

Major Questions Concerning Actual Results for First Quarter of Year
Ending March 2011 and Forecasts for First Half of Year Ending March 2011

August 2, 2010
SEGA SAMMY HOLDINGS INC.

Actual Results for the First Quarter of the Year Ending March 2011

■ General Matters

Q: What factors led to the increase in sales compared to the same quarter of the previous year (first quarter of year ended March 2010)?

A: Net sales increased year-on-year in the Pachislot and Pachinko Machines Business, Amusement Machines Sales Business and Consumer Business.

In the Pachislot and Pachinko Machines Business, this was mainly due to the significant year-on-year increase in pachislot unit sales.

The Amusement Machines Sales Business was strong due to such factors as the distribution of earnings through the revenue sharing model and sales of CVT kits for mainstay titles.

As for the Consumer Business, unit sales in the software business showed an increase against the same quarter of the previous year, which saw no releases of mainstay titles.

Q: What factors led to the return to profitability compared to the same quarter of the previous year (first quarter of year ended March 2010)?

A: Profit margins continued to improve in each segment.

The Pachislot and Pachinko Machines Business showed an increase in unit sales of pachislot machines, which have a higher profit margin than pachinko machines. In addition, the reuse of parts, reduction of parts procurement costs and other factors led to cost reductions which also improved the profit margin.

The Amusement Machines Sales Business showed strong performance due to such factors as the distribution of earnings through the revenue sharing model and sales of CVT kits for mainstay titles.

In the Amusement Center Operations Business, we conducted a review of the facility portfolio and a reduction of operating expenses.

As for the Consumer Business, in addition to reducing such operating expenses as R&D costs and content production expenses, other factors such as the improvement of earnings of a listed subsidiary led to a contraction of losses.

■ Pachislot and Pachinko Machines Business

Q: What factors led to the increase in sales and return to profitability compared to the same quarter of the previous year (first quarter of year ended March 2010)?

A: The increase in net sales was mainly due to the significant year-on-year increase in pachislot unit sales.

Operating income returned to profitability due to the increase in unit sales of pachislot machines, which have a higher profit margin than pachinko machines, as well as the reuse of parts, reduction of parts procurement costs and other factors which led to cost reductions that also improved the profit margin.

Q: What are the actual results of cost reductions in the Pachislot and Pachinko Machines Business?

A: Factors such as the reduction of parts procurement costs and reuse of parts led to cost reductions of approximately 2.8 billion yen during the first quarter.

■ Amusement Machines Sales Business

Q: What factors led to the increase in sales and return to profitability compared to the same quarter of the previous year (first quarter of year ended March 2010)?

A: The distribution of earnings through revenue sharing titles, sales of CVT kits for mainstay titles with high profit margins and sales of consumable goods such as cards all showed strong performance.

■ Amusement Center Operations Business

Q: What factors led to the return to profitability despite the decrease in sales compared to the same quarter of the previous year (first quarter of year ended March 2010)?

A: Although sales decreased due to a reduction in the number of facilities and other factors, the Amusement Center Operations Business returned to profitability due to a review of the facility portfolio and a reduction in such operating expenses as depreciation expenses and selling, general and administrative expenses.

Q: Domestic same-store sales seems to be on a recovery trend. What are the factors behind this?

A: In general sales was favorable for prize category machines such as UFO Catcher.

■ Consumer Business

Q: What factors led to the increase in sales and contraction of losses compared to the same quarter of the previous year (first quarter of year ended March 2010)?

A: Sales increased as a result of the overseas launch of products such as IRON MAN 2 and Alpha Protocol compared to the same quarter of the previous year, which saw no release of mainstay titles.

In addition to the increased sales, other factors such as the reduction of such operating expenses as R&D costs and selling, general and administrative expenses, as well as the improvement of earnings of the listed subsidiary, led to the contraction of losses.

Forecasts for the First Half of the Year Ending March 2011

■ General Matters

Q: What factors led to the increase in sales and profits in the revised year-to-date projections for the second quarter compared to the initial projections?

A: Regarding net sales, although the overseas game software business in the Consumer Business is expected to fall below initial projections, we have raised the projections mainly due to the significant increase in pachislot unit sales in the Pachislot and Pachinko Machines Business.

As for operating income, although the Consumer Business has fallen below initial projections, we are expecting a significant increase in profits in the Pachislot and Pachinko Machines Business due to the improvement in profit margin as a result of the increase in unit sales of pachislot machines, which have a high profit margin compared to pachinko machines, as well as other factors such as cost reductions from the reuse of parts and reduction of parts procurement costs.

The Amusement Machines Sales Business and Amusement Center Operations Business are, for the most part, progressing in line with the projections.

Q: Will there be a review of full-year projections?

A: We plan to conduct a review as we see the progress of year-to-date actual results in the second quarter. Upon verifying such factors as the line-up of products planned to be launched in the third quarter and after, as well as the sales schedule, we will decide on new full-year forecasts of consolidated operating results and will promptly publicize these.

■ Pachislot and Pachinko Machines Business

Q: Concerning the revised year-to-date projections for the second quarter, the growth in profits is quite large compared to the growth in sales. What are the factors behind this?

A: This is due to the improvement in the profit margin as a result of the increase in unit sales of pachislot machines, which have a high profit margin compared to pachinko machines, as well as such factors as cost reductions due to the reuse of parts and the reduction of parts procurement costs.

■ Amusement Machines Sales Business

Q: What are the prospects for the second quarter?

A: As the release of this year's mainstay title SENGOKU TAISEN is planned for the second half, the overall Amusement Machines Sales Business is, for the most part, performing in line with the projections.

■ Amusement Center Operations Business

Q: What are the prospects for the second quarter?

A: We will work to improve the earnings of facilities through such efforts as strengthening the operating capacity of individual facilities based on a core of mainstay titles as well as strengthening competitiveness in local areas. The overall Amusement Center Operations Business is, for the most part, progressing in line with the projections.

■ Consumer Business

Q: The year-to-date projections for the second quarter have been revised downward. What are the factors behind this?

A: Despite domestic sales of game software showing strong performance, overseas sales has been weak due to the severe market environment. The game software unit sales projection has been revised downward from the

initial projection by 1.32 million units to 5 million units.

Q: Despite game software unit sales falling by 1.32 million units, the effect on operating income was only a decrease of 500 million yen. What are the factors behind this?

A: Although the game software business has seen weak overseas sales of new products and has fallen below initial projections, businesses other than the network business have seen strong actual results centered on the listed subsidiary.

* The forecasts recorded in this material have been prepared based on information available at the time the material was publicized. In the future, actual results may differ from the forecast figures due to a variety of factors.

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