop titles with a focus on profit
- Aggressively develop games for the European and North American markets, develop a presence there
- Make an immediate impact on next-gen platforms
- Cut development risk through utilizing image resources over several segments

(Online, Mobile, Toys)

- Make maximum use of quality group contents
- Create group synergies

The Existing Environment Topics

(Software for Consoles)

- Strategically release core titles for Christmas
Domestic: 「Ryu-Ga-Gotoku」
Overseas: 「Shadow the Hedgehog」、 「Condemned」

(Online, Mobile, Toys)

- Aggressively develop online games for the domestic and overseas markets

(Other)

- Fully consolidated subsidiary TMS Entertainment (stock code:3585)
Create synergies between their imaging businesses and the other businesses



[Disclaimer]

The contents in 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.

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

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