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 SEGA CORPORATION  
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## Revisions to Annual Results Forecasts

SEGA CORPORATION has revised its results forecasts for fiscal 2002, which were initially announced on May 22, 2001. Details of these revisions are as follows.

### 1. Revisions to consolidated results forecasts for fiscal 2002

#### (1) Interim term results forecasts (April 1, 2001, to September 30, 2001)

(Unit: ¥ millions)

	Net sales	Recurring profit	Net income
Previous forecast (A)	82,000	- 2,400	- 4,300
Current forecast (B)	97,000	4,500	- 20,000
Difference (B) – (A)	15,000	6,900	- 15,700
Differential ratio (%)	18.3%	—	—
(Reference) Previous interim term	119,457	-29,334	-32,456

#### (2) Results forecasts for the fiscal year (April 1, 2001, to March 31, 2002)

(Unit: ¥ millions)

	Net sales	Recurring profit	Net income
Previous forecast (A)	189,000	5,400	2,100
Current forecast (B)	200,000	10,000	- 15,000
Difference (B) – (A)	11,000	4,600	- 17,100
Differential ratio (%)	5.8%	85.2%	—
(Reference) Previous fiscal year	242,913	- 52,736	- 51,729

## 2. Revisions to non-consolidated results forecasts for fiscal 2002

### (1) Interim term results forecasts (April 1, 2001, to September 30, 2001)

(Unit: ¥ millions)

	Net sales	Recurring profit	Net income
Previous forecast (A)	38,000	- 1,500	- 1,600
Current forecast (B)	50,000	1,400	- 23,000
Difference (B) – (A)	12,000	2,900	- 21,400
Differential ratio (%)	31.6%	—	—
(Reference) Previous interim term	127,188	- 13,935	- 17,982

### (2) Results forecasts for the fiscal year (April 1, 2001, to March 31, 2002)

(Unit: ¥ millions)

	Net sales	Recurring profit	Net income
Previous forecast (A)	95,000	5,100	4,800
Current forecast (B)	100,000	5,500	- 18,000
Difference (B) – (A)	5,000	400	- 22,800
Differential ratio (%)	5.3%	7.8%	—
(Reference) Previous fiscal year	192,713	- 17,762	- 87,240

### (3) Reasons for revision of consolidated results forecasts

The operational reform and financial reform of SEGA's restructuring plan, which were announced on April 19, 2001, have been proceeding steadily. Thanks to the progress we have made in turning around our operations structure and earnings structure, in the first half of fiscal 2002 (ending March 31, 2002) we foresee net sales of ¥97 billion and recurring profit of ¥4.5 billion, thus exceeding initial targets (net sales of ¥82 billion, recurring loss of ¥2.4 billion), and marking a substantial turnaround compared with the results for the same half of the previous term, which were net sales of ¥119.4 billion and a recurring loss of ¥29.3 billion.

However, due to a decline in the stock market, SEGA anticipates incurring a devaluation loss of ¥23.8 billion on investment securities, composed primarily of securities received gratis from the late Isao Okawa

during the previous fiscal year. Hence, we forecast a net loss of ¥20 billion for fiscal 2002.

On the other hand, we are reassured by the steady improvement to our financial position. Thanks to the progress we have made in our financial reforms, we predict positive free cash flows of approximately ¥10 billion.

#### (1) Amusement Machine Sales

- In domestic sales, sales of machines and prizes are both proceeding favorably, and we expect to significantly exceed targets in these areas.
- The outlook is particularly favorable in the video game category. In August 2001, SEGA launched “Virtua Fighter 4,” an appealing new product that takes amusement to new heights of user communication by applying such cutting-edge new elements as access card and mobile communications technologies. The response to Virtua Fighter 4 has been outstanding, and we expect it to make a significant contribution to earnings.
- In response to the second wave of popularity for seal printing machines, known as “Print Club” machines, SEGA has reentered this market with “Gekiteki Bisha” and gained a substantial market share.
- In the prize and toy novelties segment, thanks to our appealing character novelties and collaboration with other companies, we expect to substantially outperform targets for this segment.
- In overseas sales, although a robust performance has been seen in Europe and Asia, we anticipate that results will fall short of target figures due to weak market investment in the United States.

#### (2) Amusement Center Operations

- The approximately 510 amusement centers (with a combined floor space of approximately 400,000 square meters) comprise primarily medium- and large-scale operations, the majority of which are situated in highly advantageous locations and wield superior competitive

strength.

- SEGA has targeted interim term net sales for its existing amusement centers of 96.8% compared with the same half of the previous fiscal year, and sales have been kept on target for the most part between April and July 2001. Furthermore, sales for August and September exceeded 100% compared with those for the previous year, thanks to the introduction of several powerful new video games, including Virtua Fighter 4.
- SEGA is also enhancing the ability of its amusement centers to attract patrons by applying a level of operational expertise that strengthens user support and high-value-added services, including such new endeavors as “SEGA Mobile Friends”, a mobile phone membership system that enables one-to-one marketing.

### (3) Consumer Products Sales

- Regarding sales of Dreamcast hardware from inventory resulting from the withdrawal from Dreamcast production, SEGA strove to deliver DC hardware into the hands of end users through price cuts and by marketing software along with the Dreamcast units, and the Company exceeded initial targets with domestic sales of 130,000 units and U.S. sales of 530,000 units for the first half.
- Consequently, at the end of the half, Dreamcast inventories totaled 40,000 units domestically and 230,000 units for the United States, and we anticipate being able to sell all remaining units by the holiday season as initially planned.
- Although sales of Dreamcast software have been more arduous than expected due to the withdrawal from Dreamcast hardware operations, sales have remained brisk on a whole, thanks to sales of such powerful titles as Sonic Adventure 2, Sakura Wars 3, Crazy Taxi 2, 18 Wheeler, World Series Baseball 2K2, NFL 2K2, Phantasy Star Online ver. 2, and Shenmue II.
- Regarding new Dreamcast software, although SEGA halted sales of

certain titles for the sake of brand maintenance, it sold 14 titles and a total of 820,000 units domestically (against a target of 15 titles and 780,000 units), 13 titles and 1.76 million units in the United States (against a target of 15 titles and 1.75 million units), and 7 titles and 470,000 units in Europe (against a target of 10 titles and 500,000 units), for a total of 34 titles and 3.05 million units worldwide (against a target of 40 titles and 3.03 million units).

- In addition, in the United States, low-priced versions of popular software already in circulation have proven high successful. We foresee 1.4 million units in sales of these “All-Star” titles, including those packaged together with Dreamcast hardware units (against a target of 960,000 units).
- We also anticipate 2.76 million units in sales of third-party software (against a target of 1.63 million).
- In software for other manufacturers’ platforms, SEGA brought “Chu Chu Rocket” in the United States as an introductory title for Nintendo’s Game Boy Advance. Likewise, in Japan, we launched “Super Monkey Ball” as an inaugural title for Nintendo GAMECUBE.
- As far as our network business is concerned in Europe and the United States, we have been downsizing our ISP operations in line with our structural reform plans.

#### (4) Extraordinary Profit and Loss

- SEGA anticipates an extraordinary profit of ¥4.5 billion, comprising ¥2.4 billion in a gain on the sale of investment securities, ¥1.7 billion in a gain on the receipt of the personal assets of the former chairman and president of SEGA CORPORATION, the late Isao Okawa, and ¥400 million in other gains.
- We anticipate an extraordinary loss of ¥27.3 billion, consisting of ¥23.8 billion in devaluation losses on investment securities, ¥2.2 billion in losses on the sale and disposal of fixed assets, and ¥1.3 billion in other losses.

As a result of these factors, SEGA anticipates ¥97 billion in consolidated net sales, ¥4.5 billion in consolidated recurring profit, and consolidated net loss of ¥20.0 billion for the first half of fiscal 2002.

#### Forecast for the Second Half of Fiscal 2002

- In domestic amusement machine sales, SEGA expects to further expand its market share in the second half through the introduction of revolutionary new products and by the benefit of a recovery in the video game market.
- In overseas sales, the slump in market investments in the United States is expected to continue in the second half, and declines in both sales and profits are anticipated.
- SEGA's efforts in amusement center operations will go beyond the mere introduction of new products. We expect the superiority and operational strength of our medium- and large-scale centers and enhanced user services—including the development of family entertainment and the introduction of SEGA Mobile Friends—to be highly effective, and we foresee a continued strong performance in the second half.
- In consumer product sales, we are targeting the introduction of 60 new titles for other manufacturers' platforms that we have perfected through dedicated development.

As a result, for fiscal 2002 as a whole, SEGA foresees consolidated net sales of ¥200 billion, consolidated recurring profit of ¥10 billion, and consolidated net loss of ¥15 billion.

Moreover, regarding our structural reform plan that we disclosed on April 19, 2001, under which we will change our business structure, revise our organization and operations, and transform our earnings structure to become **the world's number one content provider**, reforms are being implemented as scheduled on both the operational and financial levels.

Of particular note regarding financial reforms, we are making

steady progress in the rationalization and liquidation of assets. We are rationalizing investment concerns, selling off marketable securities, and rationalizing or selling off offices and welfare facilities. Furthermore, with continuous and stable support from our banks, our financial position is now being strengthened.

#### 4. Reasons for revision of non-consolidated results forecasts

Revisions were made to SEGA's non-consolidated results forecasts for the same reasons listed in the amusement machine sales, consumer products sales, and extraordinary profit and loss sections of the above reasons for revisions to consolidated results forecasts.