A Message from Management
We seek to create synergies as a comprehensive entertainment company group.

Special Feature
Introducing the Main Companies in the Entertainment-Producing SEGA SAMMY Group

A Message from Management
We seek to create synergies as a comprehensive entertainment company group.
Core Businesses
To All Places,
To All People,
Bringing Dreams and Inspiration.
A Message from Management

On Earning

Could you give us an overview of the Group’s earnings in the fiscal year under review?

We achieved a large profit increase from the previous year.

In the year under review, consolidated net sales were JPY396.7 billion (up 3.1% from the previous year), operating income was JPY68.7 billion (up 87.3% from the previous year), and ordinary income was JPY68.1 billion (up 89.6% from the previous year). Thus, we achieved increases both in sales and profits. This was mainly because results in our high-margin Pachislot and Pachinko Machines Business segment remained strong.

We seek to create synergies as a comprehensive entertainment.

Hajime Satomi
Chairman of the Board and Chief Executive Officer, SEGA SAMMY HOLDINGS INC.
Chairman, Representative Director and Chief Executive Officer, Sammy Corporation
Chairman, Representative Director and Chief Executive Officer, SEGA CORPORATION

What is your evaluation of the Group’s earnings during the fiscal year under review?

This was a year in which we were able to perceive the results of the profit improvement measures that we had undertaken from the fiscal year ending in March 2009.

In order to establish an organization to ensure stable earnings, from the fiscal year ending in March 2009, we had undertaken profit-improvement measures in all business segments. We believe that the results showed up as an increase in net sales and a dramatic improvement in operating income in the fiscal year under review. Nevertheless, we still have to meet many challenges such as profit improvement in the Consumer Business segment.

Operating income was JPY68.7 billion. We achieved a profit increase of 87.3% from the previous year.
A Message from Management

On the Segment Information

What are the main factors contributing to the improved operating margin in the Pachislot and Pachinko Machines Business segment?

The main factors include strong sales of high-margin products and our efforts to reduce costs by reusing parts.

The biggest factor was that our high-margin, mainstay pachislot machines found favor with both pachinko halls and players and maintained a high level of sales. In addition, our efforts to reduce costs by promoting the reuse of parts including LCD panels also led to the improved margin in the Pachislot and Pachinko Machines Business segment.

Could you tell us the utilization result for the revenue-sharing titles in the Amusement Machine Sales Business segment?

In continuation from the previous fiscal year, shared revenues have remained strong.

Utilization of revenue-sharing titles continues to remain strong. In the fiscal year under review, the percentage of shared revenues from utilization of revenue-sharing titles in the net sales of domestic amusement machines, prizes, and so forth was 14 percent, indicating a steady rise since the launch of service.

Could you explain the status of efforts toward new platforms in the Consumer Business segment?

We launched full-scale efforts for new platforms such as smartphones and SNS.

In the fiscal year under review, we started to deliver Kingdom Conquest for iOS, and the number of downloads has already exceeded one million worldwide. Other endeavors include activities aimed at the Online Games Business for Asia, so we are actively striving to provide titles for a diversity of platforms.

Please explain the main factors contributing to the return to an operating profit in the Amusement Center Operations segment.

Good results were achieved from measures such as closing or selling unprofitable centers, reducing operating expenses, and strengthening operational management capabilities.

While closing or selling approximately 200 centers in the past three years, we strived to reform our profit structure mainly by reducing operating expenses, and we also strengthened our operational management capabilities. These are the main factors why we were able to achieve an operating profit for the first time in four periods. In order to improve profitability even more, we have decided to sell our Amusement Center Operations business in North America.

Strong pachislot machine sales drove group profits. Launched full-scale development of content business for smartphones and SNS, positioned as a new growth field.
On the Outlook for the Next Fiscal Year

Q: Please tell us about the outlook for the next fiscal year.

We will dedicate all our efforts to continuing to improve profit.

While we expect increased net sales from sales of mainstay titles in the Pachislot and Pachinko Machines Business segment and the Consumer Business segment, by taking into account factors such as parts procurement risk resulting from the impact of the Great East Japan Earthquake as well as weak consumer spending, we expect a decline in profits.

For the full fiscal year ending on March 31, 2012, we forecast consolidated net sales of JPY450.0 billion (up 13.4% from the previous year), operating income of JPY62.0 billion (down 12.7% from the previous year), ordinary income of JPY59.0 billion (down 13.4% from the previous year), and net income of JPY33.0 billion (down 20.5% from the previous year). But even though we are in this difficult situation, we will dedicate all our efforts to continuing to improve profit.

Q: Please tell us about the corporate dividend.

We will continue to strive for appropriate dividends commensurate with profits.

In the fiscal year under review, we paid an annual dividend of JPY40 (an interim dividend of JPY20 and a year-end dividend of JPY20). In addition, as for treasury stock, we retired 17 million shares and newly acquired 14 million shares (total acquisition amount: JPY24.2 billion). In the fiscal year ending on March 31, 2012, similar to the fiscal year under review, we forecast an annual dividend of JPY40 (an interim dividend of JPY20 and a year-end dividend of JPY20). We will continue to strive for appropriate shareholder returns commensurate with profits.

TAIYO ELEC Converted into Wholly Owned Subsidiary

A resolution has been reached at each of the board meetings of SEGA SAMMY HOLDINGS INC., Sammy Corporation, a wholly owned subsidiary of SEGA SAMMY, and TAIYO ELEC Co., Ltd., a subsidiary of SAMMY, held on May 13, 2011 to conduct an exchange of shares involving common stock of SEGA SAMMY as consideration in order to convert TAIYO ELEC into a wholly owned subsidiary of SAMMY, which will become the wholly owning parent of TAIYO ELEC. The Share Exchange will be conducted pursuant to an agreement to exchange shares that has been executed between SAMMY and TAIYO ELEC.

On December 1, 2010 SEGA SAMMY converted Sammy NetWorks Co., Ltd., SEGA TOYS CO., LTD., and TMS ENTERTAINMENT, LTD., which were listed subsidiaries, into wholly owned subsidiaries with the aim of strengthening its competitiveness as a “Comprehensive Entertainment Company” and consolidated the group structure, achieving an effective synergy of our management resources within the group. The Share Exchange will further reinforce the management structure of the group and promote the maximization of group earning power by converting TAIYO ELEC, the sole listed subsidiary in the SEGA SAMMY group, into a wholly owned subsidiary.

As a specific example of such a business alliance, we aim to establish a robust TAIYO ELEC brand in the pachislot and pachinko machines market by improving TAIYO ELEC’s pachislot and pachinko machines development capability through measures such as personnel exchanges involving highly skilled pachislot and pachinko developers, leveraging the substantial intellectual property of the SEGA SAMMY group and joint development involving integrated technologies, in addition to the exchange of personnel from administration and sales departments and sharing of certain components that have been conducted thus far.

(SEGA SAMMY HOLDINGS)Disposal of Treasury Stocks to Sammy Corporation

- Disposal date: May 30, 2011
- Number of disposed shares: 4,423,660 shares of common stock
- Disposal amount: JPY1,583 per share
- Funds procured: JPY7,002,653,780
- Subscription or disposal method: Disposal by third-party allotment
- Alottee: Sammy Corporation
- Other: Number of treasury shares after disposal: 10,081,002 shares

(Sammy)Conversion of TAIYO ELEC into a Wholly Owned Subsidiary in Consideration of Common Stock of SEGA SAMMY

Stock conversion effective date: August 1, 2011 (tentative)
Sammy Corporation will convert TAIYO ELEC into a wholly owned subsidiary by a stock conversion in which it allocates 0.40 shares of common stock of SEGA SAMMY HOLDINGS per share of common stock of TAIYO ELEC.
Common stock of SEGA SAMMY to be used: 4,423,660 shares (tentative)
SEGA SAMMY HOLDINGS extends its deepest sympathies and condolences to all those who have suffered from the Great East Japan Earthquake that occurred on March 11, 2011.

We report below the support activities that the SEGA SAMMY Group has been undertaking to assist with relief for the victims of the earthquake and with recovery of the afflicted areas.

We wish for a quick recovery of the afflicted areas.

SEGA SAMMY Group’s Recovery Support Activities

In order to assist with relief for the victims of the earthquake and with recovery of the afflicted areas, the SEGA SAMMY Group and each of its companies have been carrying out the support activities described to the right.

The SEGA SAMMY Group has been making monetary donations, and its employees have been conducting fundraising. Furthermore, the SEGA SAMMY Group has also been carrying out support activities in cooperation with its customers by having its loyal customers participate in its support activities through sales of the Group’s products and services. By means of activities including fundraising through purchases of game titles delivered to handsets such as iPhones, the circle of these activities has already widened beyond Japan to include overseas countries.

The SEGA SAMMY Group will continue to work hard to assist with support of everyone who has suffered as a result of the unprecedented earthquake that struck Japan, as well as with recovery of the afflicted areas.

Main Measures Undertaken by Companies in the SEGA SAMMY Group

(As of May 16, 2011)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Main Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>The whole SEGA SAMMY Group</td>
<td>Donate JPY200 million in monetary donations via the NGO Japan Platform</td>
</tr>
<tr>
<td></td>
<td>SEGA SAMMY Baseball Club conducts a street donation campaign. Collected donations are donated via the City of Hachioji.</td>
</tr>
<tr>
<td></td>
<td>Employees of the SEGA SAMMY Group conduct fundraising</td>
</tr>
<tr>
<td>SEGA CORPORATION</td>
<td>SEGA and its European and North American subsidiaries donate via the Red Cross Society, during the applicable period, all of the profits (US$250,000) from purchases of some game titles delivered to iPhone/iPod touch/iPad domestically and overseas.</td>
</tr>
<tr>
<td></td>
<td>Donate some of the proceeds from the amusement centers as monetary donations.</td>
</tr>
<tr>
<td></td>
<td>Donate some of the shared revenues from revenue-sharing titles (SEGA’s own proceeds) as monetary donations.</td>
</tr>
<tr>
<td></td>
<td>Conduct fundraising through sales of exclusive items and the like for ten titles available through various online title services.</td>
</tr>
<tr>
<td></td>
<td>Donate prize merchandise (stuffed toys) to afflicted areas via NPOs.</td>
</tr>
<tr>
<td></td>
<td>Donate some of the proceeds from Ryu-Ge Gotoku OF THE END via the Japan Red Cross Society.</td>
</tr>
<tr>
<td>Sammy NetWorks Co., Ltd.</td>
<td>Conduct fundraising using services for online games: 777 Town.net (for PCs) and Sammy 777 Town</td>
</tr>
<tr>
<td>TAIYO ELEC Co., Ltd.</td>
<td>Donate JPY10 million via the Japanese Red Cross Society</td>
</tr>
<tr>
<td>DARTSLIVE Co., Ltd.</td>
<td>Donate JPY10 million via the Japanese Red Cross Society</td>
</tr>
<tr>
<td>DARTSLIVE GAMES Co., Ltd.</td>
<td>Donate some of the proceeds from all the amusement facilities as monetary donations</td>
</tr>
<tr>
<td></td>
<td>Install donation boxes at the nationwide dining and entertainment facilities (Bee, etc.)</td>
</tr>
<tr>
<td>SEGA Bee LINK Co., Ltd.</td>
<td>Conduct donation activities using points on posoo.net for donation to the Japanese Red Cross Society.</td>
</tr>
<tr>
<td>REALUS Ltd. INC.</td>
<td>Conduct fundraising using points on Point-Box</td>
</tr>
<tr>
<td>OASIS PARK Co., Ltd.</td>
<td>Install donation boxes in the information corner at Oasis Park (Gifu Prefecture)</td>
</tr>
<tr>
<td>SEGA SAMMY GOLF ENTERTAINMENT Co., Ltd.</td>
<td>Donate some of the proceeds from The North Country Golf Club (Chitose City, Hokkaido) as monetary donations</td>
</tr>
<tr>
<td></td>
<td>Hold a charity golf competition to support the afflicted areas</td>
</tr>
<tr>
<td></td>
<td>Install donations boxes inside the club house</td>
</tr>
</tbody>
</table>

*Please refer to the Web site of each company for the details of the measures taken by each company in the SEGA SAMMY Group.

*The company names and product names mentioned here are the registered trademarks or trademarks of the respective companies.
A Message from Management

result of the unprecedented earthquake that struck Japan on March 11, 2011, the SEGA SAMMY Group has undertaken many activities to assist with support of everyone who has suffered as a result of the disaster. These activities have already widened beyond Japan to endeavors in locations all over the world. Sonic, which has kept on running on since his birth, will pick up even more speed as he marks his memorable 20th anniversary. Don’t miss Sonic’s adventures in all kinds of scenes!

Support Activities

SEGA SAMMY Group’s Recovery Measures to support the recovery from the Great East Japan Earthquake

In order to assist with relief for the victims of the earthquake and with recovery of the afflicted areas, SEGA SAMMY HOLDINGS extends its deepest sympathies and condolences to all those who have suffered.

We report below the support activities that the SEGA SAMMY Group has undertaken to assist with relief for the victims of the earthquake and with recovery of the afflicted areas.

- Donate JPY200 million in monetary donations via the Japanese Red Cross Society and NGO Japan Platform
- Install donations boxes inside the club house of SEGA SAMMY BASEBALL CLUB
- Hold a charity golf competition to support the afflicted area by OASIS PARK Co., Ltd., and the North Country Golf Club (Chitose City, Hokkaido) as monetary donations
- Donate some of the proceeds from The North Country Golf Club (Chitose City, Hokkaido) as monetary donations
- Donate some of the shared revenues from SKELETAL OASIS online title services
- Donate some of the proceeds from purchases of some game titles delivered to handsets such as iPhones, the circle ofcuties, and Sammy NetWorks
- Employees of the SEGA SAMMY Group conduct fundraising activities
- SEGA SAMMY Baseball Club conducts a street fundraising
- Donate prize merchandise (stuffed toys) to afflicted areas
- Conduct fundraising through sales of exclusive items
- Donate JPY10 million via the Japanese Red Cross Society of the applicable period all of the profits (US$250,000)
- Donate JPY10 million via the Japanese Red Cross Society
- Donate JPY200 million in monetary donations via the Japan Red Cross Society

We wish for a quick recovery of the afflicted areas.

The SEGA SAMMY Group has been making monetary donations, and its employees have been conducting fundraising. Furthermore, SEGA will strive to contribute to expansion of the market.

*The company names and product names mentioned here are the registered trademarks or trademarks of the respective companies.

*Please refer to the Web site of each company for the details of the measures taken by each company in the SEGA SAMMY Group.

London's Calling Mario & Sonic

S
EGA and Nintendo Co., Ltd. announced that the record breaking partnership of Mario™ and Sonic™ will once again join forces on the Wii™ home video game system and, for the first time ever, on the Nintendo 3DS™. Over 19 million people worldwide have bought video games from the Mario and Sonic series, and now the much loved duo are heading to London to participate in the officially licensed Olympic-themed video game, Mario & Sonic at the London

Published by

2012 Olympic Games™. The new Mario & Sonic software will be sold, in Europe and North America by SEGA and in Japan by Nintendo Co., Ltd.

Kingdom Conquest Surpasses One Million Downloads Worldwide!!

The Sonic series, with cumulative sales of 70 million units worldwide since its launch in 1991, has marked its 20th anniversary. This year, SEGA will show its appreciation to all of its supportive customers by holding very enjoyable special projects and events in locations all over the world. Sonic, which has kept on running on since his birth, will pick up even more speed as he marks his memorable 20th anniversary. Don’t miss Sonic’s adventures in all kinds of scenes!

Congratulations! Sonic the Hedgehog 20th Anniversary Don’t miss his further adventures!!

Kingdom Conquest, a free online RPG for iPhone and iPod touch, launched service in November of last year beginning in North America and Europe, and the total number of worldwide downloads has surpassed one million. With rich game features that allow players to simultaneously enjoy an Action Mode for experiencing very visually appealing 3D graphics and a Strategy Mode for following sophisticated strategies, Kingdom Conquest has won accolades from users all over the world. By continuing to expand service availability areas to even more countries of the world, we will strive to enable even more people to enjoy the leading role-playing game.

Punickies, Winner of the North American 2011 Girl Toy of the Year Award, Arrives in Japan!!

SEGA TOYS has acquired marketing rights in Japan for the blockbuster product Squinkies, the winner of the 2011 Girl Toy of the Year award in North America.

This is a toy in which more than 100 types of soft and squishy figures are used for activities like playing capsule games and making accessories. With the Japanese product name of Punickies, it will be launched this summer with a target market ranging from preschool children to elementary school girls.

Animated Show of the Hugely Popular Zoobles! Will Air throughout East Asia!!

F
ollowing the worldwide blockbuster action card game BAKUGAN, Zoobles!, the second overseas development project undertaken by SEGA TOYS and Spin Master, is now being televised in South Korea as a Japanese-Korean co-produced animated show. Since mid-June in Japan, SEGA TOYS has also been posting a promotional video of the latest animation on its Zoobles! Web site. Furthermore, broadcasting in ten East Asian countries including China has been decided.

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Introducing the Main Companies in the Entertainment-Producing SEGA SAMMY Group

The SEGA SAMMY Group delivers all kinds of entertainment to everyone in the world. Here, we introduce the four main companies that are the driving force behind the creation of group synergies.

**TAIYO ELEC Co., Ltd.  
Pachinko & Pachislot**

**Always with a Pioneering Spirit**

TAIYO ELEC conducts development, production, and sales of pachislot and pachinko machines.

By striving to develop game features overflowing with originality ahead of its time and ahead of the information curve, and by working to develop pachislot and pachinko machines emphasizing game features and visually and audibly rich staging, TAIYO ELEC has established a business infrastructure unparalleled in today’s pachislot and pachinko machines industry. The never-ending new ideas and creative approach achieved with TAIYO ELEC’s pioneering spirit is deeply embedded within each and every employee. The result is a certain sense of passion and energy for work, seen within every aspect of the company’s characteristics.

**Sammy NetWorks Co., Ltd.  
Mobile & PC**

**Delivering “Wow!” to the World via Networks**

Sammy NetWorks’ distribution services for game-related content for mobile phones and PCs.

The company conducts business development focused on content business including the planning, production and delivery of game-related content over the Internet, for PCs and mobile phones. It delivers the content of a wide variety of actual leading pachislot and pachinko machines on pachislot and pachinko online game sites for PCs and on pachislot and pachinko game sites for mobile phones, which are the company’s core amusement businesses. In addition, Sammy NetWorks is striving to expand its business domain through activities including development of new, SNS-based online games.
Delivering the Best Smiles and Excitement to People all over the World

SEGA TOYS conducts development, production, and sales of toys.

Based on our corporate mission “Creating New Value: for the next smile,” SEGA TOYS’ goal is to provide fresh and innovative ways of playing that are not bound by the confines of conventional toys. Creating new value, we will satisfy the universal need for “enjoyment” that is an essential human quality, and we will also continue to give full consideration to the social environment and safety while contributing to the creation of a society that enriches people’s lives.

Company Profile
Company name: SEGA TOYS CO., LTD.
Established: February 1991
President and CEO: Yoshiharu Suzuki
Capital: 1,804 million yen
Number of Employees: 125 (Consolidated as of March 31, 2011)

TMS ENTERTAINMENT, LTD.

Delivering Animated Works to Be Loved beyond Generations

TMS ENTERTAINMENT conducts planning, production, sales, distribution, and export of animated works.

Through animation, TMS ENTERTAINMENT has delivered a great deal of excitement and enjoyment and smiles beyond generations. That value has now received high commendation not only in Japan but also in all the other countries of the world. As a pioneering animation producer, TMS ENTERTAINMENT will make good use of its outstanding assets and continue taking on future challenges, such as delivery of digital content and development of business in new media.

Company Profile
Company name: TMS ENTERTAINMENT, LTD.
Established: October 1946
President: Hitoshi Okamura
Capital: 8,017 million yen
Number of Employees: 158 (Nonconsolidated as of March 31, 2011)
Overview of the Fiscal Year under Review

Market Environment
- Replacement of pachinko machines remains weak.
- Provision of pachislot machines equipped with innovative game features has begun, and a rebound in utilization and an increase in the number of installed machines are apparent.

Pachislot and Pachinko Machines

Business Segment

Segment Information

Market Environment
- Within a market environment that continues to remain challenging, there are signs of a recovery primarily in the prize category for games such as UFO Catcher.
- Development and provision of innovative game machines that lead to revitalization of the market are anticipated.

Overview of the Fiscal Year under Review

Pachinko

Sales of mainstay titles are firm despite the prolonged market downturn.

The SEGA SAMMY Group launched this year’s major series Pachinko CR Hokuto No Ken, which received a favorable evaluation from the market and recorded sales in excess of 200,000 units, under the Sammy brand.

In addition, as a new approach, we launched Dejiten CR Nogaremono Onn and Dejiten CR Hakushon Daimaoh. Our total unit sales of pachinko machines were 343,000 units.

Operating income grows sharply on market recovery.

In pachislot machines, amid a recovery trend in the market owing to factors such as a recovery in pachinko hall utilization and an increase in the number of installed machines, sales of Pachislot SOUTEN-NO-KEN, launched under the Sammy brand in the first quarter of the fiscal year, did well. Furthermore, since sales of the Pachislot title Shin Onimusha, launched in the previous fiscal year under the Rodeo brand, continued to remain strong, total unit sales of pachislot machines came to 332,000 units, considerably above the result in the previous fiscal year.

In addition, the operating margin improved because of efforts such as reusing parts, primarily LCD panels.

Pachislot

Sales of mainstay titles are firm despite the prolonged market downturn. Our total unit sales of pachinko and pachislot machines, amid a recovery trend in the market, recorded sales of 343,000 units.

Utilizing group capabilities for diverse businesses
- Utilization and an increase in the number of installed machines are apparent.
- Sales of mainstay titles are firm.
- Operating income grows sharply on market recovery.

Sales Performance of Mainstay Titles

SENGOKU TAISEN
Trading card games
JPY6.4 billion

WORLD CLUB Champion Football Intercontinental Clubs Series
Trading card games
JPY3.8 billion

SANGOKUSHI WAR 3 Series
Trading card games
JPY2.6 billion

BORDER BREAK
Video games
JPY2.5 billion

Trend in Overseas Sales (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>6.2</td>
<td>4.5</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Net Sales (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>115.4</td>
<td>121.8</td>
<td>82.2</td>
</tr>
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</table>

Operating Income (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>(10.0)</td>
<td>20.9</td>
<td>50.3</td>
</tr>
</tbody>
</table>

Operating Income (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>15.1</td>
<td>7.0</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Operating Income (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>36.0</td>
<td>47.9</td>
<td>73.0</td>
</tr>
</tbody>
</table>

Net Sales (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>160.6</td>
<td>180.4</td>
<td>160.6</td>
</tr>
</tbody>
</table>

Operating Income (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>21.2</td>
<td>13.3</td>
<td>8.1</td>
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</table>

Operating Income (JPY billion)

<table>
<thead>
<tr>
<th>Period</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>16.4</td>
<td>14.5</td>
<td>1.9</td>
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Operating Income (JPY billion)

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<tr>
<th>Period</th>
<th>2009</th>
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<th>2011</th>
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<tbody>
<tr>
<td>Full Year</td>
<td>5.6</td>
<td>7.7</td>
<td>1.9</td>
</tr>
</tbody>
</table>
**Market Environment**

- The amusement market’s shift to a business model that aims to improve the investment efficiencies of amusement center operators and to secure long-term stable earnings for manufacturers is progressing.

**Overview of the Fiscal Year under Review**

**Reductions in operating expenses enable a return to an operating profit.**

Net sales at SEGAS’s domestic existing-centers remained at levels above the results in the year-ago periods until the third quarter of the year. This was due to factors such as the strengthening of operational management capabilities. Nonetheless, net sales at domestic existing-centers in the fiscal year under review dropped to 99.3% of the level achieved in the previous year as SEGAS suspended operations and shortened business hours for some centers. These actions were due to the impact of factors including the Great East Japan Earthquake, which struck on March 11, and the subsequent rolling blackouts. Meanwhile, due to the closings of 17 centers and the openings of 6 centers, the total number of domestic amusement centers as of the end of the fiscal year under review came to 249 centers.

Although net sales decreased on the reduction in the number of centers and the drop in existing-center net sales to a level below the year-ago level, due to closures and sales of unprofitable centers, which had been undertaken over the previous two fiscal years, and to reductions in operating expenses, an operating profit was recorded in Amusement Center Operations for the first time in four years.

**Trend in Amusement Facilities in Japan and Overseas**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>22</td>
</tr>
<tr>
<td>Overseas</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
</tr>
</tbody>
</table>

**Trend in Capital Expenditure / Depreciation and Amortization (JPY billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditure</th>
<th>Depreciation and Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim</td>
<td>22.2</td>
<td>11.3</td>
</tr>
<tr>
<td>Full Year</td>
<td>23.6</td>
<td>14.8</td>
</tr>
<tr>
<td>Fiscal Year</td>
<td>20.9</td>
<td>15.9</td>
</tr>
</tbody>
</table>

**Net Sales (JPY billion)**

<table>
<thead>
<tr>
<th>Period</th>
<th>Full Year</th>
<th>Interim Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>30.0</td>
<td>22.2</td>
</tr>
<tr>
<td>2010</td>
<td>26.7</td>
<td>14.8</td>
</tr>
<tr>
<td>2011</td>
<td>21.0</td>
<td>15.9</td>
</tr>
</tbody>
</table>

**Operating Income (JPY billion)**

<table>
<thead>
<tr>
<th>Period</th>
<th>Full Year</th>
<th>Interim Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>2010</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>2011</td>
<td>0.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>

**Market Environment**

- Demand remains weak mainly in the European and North American markets because of the slump in consumer spending.
- New content markets including those for SNS and smartphones are growing.

**Overview of the Fiscal Year under Review**

**Home Video Game Software**

**Launched multiple titles domestically and overseas**

**Profit improvement in overseas markets remains a challenge**

The SEGAS Sammy Group launched multiple titles for overseas markets and the domestic market, namely, Sonic Colors and SHOGUN 2: Total War overseas and Phantasy Star Portable 2 Infinity in Japan. Although the release of some mainstay titles was postponed until the next fiscal year because of the impact of the Great East Japan Earthquake, domestic sales of video game software remained strong. On the other hand, in overseas markets, sales of new video game software remained weak as a result of the adverse market conditions. Consequently, unit sales of home video game software totaled 18.71 million units.

**Others**

**Utilizing group capabilities for diverse businesses**

In our toy sales business, sales of BAKUGAN products by Bakugan Limited Liability Partnership (Bakugan LLP), which was formed mainly by the five Group companies, remained strong. In addition, in a new business development endeavor, the Group began full-scale sales of Zoobles!

In the content business for mobile phones, smartphones, and PCs, the pay-per-use for Sammy 777 Town continued to do well. Furthermore, we started full-scale delivery of titles for new platforms.

Finally, as for animation products, shared revenues from the fourteenth cinema installment of Detective Conan and royalty revenues from domestic and overseas sales of BAKUGAN products were strong.
### Overview of Consolidated Financial Statements

#### Consolidated Balance Sheets (Summary)

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of March 31, 2011</th>
<th>As of March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>315,580</td>
<td>298,730</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>143,044</td>
<td>124,431</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>57,140</td>
<td>59,030</td>
</tr>
<tr>
<td>Total intangible assets</td>
<td>22,754</td>
<td>13,360</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>63,149</td>
<td>52,040</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>458,624</strong></td>
<td><strong>423,161</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities / Net Assets</th>
<th>As of March 31, 2011</th>
<th>As of March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>109,028</td>
<td>92,817</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>64,135</td>
<td>73,573</td>
</tr>
<tr>
<td>Net assets</td>
<td>285,461</td>
<td>256,773</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>289,077</td>
<td>259,468</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>(13,883)</td>
<td>(23,222)</td>
</tr>
<tr>
<td>Subscription rights to shares</td>
<td>406</td>
<td>1,188</td>
</tr>
<tr>
<td>Minority interests</td>
<td>9,861</td>
<td>19,335</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>458,624</strong></td>
<td><strong>423,161</strong></td>
</tr>
</tbody>
</table>

#### Factors Affecting Assets

Current assets increased by JPY16,880 billion primarily due to an increase in cash and deposits resulting from redemption at maturity of negotiable certificates of deposit, in addition to a review of realizability of deferred tax assets associated with the introduction of filing the consolidated tax return scheduled for the fiscal year ending March 31, 2012. In addition, noncurrent assets increased by JPY18,612 billion primarily due to an increase in goodwill arising from the conversion of Sammy NetWorks Co., Ltd., SEGA TOYS CO., LTD., and TMS ENTERTAINMENT, LTD., into wholly owned subsidiaries, and to an increase in investment securities mainly because of an increase in the market value of the securities holdings. As a result of these factors, total assets as of the end of the consolidated fiscal year under review increased by JPY35,463 billion from the end of the previous consolidated fiscal year, to JPY458,624 billion.

#### Factors Affecting Liabilities and Net Assets

Total liabilities increased by JPY6,773 billion from the previous consolidated fiscal year. Of these, total current liabilities increased by JPY16,211 billion on factors including an increase in income taxes payable. Total noncurrent liabilities decreased by JPY19,438 billion mainly because bonds payable decreased. Net assets increased by JPY29,609 billion from the end of the previous consolidated fiscal year. This was mainly because, while shareholders’ equity increased by JPY4.850 billion because of measures such as cutting back on advertising expenses, operating income increased by JPY27.188 billion. Furthermore, since selling, general and administrative expenses decreased by JPY10.986 billion, comprehensive income increased by JPY11.925 billion compared with net income.

Due to the factors described above, the balance of cash and cash equivalents at the end of the consolidated fiscal year increased by JPY16,850 billion. The increase was due to an inflow of JPY303.108 billion in connection with the conversion of shareholders’ equity into cash and to an increase in cash and deposits associated with the introduction of filing the consolidated tax return. Furthermore, this increase was mainly due to an outflow of JPY8.272 billion in cash flows from operations, in addition to an inflow of JPY7.952 billion in connection with the issuance of bonds payable.

In addition, mainly because the valuation difference on available-for-sale securities increased by JPY10.986 billion, minority interests decreased by JPY9.474 billion yen. This decrease was due to the decrease in income from continuing operations, and to a decrease in investment securities mainly because of a decrease in the market value of the securities holdings. As a result of these factors, total assets as of the end of the consolidated fiscal year under review increased by JPY35,463 billion from the end of the previous consolidated fiscal year, to JPY458,624 billion.
Factors Affecting Net Income and Comprehensive Income

In the consolidated fiscal year under review, although net sales increased by only JPY12,053 billion in comparison to the previous consolidated fiscal year, through measures such as cost reductions mainly in the Pachislot and Pachinko Machines Business segment, the profit margin improved dramatically, and gross profit increased by JPY27,188 billion. Furthermore, since selling, general and administrative expenses decreased by JPY4,850 billion because of measures such as cutting back on advertising expenses, operating income increased by JPY32,038 billion. In addition, since the introduction of filing the consolidated tax return is slated for application beginning in the next consolidated fiscal year, the realizability of deferred tax assets was reviewed, and tax expenses were reduced by JPY12,154 billion compared with previous years. Due to the factors described above, net income in the consolidated fiscal year under review increased by JPY21,241 billion in comparison to the previous consolidated fiscal year.

In addition, mainly because the valuation difference on available-for-sale securities increased by JPY10,986 billion, comprehensive income increased by JPY11,925 billion compared with net income.

Factors Affecting Cash Flows

For cash flows from operating activities in the consolidated fiscal year under review, the Company recorded a net cash inflow of JPY87,696 billion. This was due to factors including the posting of income before income taxes and minority interests for JPY57,467 billion, and to a decrease of JPY10,033 billion in notes and accounts receivable-trade. For cash flows from investing activities in the consolidated fiscal year under review, the Company recorded a net outflow of JPY29,585 billion. This was due to factors including an outflow of JPY24,300 billion for purchase of investment securities and an outflow of JPY10,901 billion for acquisition of property, plant and equipment. For cash flows from financing activities in the consolidated fiscal year under review, the Company recorded a net outflow of JPY57,168 billion. This was due to factors including an outflow of JPY8,209 billion for cash dividends paid (including cash dividends paid to minority shareholders), a net outflow of JPY24,530 billion for purchase of treasury stock, and an outflow of JPY20,600 billion for redemption of bonds.

Due to the factors described above, the balance of cash and cash equivalents at the end of the consolidated fiscal year under review was JPY165,983 billion, a decrease of JPY1,016 billion in comparison to the previous consolidated fiscal year.
### Consolidated Statements of Changes in Net Assets

(JPY million)

| Fiscal Year-End | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders’ equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Total accumulate other comprehensive income | Subscription rights to shares | Minority interests | Total net assets |
|----------------|--------------|-----------------|-------------------|----------------|--------------------------|-----------------------------------------------|-------------------------------|-------------------------------|-----------------------------------------------|-------------------------------|---------------------------|---------------------|
| Balance as of March 31, 2010 | 29,953 | 171,080 | 132,128 | (73,694) | 259,468 | 346 | 24 | (5,966) | (17,626) | (23,222) | 1,188 | 19,335 | 256,770 |
| Net change in items other than shareholders’ equity | 11,003 | (24) | (1,637) | 9,341 | (782) | (9,474) | (915) | 2011 | 2011 | 2011 | 2011 | 2011 | 2011 |
| Balance as of March 31, 2011 | 29,953 | 119,784 | 164,669 | (25,329) | 289,077 | 11,350 | (0) | (5,969) | (19,264) | (13,883) | 406 | 9,861 | 285,461 |

### Notice of Dividend

The Company paid the year-end dividend for the 7th term as follows.

Dividend: JPY20 per share

Effective date (payment start date): June 2, 2011
IR Information

Company Profile  As of March 31, 2011

Company Name  SEGA SAMMY HOLDINGS INC.
Address  Shiodome Sumitomo Building 21F, 1-9-2
Higashi Shimbashi, Minato-ku, Tokyo
105-0021
URL  http://www.segasammy.co.jp/english/
Principal Business  Management of the SEGA SAMMY Group
as the Group’s holding company
Established  October 1, 2004
Capital  JPY29.9 billion
Number of Employees  6,000 (Consolidated)
Directors and Auditors
Hajime Satomi  Chairman of the Board and
Chief Executive Officer
Keishi Nakayama  Executive Vice President and
Representative Director
Okitane Usui  Director
Hisao Oguchi  Director and CCO (Chief Creative Officer)
Yuji Iwanaga  Director
Takeshi Natsuno  Director
Tomio Kazashi  Standing Corporate Auditor
Toshio Hirakawa  Corporate Auditor
Hisashi Miyazaki  Corporate Auditor
Mineo Enomoto  Corporate Auditor

Information on Outstanding Shares  As of March 31, 2011

Number of shares authorized for issue   800,000,000
Total shares issued and outstanding   266,229,476

Principal Shareholders

<table>
<thead>
<tr>
<th>Name of Shareholder</th>
<th>Shares</th>
<th>Shareholding Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hajime Satomi</td>
<td>43,569,338</td>
<td>17.48</td>
</tr>
<tr>
<td>Mellon Bank N.A. Treaty Clients Omnibus</td>
<td>18,128,563</td>
<td>7.27</td>
</tr>
<tr>
<td>SEGA SAMMY HOLDINGS INC.</td>
<td>14,504,662</td>
<td>-</td>
</tr>
<tr>
<td>FSC Co., Ltd.</td>
<td>14,172,840</td>
<td>5.68</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trustee)</td>
<td>10,454,100</td>
<td>4.19</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trustee)</td>
<td>7,998,300</td>
<td>3.21</td>
</tr>
<tr>
<td>State Street Bank - West Pension Fund Clients - Exempt</td>
<td>4,448,554</td>
<td>1.78</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trustee 9)</td>
<td>3,283,800</td>
<td>1.31</td>
</tr>
<tr>
<td>Morgan Stanley and Company Inc.</td>
<td>2,945,886</td>
<td>1.18</td>
</tr>
<tr>
<td>Mellon Bank, N. A. as Agent for its Client Mellon Omnibus US Pension</td>
<td>2,938,041</td>
<td>1.17</td>
</tr>
</tbody>
</table>

Distribution of Shareholders

- Financial institutions: 14.62%
- Financial institutions firm: 0.96%
- Japanese individuals and others: 35.03%
- Foreign institutions and individuals: 36.60%
- Other companies: 7.34%
- SEGA SAMMY HOLDINGS INC.: 5.45%

Shareholder Memo

Stock Code  6460
Round Lot  100 shares
Fiscal Year-End  March 31
Ordinary General Meeting of Shareholders  June

Date of Record for Dividends  March 31
(September 30 for interim dividends, if paid)
Advance public notice is given when required for other dividend payments.

Method of Public Notice  Electronic public notices
Notification URL  http://www.segasammy.co.jp
If, due to unavoidable circumstances, electronic notification is not possible, the Company shall post the notice in The Nihon Keizai Shimbun.

Administrative Office of Transfer Agent  Securities Agent Department, Mitsubishi
UFJ Trust and Banking Corporation
Mitsubishi UFJ Trust and Banking Corporation
7-10-11, Higashisuna, Koto-ku, Tokyo
137-8081, Japan
Telephone: +81-3-5683-5111
Agency  Mitsubishi UFJ Trust and Banking Corporation branches in Japan
The website of Mitsubishi UFJ Trust and Banking Corporation, the Company’s transfer agent, provides information on share registration, purchase or additional purchase of shares in fractional lots, and other stock-related procedures. If using the storage transfer system for share certificates, etc., please contact the securities company that handles the transaction. Mitsubishi UFJ Trust and Banking Corporation website: http://www.tr.mufg.jp/daikou/
A Message from Management

We seek to create synergies as a comprehensive entertainment company group.

Past & Future

Special Feature

Introducing the Main Companies in the Entertainment-Producing SEGA SAMMY Group

SEGASAMMY TOPICS

Business Report for the fiscal year ended March 31, 2011

Summer Edition

SEGASAMMY REPORT

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. (“the Company”) and its SEGA SAMMY Group Companies (“the Group”), including SEGA CORPORATION and Sammy Corporation, are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “forecast,” “estimate,” “project,” “anticipate,” “aim,” “may,” and “might,” and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management’s assumptions and beliefs in light of the information currently available to management.

The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not assume that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation.

Actual results may vary significantly from the Company’s forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors’ pricing and product strategies, declines in the marketability of the Group’s existing and new products, disruptions to production, violations of the Group’s intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation.

[This business report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.]