

SEGA CORPORATION
Consolidated Financial Results
for Three Months Ended June 30, 2004

Company Name: SEGA CORPORATION
TSE Code: 7964
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1. Consolidated Results for Three Months Ended June 30, 2004

1) Consolidated Results

(millions of yen)

	Net Sales	Operating Income	Ordinary Profit	Net Income
Three Months Ended June 30, 2004	41,796	1,469	1,215	932
Three Months Ended June 30, 2003	42,373	2,690	2,625	1,889
Fiscal Year Ended March 31, 2004	191,257	14,480	12,617	8,760

(yen)

	Net Income per share	Net Income per share after full dilution
Three Months Ended June 30, 2004	6.02	5.72
Three Months Ended June 30, 2003	12.19	10.99
Fiscal Year Ended March 31, 2004	55.96	50.70

Overview of the Financial Results for Three Months Ended June 30, 2004.

The Company and its consolidated subsidiaries continued to perform steadily as leaders in entertainment and amusement industries. During the term under review the Company recorded favorable results in Amusement Machine Sales, Amusement Center Operations and Consumer business and recorded consolidated net sales of 41,796 million yen, operating income of 1,469 million yen and net income of 932 million yen.

Overview by Business Segment

In amusement machine sales, domestic sales recorded favorable results due to the aggressive opening of mid-to-large amusement facilities, which continued to generate heavy demand for the Company's *UFO Catcher 7*. In addition, sales of the Company's new products including *MJ 2*, and mass medal game, *Gacha Mambo* exceeded the projection. Moreover, sales of prize products such as *Tip and deel* and *Oshare Cat* showed the favorable results and exceeded the initial forecast.

In overseas sales, the Company recorded favorable results in Asia, Europe, and U.S.

In Amusement Center Operations, the Company recorded favorable results. In addition, *King of Beetle*, *MushiKing*, contributed to the Company's results.

During the term under review, the Company opened four facilities and closed 6 ones, thus the number of facilities as of the end of the term was 477.

In Consumer Business, during the term under review, the Company released 3 SKUs in Japan, 2 SKUs in North America, and 1SKU in Europe and sold 520 thousand units in Japan, 650 thousand units in North America and 400 thousand units in Europe, which exceeded the initial projection (1,280 thousand from 10SKUs).

Let's make a J.League Professional Soccer Club! '04 (PS2) in Japan and *Sonic Heroes* in Europe and North America contributed to the Company's favorable results. Sales unit of *Sonic Heroes* was 1.83 million units since its launch.

2) Consolidated Financial Data

(millions of yen)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per share (yen)
Three Months Ended June 30, 2004	185,519	98,984	53.4%	638.45
Three Months Ended June 30, 2003	222,777	89,377	40.1%	577.38
Fiscal Year Ended March 31, 2004	189,055	97,962	51.8%	631.88

Financial Condition

Total assets decreased 3,536 million yen to 185,519 million yen, compared with the previous fiscal year end. This was due primarily to the decrease of cash and cash equivalents of 11,747 million yen, increased of inventories of 1,816 million yen and increase of convertible bonds held by the Company for retirement of 4,341 million yen in current assets and fixed assets increased 1,528 million yen. In liabilities, current liabilities decreased 4,060 million yen and long-term liabilities increased 488 million yen. Total shareholders' equity increased 1,022 million yen to 98,984 million yen. Accordingly, shareholders' equity ratio rose from 51.8% to 53.4%.

(Reference)

Forecast for the Consolidated Financial Results for the Year Ending March 31, 2005

No change for the forecast announced on May 18, 2004.

Consolidated Balance Sheets
SEGA CORPORATION and Consolidated Subsidiaries
As of June 30, 2003 and 2004, and March 31, 2004

(millions of yen)

ASSETS	2004.6	2003.6	2004.3
Current Assets:			
Cash and time deposits	60,180	77,742	71,927
Notes and accounts receivable	17,634	21,128	19,436
Convertible bonds held by the Company to be redeemed	-	20,215	-
Inventories	10,681	10,331	8,865
Other current assets	13,874	9,831	7,348
Less allowance for doubtful accounts	(1,245)	(1,280)	(1,421)
Total current assets	101,125	137,968	106,156
Property and Equipment			
Amusement machines and facilities	11,381	10,235	10,165
Building and structure	17,043	17,627	17,254
Land	9,336	9,290	9,336
Others	3,830	4,393	3,838
Total property and equipment	41,591	41,546	40,595
Intangible Fixed Assets	4,349	5,825	4,508
Investments and Advances			
Investments in securities	13,573	13,211	13,358
Fixed Leasehold deposits	16,115	16,689	15,988
Other investments	17,404	15,263	17,488
Less allowance for doubtful accounts	(8,747)	(8,294)	(9,180)
Total investments and advances	38,346	36,868	37,655
Deferred Charges	106	568	139
Total Assets	185,519	222,777	189,055

(millions of yen)

LIABILITIES	2004.6	2003.6	2004.3
Current Liabilities:			
Notes and accounts payable	16,687	16,209	14,373
Short-term bank loans	1,016	2,403	725
Current portion of debentures	2,950	2,450	2,950
Current portion of convertible bonds	-	45,000	10,080
Current portion of long-term bank loans	4,987	4,934	4,988
Accrued expenses	9,211	8,777	10,050
Income taxes payable	233	392	1,186
Other current liabilities	9,307	5,807	4,100
Total current liabilities	44,394	85,974	48,454
Long-Term Liabilities			
Debentures	12,985	15,050	13,495
Convertible bonds	6,806	6,806	6,806
Long-term debt	14,550	18,974	14,579
Deferred income taxes	1,275	536	1,348
Accrued employees' retirement benefits	4,510	3,900	4,541
Accrued retirement benefits for directors and corporate directors	189	145	174
Other	1,294	1,077	1,155
Total long-term liabilities	41,612	46,491	42,100
Total Liabilities	86,007	132,465	90,555
Minority Interests in Consolidated Subsidiaries	528	935	537
Shareholders' Equity			
Common stock	127,582	127,582	127,582
Additional paid-in capital	2,171	2,171	2,171
Retained earnings	16,184	8,587	15,459
Adjustment of revaluation of land	(6,265)	(6,264)	(6,265)
Unrealized gain on investments in securities	1,449	240	1,488
Translation adjustment	(8,788)	(9,298)	(8,825)
Treasury stock	(33,349)	(33,641)	(33,649)
Total Shareholders' Equity	98,984	89,377	97,962
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	185,519	222,777	189,055

Consolidated Statement of Operations

SEGA CORPORATION and Consolidated Subsidiaries

For the Three Months Ended June 30, 2003 and 2004 and the Year Ended March 31, 2004

(millions of yen)

	2004.6	2003.6	2004.3
Net Sales	41,796	42,373	191,257
Cost of Sales	31,564	30,978	138,687
Gross profit	10,231	11,395	52,570
Selling, General and Administrative Expenses	8,762	8,704	38,090
Operating income	1,469	2,690	14,480
Non-Operating Income	308	352	922
Non-Operating Expenses	562	417	2,784
Ordinary Profit	1,215	2,625	12,617
Extraordinary Income	816	73	2,617
Extraordinary Loss	922	462	4,893
Income before income taxes and minority interests in earnings of consolidated subsidiaries	1,109	2,236	10,341
Income taxes			
Current	106	376	2,169
Deferred	84	65	(220)
Minority interests in Earnings of Consolidated Subsidiaries	(14)	(94)	(368)
Net Income for the term	932	1,889	8,760

(Notes) 1. The above financial information was prepared using accounting principles generally accepted in Japan.
2. Figures less than 1million yen have been omitted.

Consolidated Statements of Capital Surplus

SEGA CORPORATION and Consolidated Subsidiaries
For Three Months ended June 30, 2003 and 2004, and the Year Ended March 31, 2004

(millions of yen)

	2004.6	2003.6	2004.3
(Capital Surplus)			
Capital Surplus at Beginning of the Term	2,171	2,171	2,171
Capital Surplus at End of the Term	2,171	2,171	2,171
(Retained Earnings)			
Retained Earnings at Beginning of the Term	15,459	6,816	6,816
Increase in Retained Earnings			
Net Income for the Term	932	1,889	8,760
Decrease in Retained Earnings			
Directors' Bonus	88	118	118
Adjustment on revaluation of land during the period	119	-	-
Retained Earnings at End of the Term	16,184	8,587	15,459

Non-consolidated Balance Sheets

SEGA CORPORATION

As of June 30, 2003 and 2004 and March 31, 2004

(millions of yen)

ASSETS	2004.6	2003.6	2004.3
Current Assets:			
Cash and time deposits	38,370	54,133	53,799
Notes and accounts receivable	14,154	17,464	13,646
Convertible bonds to be redeemed held by the Company	-	20,215	-
Inventories	6,586	5,402	5,245
Short-term loans to affiliated companies	1,184	3,197	344
Other current assets	18,020	15,126	10,994
Less allowance for doubtful accounts	(365)	(401)	(520)
Total current assets	77,950	115,138	83,510
Property and Equipment			
Amusement machines and facilities	869	799	817
Building and structure	10,116	10,798	10,354
Land	8,968	8,924	8,968
Others	2,199	2,539	2,210
Total property and equipment	22,153	23,061	22,350
Intangible Fixed Assets	3,028	3,330	3,126
Investments and Advances			
Investments in securities	7,377	6,374	7,150
Investments in affiliates	23,262	17,693	23,171
Long-term loans to affiliates	20,341	39,570	15,116
Fixed Leasehold deposits	2,079	2,230	1,999
Other investments	15,027	13,675	15,282
Less allowance for doubtful accounts	(12,341)	(31,091)	(12,790)
Less allowance for investment losses	(7,685)	(7,923)	(7,962)
Total investments and advances	48,062	40,528	41,967
Deferred Charges	92	568	122
Total Assets	151,286	182,628	151,078

(millions of yen)

LIABILITIES	2004.6	2003.6	2004.3
Current Liabilities:			
Notes and accounts payable	12,168	11,606	10,047
Short-term bank loans	759	838	739
Current portion of long-term bank loans	600	600	600
Current portion of debentures	2,900	2,450	2,900
Current portion of convertible bonds	-	45,000	10,080
Accrued expenses	7,615	7,930	7,475
Income taxes payable	41	41	53
Other current liabilities	6,668	2,435	2,026
Total current liabilities	30,753	70,902	33,923
Long-Term Liabilities			
Debentures	12,150	15,050	12,650
Convertible bonds	6,806	6,806	6,806
Long-term debt	3,300	3,900	3,300
Deferred income taxes	997	206	1,018
Accrued employees' retirement benefits	2,601	2,389	2,511
Accrued retirement benefits for directors and corporate directors	98	77	85
Other	1,140	788	744
Total long-term liabilities	27,094	29,218	27,115
Total Liabilities	57,848	100,120	61,039
Shareholders' Equity			
Common stock	127,582	127,582	127,582
Additional paid-in capital	2,171	2,171	2,171
Retained earnings	1,844	(7,641)	(1,285)
Adjustment of revaluation of land	(6,265)	(6,264)	(6,265)
Unrealized gain on investments in securities	1,454	301	1,485
Treasury stock	(33,349)	(33,641)	(33,649)
Total Shareholders' Equity	93,438	82,507	90,038

Non-consolidated Statement of Operations

SEGA CORPORATION

For Three Months Ended June 30, 2004 and 2003 and the Year Ended March 31, 2004

(millions of yen)

	2004.6	2003.6	2004.3
Net Sales	22,860	22,482	97,268
Cost of Sales	15,745	16,319	71,851
Gross profit	7,114	6,163	25,417
Selling, General and Administrative Expenses	4,669	4,594	19,293
Operating income	2,445	1,569	6,124
Non-Operating Income	850	2,126	3,459
Non-Operating Expenses	524	452	2,584
Ordinary Profit	2,770	3,243	6,998
Extraordinary Income	1,007	86	1,909
Extraordinary Loss	46	350	2,251
Income before income taxes	3,731	2,979	6,655
Income taxes	481	(320)	(3,000)
Net income for the term	3,249	3,300	9,655
Loss Carried Forward from the previous fiscal year	1,285	10,942	10,942
Adjustment of revaluation of land	-	-	(0)
Loss on disposal of treasury stock	(119)	-	-
Undisposed Loss	1,844	(7,641)	(1,285)

- (Notes)
1. The above financial information was prepared using accounting principles generally accepted in Japan.
 2. Figures less than 1million yen have been omitted.