

SEGA CORPORATION

Consolidated Financial Results for Nine Months Ended December 31, 2002

Company Name: SEGA CORPORATION
 TSE Code: 7964
 (URL <http://www.sega.co.jp>)
 Address: 2-12 Haneda 1-chome, Ohta-ku, Tokyo
 Further Information: Shoichi Yamazaki
 Tel: +81-3-5736-7111

1. Consolidated Results for 9 months ended September 30, 2002

1) Consolidated Results

(millions of yen)

	Net Sales	Operating Income	Recurring Profit	Net Income (Loss)
9 months ended December 31, 2002	150,697	9,396	8,869	3,981
Year ended March 31, 2002	206,334	14,201	12,471	(17,829)

(yen)

	Net Income (Loss) per share	Net Income per share after full dilution
9 months ended December 31, 2002	25.74	23.27
Year ended March 31, 2002	(119.15)	-

2) Consolidated Financial Data

(millions of yen)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per share (yen)
December 31, 2002	219,441	87,995	40.1%	567.55
March 31, 2002	243,910	83,570	34.3%	548.40

(Reference) Non-consolidated business results for 9 months ended December 31, 2002

(millions of yen)

	Net Sales	Operating Income	Recurring Profit	Net Loss
9 months ended December 31, 2002	77,432	3,720	3,856	(180)
Year ended March 31, 2002	106,550	4,362	4,718	(20,766)

	Total Assets	Shareholders' Equity
December 31, 2002	176,861	80,894
March 31, 2002	214,557	79,966

2. Forecast for the Consolidated Financial Results for the year ending March 31, 2003

(millions of yen)

(yen)

	Net Sales	Recurring Profit	Net Income	Net Income per share
Year ending March 31, 2003	195,000	6,000	500	3.22

(Reference) Non-consolidated business results for the year ending March 31, 2003

(millions of yen)

	Net Sales	Recurring Profit	Net Income	Dividend per share (yen)	
				At the end of the year	
Year ended March 31, 2002	97,000	1,800	(3,000)	0.0	0.0

(Notes)

- Figures less than one million yen have been omitted.
- The forecast is based on the management's assumptions regarding the economic environment and the Company's operating environment as of the date of the issuance of this information and involve various risks and uncertainties. Actual business results may differ materially from forecasts herein.

Consolidated Business Results and Financial Position for the 3rd Quarter Ended

December 31, 2002

1. Business Review

1) Overview

During the 3rd quarter, due to the economic condition being sluggish and the Japanese market being in a deflationary process, the unstable economic condition in Japan continued. In addition, uncertainties caused by America's stance towards Iraq affected consumption spending.

During this situation, SEGA demonstrated itself to be a leading company in the entertainment and the amusement industries.

Its 3rd quarter business results were as follows.

The 3rd quarter results went almost as planned. Due to favorable results of amusement machine sales and amusement center operations, the consolidated net sales for the 9 months ending December 31, 2002 totaled ¥150,697 million, consolidated operating income amounted to ¥9,396 million, recurring profit amounted to ¥8,869 million, and consolidated net income amounted to ¥3,981 million.

2) Overview by Business Segment

(Amusement Machine Sales)

During the 3rd quarter, in Japan, not only our amusement center but also the other companies started to put more effort into opening new amusement centers. Because of this positive situation, both net sales and profit exceeded the plan. Especially "World Club Champion Football Serie A 2001-2002(WCCF)", which we released in the 1st half of the year, recorded a favorable result. Sales of "Virtua Striker 2002," "Initial D 2," and "The House of the Dead III," were favorable and sales of main products including "GENSOUBISYA" (seal printing machine), "Bingo Party Splash" (a medal machine), contributed to the profit. In overseas sales, the profitability is improving steadily, so the results were almost the same as planned.

(Amusement Center Operations)

In the Amusement Operation business, although market growth slowed at the end of November, stable market condition remained and sales at existing facilities rose one percent point compared with the same period of the previous year. In particular, stable revenue from "WCCF", synergy effect of "Initial D 2" with previous one and the introduction of "GENSOUBISYA", leading to the development of new customers, contributed to the profit. During this term, SEGA opened six

facilities and closed five facilities. We will continue to strive for efficiency. The results were almost the same as planned.

(Consumer Business)

Although domestic software sales during the 3rd quarter were as planned, the result of software sales in North America was below expectation, due to too many titles being released (by various publishers) in the holiday season.

In the Japan market, the main 3rd quarter titles, such as “Shinobi (PS2)”, “Pantzer Dragoon Orta (Xbox)”, “Sonic Advance 2 (GBA)”, sold more than our plan and also titles like “Sonic Mega Collection (NGC)”, “Super Monkey Ball 2 (NGC)” recorded fair sales.

In North America, sales of the main titles released during the 3rd quarter, including “Shinobi (PS2)”, “Sonic Mega Collection (NGC)”, “Phantasy Star Online 1&2 (NGC)”, were almost same as planned or more, however, "NFL 2K3" our main sports game title did not sell as expected, even though we expected more favorable sales due to our reduction of the retail selling price. Furthermore, regarding "NBA 2K3", the results in this 3rd quarter were lower than expected, but it retained in the No. 2 position in this category in the North America market.

In Europe, the results were almost as planned, but SEGA could not achieve its targets due to postponement of some titles' release schedules to the 4th quarter.

2. Financial Position

Continuing efforts for the disposal or liquidation of the assets, including the sale of securities and other actions, SEGA's interest-bearing debt at the end of the 3rd quarter of the year was ¥84.2 billion, and consolidated cash and time deposits were ¥70.787 billion, and thus net debt was reduced ¥11.36 billion to ¥13.413 billion compared with the end of the first half of the year.

3. Reason for the Revisions of Forecasts for the Consolidated Business Results

The business results for the 3rd quarter were almost the same level as planned. Nonetheless, due to shrinking consumer spending, we expect that uncertainties of future economic conditions in entertainment and amusement industries in which we are engaged, to be grave.

Under these business circumstances, we expect to achieve the plan for Amusement Machine Sales and Amusement Center Operations, which will contribute to SEGA's profit.

On the other hand, in consumer business, although we are accelerating the structural reform plan in Japan, North America and Europe to improve the business structure, SEGA will revise the forecast for the business results for the year ending March 31, 2003, which was announced at November 20, 2002. The reasons of this revision are that main titles both “Initial D Special Stage” and “Sakatsuku 3” will be postponed to the next fiscal year, and SEGA expects the sales will be below expectation

for “NFL 2K3”, which price we already cut through an accounting treatment at the six months closing.

(Cautionary Statement)

This forecast contains statements regarding business plan and other forward-looking statements. These statements are based on management’s assumptions regarding the economic environment and SEGA’s operating environment as of the date of the issuance of this release and involve various risks and uncertainties. Actual business results may differ materially from forecasts herein.

Consolidated Balance Sheets

SEGA CORPORATION and Consolidated Subsidiaries

As of December 31, 2002, and March 31, 2002

(millions of yen)

ASSETS	2002.12	2002.3
Current Assets:		
Cash and time deposits	70,787	62,756
Notes and accounts receivable	28,374	31,495
Inventories	10,359	9,645
Other current assets	13,390	9,911
Less allowance for doubtful accounts	(1,575)	(1,811)
Total current assets	121,336	111,998
Property and Equipment		
Amusement machines and facilities	11,523	11,549
Building and structure	20,295	21,200
Land	11,832	11,834
Others	4,118	4,808
Total property and equipment	47,772	49,393
Intangible Fixed Assets	5,833	6,266
Investments and Advances		
Investment in securities	18,809	46,166
Fixed Leasehold deposits	16,918	17,771
Other investments	16,399	18,966
Less allowance for doubtful accounts	(8,257)	(7,595)
Total investments and advances	43,870	75,308
Deferred Charges	629	943
Total Assets	219,441	243,910

(millions of yen)

LIABILITIES	2002.12	2002.3
Current Liabilities:		
Notes and accounts payable	20,471	19,282
Short-term bank loans	2,821	29,208
Current portion of straight bonds	1,000	5,000
Current portion of long-term bank loans	4,326	1,740
Accrued expenses	7,834	17,882
Income taxes payable	314	4,823
Other current liabilities	12,548	10,988
Total current liabilities	49,318	88,925
Long-Term Liabilities		
Straight bonds	2,000	-
Convertible bonds	56,807	59,908
Long-term debt	17,246	3,456
Deferred income taxes	99	2,042
Accrued employees' retirement benefits	3,764	3,414
Accrued retirement benefits for directors and corporate directors	130	98
Other	1,321	1,627
Total long-term liabilities	81,367	70,547
Total Liabilities	130,685	159,473
Minority Interests in Consolidated Subsidiaries	760	866
Shareholders' Equity		
Common stock	-	125,406
Additional paid-in capital	-	124,916
Adjustment on revaluation of land	-	(9,280)
Accumulated deficit	-	118,037
Unrealized gain (loss) on investments in securities	-	2,586
Translation adjustment	-	(8,435)
Treasury stock	-	(33,585)
The Company's stock held by subsidiaries	-	-
Total Shareholders' Equity	-	83,570
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	-	243,910
Shareholders' Equity		
Common stock	127,582	-
Additional paid-in capital	2,171	-
Retained earnings	10,759	-
Adjustment of revaluation of land	(9,280)	-
Unrealized gain on investments in securities	(741)	-
Translation adjustment	(8,856)	-
Treasury stock	(33,639)	-
Total Shareholders' Equity	87,995	-
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	219,441	-

Consolidated Statement of Operations

SEGA and Consolidated Subsidiaries

For the term ended December 31, 2002 and the year ended March 31, 2002

(millions of yen)

	2002.12	2002.3
Net Sales	150,697	206,334
Cost of Sales	107,588	144,716
Gross profit	43,109	61,617
Selling, General and Administrative Expenses	33,712	47,416
Operating income	9,396	14,201
Non-Operating Income	1,351	2,348
Non-Operating Expenses	1,878	4,078
Recurring Profit	8,869	12,471
Extraordinary Income	3,972	6,128
Extraordinary Loss	5,691	32,893
Income (Loss) before income taxes and minority interests in earnings of consolidated subsidiaries	7,150	(14,293)
Income taxes		
Current	1,900	4,325
Deferred	1,133	(951)
Minority interests in Earnings of Consolidated Subsidiaries	134	161
Net Income (Loss) for the term	3,981	(17,829)

(Notes) 1. The above financial information was prepared using accounting principles generally accepted in Japan

2. Figures less than \1million have been omitted

Consolidated Statements of Retained Earnings (Deficit)

SEGA CORPORATION and Consolidated Subsidiaries

For Nine Months ended December 31, 2002 and the year ended March 31, 2002

(millions of yen)

	2002.12	2002.3
Deficit at Beginning of the Term	-	100,185
Increase in Deficit		
Directors' Bonus	-	23
Net Loss for the Term	-	17,829
Deficit at End of the Term	-	118,037
(Capital Surplus)		
Capital Surplus at Beginning of the Term	124,916	-
Increase in Capital Surplus		
Conversion of convertible bonds	1,549	-
Exercise of warrants	622	-
Decrease in Capital Surplus		
Decrease in capital surplus due to disposition of losses	124,916	-
Capital Surplus at End of the Term	2,171	-
(Retained Earnings)		
Deficit at Beginning of the Term	118,037	-
Increase in Retained Earnings		
Net Income for the Term	3,981	-
Increase in retained earnings due to disposition of losses	124,916	-
Decrease in Retained Earnings		
Directors' Bonus	101	-
Retained Earnings at End of the Term	10,759	-

SEGA CORPORATION

February 13, 2003

SEGA CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED DECEMBER 31, 2002 AND THE YEAR ENDED MARCH 31, 2002

(millions of yen)

	Nine months ended December 31	Year ended March 31
	2002	2002
<u>INCOME STATEMENTS</u>		
Net sales	77,432	106,550
Cost of sales	59,286	82,029
Gross profit	18,145	24,520
SG&A expenses	14,425	20,157
<u>Operating income</u>	3,720	4,362
Non-operating income	2,767	4,117
Non-operating expenses	2,631	3,761
<u>Recurring profit</u>	3,856	4,718
Extraordinary gain	3,213	8,439
Extraordinary loss	9,915	33,534
<u>Loss before income taxes</u>	2,844	20,375
Income taxes	(2,663)	391
<u>Net loss for the period</u>	180	20,766
<u>Loss carried forward from the previous term</u>	5,389	120,586
<u>Undisposed loss for the term</u>	5,570	141,353

(millions of yen)

	Nine months ended December 31	Year ended March 31
	2002	2002
<u>BALANCE SHEETS</u>		
<u>ASSETS</u>		
Current assets	93,512	77,133
Property and equipment	27,416	28,232
Intangible fixed assets	3,438	3,736
Investments and advances	51,864	104,511
Deferred assets	629	943
<u>Total assets</u>	176,861	214,557
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities	33,979	65,803
Long-term liabilities	61,987	68,787
Shareholders' equity	80,894	79,966
<u>Total liabilities and shareholders' equity</u>	176,861	214,557

Note: The above financial information was prepared using accounting principles generally accepted in Japan.