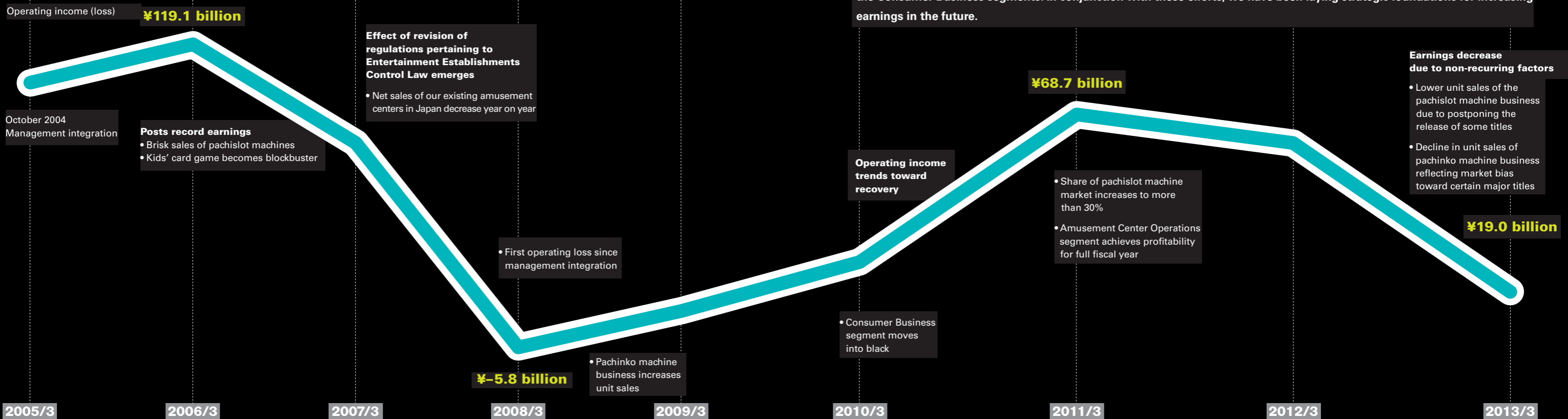


PAST

Since Management Integration

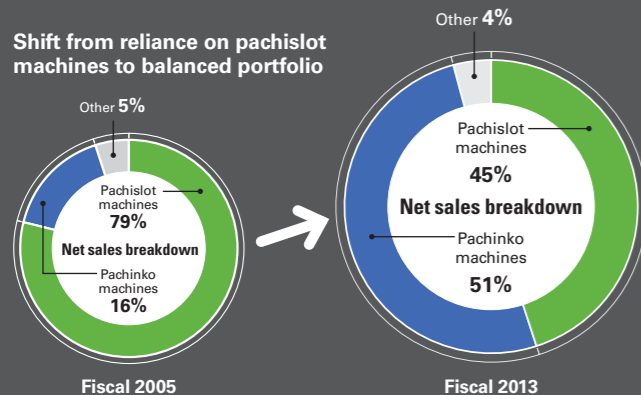


The SEGA SAMMY Group has been steadily restructuring its businesses in response to a variety of management issues. These have included declining earnings from the Pachislot and Pachinko Machine Business segment amid dramatic changes in the pachinko and pachislot machine market as well as lower profitability in the Amusement Center Operations and the Consumer Business segments. In conjunction with these efforts, we have been laying strategic foundations for increasing earnings in the future.

Major Changes

PACHISLOT AND PACHINKO MACHINE BUSINESS

Shift from reliance on pachislot machines to balanced portfolio



Main initiatives

- Strengthened pachinko machine business (transferred to new development system and increased pachinko boards' share of net sales)
- Withdrew from pachislot and pachinko machine peripheral business
- Reduced cost by reusing components
- Built new plant and distribution center

P57 "Insight: Cyclical Demand Fluctuations in the Pachinko and Pachislot Machine Market and the Portfolio of the Pachislot and Pachinko Machine Business Segment"

AMUSEMENT MACHINE SALES BUSINESS

AMUSEMENT CENTER OPERATIONS

Amusement centers in Japan

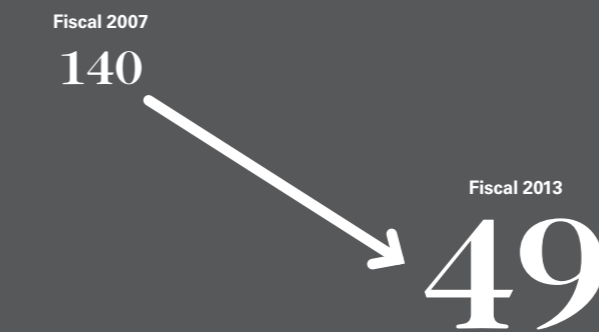


Main initiatives

- Stopped developing certain large, high-end machines
- Reduced R&D expenses, content production expenses
- Introduced new business model (revenue-sharing business model)
- Closed or sold amusement centers with inadequate profitability or potential
- Strengthened management capabilities of amusement centers

CONSUMER BUSINESS

Number of packaged game software titles (SKU)



Main initiatives

- Streamlined organizations in home video game software area in North America and Europe
- Narrowed down number of titles under development
- Reduced R&D expenses, content production expenses
- Established SEGA Networks, Ltd.

OTHER CORPORATE ACTIONS

Main initiatives

- Rightsized workforce by introducing voluntary early retirement plan (SEGA CORPORATION and SEGA TOYS CO., LTD.)
- Established subsidiary boasting some of Japan's most advanced animation development technology (MARZA ANIMATION PLANET INC.)
- Made Sammy NetWorks Co., Ltd., SEGA TOYS, TMS ENTERTAINMENT, LTD., and TAIYO ELEC Co., Ltd., wholly owned subsidiaries
- Established PARADISE SEGASAMMY Co., Ltd., as joint venture with the Paradise Group
- Made resort complex developer and operator Phoenix Resort Co., Ltd., wholly owned subsidiary
- Participated in resort complex development project in Busan, South Korea
- Acquired THQ Canada Inc., now Relic Entertainment Inc., and intellectual properties related to titles under development