

**SEGA CORPORATION**  
**Consolidated Financial Results**  
**for the Year Ended March 31, 2004**

Company Name: SEGA CORPORATION  
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1. Consolidated Financial Results for the Year Ended March 31, 2004

1) Consolidated Financial Results

(millions of yen)

	Net sales	Operating income	Recurring profit	Net income
FY 03/2004	191,257	14,480	12,617	8,760
FY 03/2003	197,223	9,296	7,783	3,054

(yen)

(%)

	Net income per share	Net income per share after full dilution	Return on Equity	Ratio of recurring profit to shareholders' equity	Ratio of recurring profit to net sales
FY 03/2004	55.96	50.70	9.5	6.1	6.6
FY 03/2003	19.73	18.71	3.6	3.3	3.9

(Notes)

1. Equity in gains of non-consolidated subsidiaries and affiliates

FY 03/2004: 142 millions of yen

FY 03/2003: 440 millions of yen

2. Average number of shares issued during the term:

FY 03/2004: 155,038,766 shares

FY 03/2003: 154,783,626 shares

2) Consolidated Financial Data

(millions of yen)

(yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
FY 03/2004	189,055	97,962	51.8%	631.88
FY 03/2003	222,067	86,886	39.1%	560.40

(Note) Number of shares issued at the end of the year (Consolidated)

FY 2004: 155,034,254 shares

FY 2003: 155,042,129 shares

3) Consolidated Cash Flows

(millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
FY 03/2004	21,583	(9,095)	(41,399)	71,922
FY 03/2003	34,232	14,000	1,047	101,361

4) Matters Related to Consolidated Subsidiaries and Affiliates Accounted for Using the Equity Method

Number of consolidated subsidiaries: 42

Number of non-consolidated subsidiaries accounted for using the equity method: 0

Number of affiliates accounted for using the equity method: 4

5) Change of the Consolidated Subsidiaries and Affiliates Accounted for using the Equity Method

Number of companies newly consolidated: 2

Number of companies removed from consolidation: 7

Number of companies newly accounted for using the equity method: 0

Number of companies removed from equity method: 0

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

(millions of yen)

	Net Sales	Recurring Profit	Net Income
First half	88,000	1,200	200
Full year	200,000	12,500	8,000

(Reference) Net income per share for FY 03/2005 is forecasted to be yen.

(Note) This release contains forecasts of business results, statements regarding business plans and other forward-looking statements. These statements are based on management's assumptions regarding the economic environment and our operating environment as of the date of publication and involve various risks and uncertainties. Actual business results may differ materially from forecasts herein.

## **1. Business Results and Financial Positions**

### **I. Business Performance**

#### **1. Overview**

##### 1) Overview of the business performance

In amusement machine sales, the results exceeded the initial target, thanks to the strong demands by newly opened facilities. In amusement center operations, due to the lack of large-scale machines, attracting the customers, the results was slightly short of the initial target. In consumer business, despite sales of some titles far exceeded the initial target, sales of sports titles in North America were sluggish. As a result, total results was below the projection.

Consolidated net sales for the fiscal year ended March 31, 2004 was 191,257 million yen, a three percent decrease compared with the prior year. Of the consolidated net sales, sales in Japan was 163,992 million yen or increase 0.3 percent over the prior year, and overseas sales was 27,264 million yen, or down 19.3 percent compared with the previous year. Operating income for the year under review was 14,480 million yen, or up 55.8 percent over the previous fiscal year.

The Company recorded extraordinary gain of 2,617 million yen. This was mainly due to the gain on sale of investments in securities of 571 million yen, gain on repayment by purchase of convertible bonds, and gain on transfer of business to Nokia of 1,008 million yen.

Meanwhile, the Company accounted extraordinary loss of 4,893 million yen. This was due primarily to loss on valuation of investments in securities of 1,527 million yen, and loss on disposal of property and equipment of 760 million yen.

Accordingly, net income for the year totaled 8,760 million yen (prior year: 3,054 million yen)

## 2) Overview by Business Segment

### <Amusement Machine Sales>

- Net Sales: 60,365 million yen (down 1.6% YoY)
- Operating Income: 12,019 million yen
  
- In Japan, an industry trend toward the aggressive establishment of new medium- and large-sized amusement facilities was reflected in strong demand for SEGA's popular standard products including *UFO Catcher 7*, and *Star Horse*. As a result, SEGA exceeded the initial target.
  
- In addition, the newly products with the Company's cutting-edge technologies, including *Outrun 2* and *Star Horse Progress* contributed to the favorable performance.
  
- Thanks to the newly opened facilities, strong demands for *UFO Catcher 7* contributed to the favorable results.
  
- In overseas, the Company was working to expand its markets by popularizing new game concepts, especially multiplayer games. However, this effort is still in progress and overseas sales fell moderately short of the target.

### <Amusement Center Operation>

- Net Sales: 69,860 million yen (up 0.8% YoY)
- Operating Income: 6,135 million yen
  
- The Company fell short of the initial target in this segment. This decline was attributable in part to the lack of major new products and competitors' newly opened facilities.
  
- The Company's flagship facility, Tokyo Joypolis, recorded a favorable earnings, thanks to the various events and marketing promotions.
  
- *Kochu-Oja Mushi-king*, adopted the Company's new business model, combined equipment rental and card sales, contributed to earnings.
  
- To improve the efficiency of the facilities, the Company opened 16 facilities, mainly mid-and large-scale facilities. Also the Company closed 40 ones. As a result, the total number of amusement centers as of the end of the fiscal year was 473.

<Consumer Business>

- Net sales: 61,032 million yen (down 8.3% YoY)
- Operating loss: 2,824 million yen
  
- During the year under review, the Company sold 8,560 thousand units from a total of 71 SKUs (Projection: 9,380 thousand units from 78 SKUs). By region, sales volume in Japan was 2,770 thousand units from 27 SKUs (projection: 3,230 thousand units from 30 SKUs), while in North America, 4,210 thousand units from 22 SKUs (projection: 4,230 thousand units from 24 SKUs), and 1,580 thousand units from 22 SKUs in Europe (projection: 1,920 thousand units from 24 SKUs).
  
- Some titles including *Blood will tell*, also known *Dororo* in Japan, and *Headhunter2*, originally planned to be released during the year under review, were delayed to the next term.
  
- In Japan, professional football club management simulation game, *Let's make a professional soccer club!3* (PS2), *Let's make a professional baseball team! 2003* (PS2), racing horse development simulation game, *Dabitsuku3 Let's develop a racing horse!* (PS2), *Initial D special stage* (PS2), and *Puyo Pop fever* (PS2 and NGC) showed a favorable sales performance and contributed to the results.
  
- In North America, though some titles repeat orders and newly released entertainment titles including *Sonic Heroes* (PS2, NGC, Xbox), *Sonic Adventure DX* (NGC), *Sonic Adventure 2: Battle* (NGC), *Virtua Fighter 4 Evolution* (PS2) were more than expected, sports titles were far below the target and thus the total results fell short of the initial target.
  
- In Europe, thanks to the favorable repeat orders and sales of entertainment titles such as *Sonic Heroes* (PS2, NGC, and Xbox), *Virtua Fighter 4 Evolution* (PS2) and *Sonic Adventure DX* (NGC), the results exceeded the initial projection.
  
- The Company sold 1,420 thousand units of home-use game software, *Sonic Heroes*, in global basis, breaking down of 150 thousand units in Japan, 850 thousand units in North America, and 420 thousand units in Europe.

## 2. Outlook for the Results for the Year Ending March 2005

Although the signs of the recovery at the economic situation in Japan are showed, the Company expects the uncertainty condition will still continue. Under such circumstances, SEGA strives to grasp the opportunities ahead.

(1) Outlook for the next year by business segment

<Amusement Machine Sales>

- During the year ended March 31, 2004, facility operators were strongly motivated to investment and open new amusement centers. The Company expects this trend continue. By supplying the full-lineup products to the market, the Company will strive to expand its market shares and revitalize the market.

-In Prize product sales division, SEGA is a leading company. This reflects the attractiveness of Disney character products, as well as the collaboration projects with other companies.

In addition, the Company will supply the market-oriented products to Asian, North American, and European markets.

-In Asian, American, and European markets, the Company will sell the products that are oriented to each market. The Company continues to develop and to expand the markets with the products with new concept games.

<Amusement Center Operations>

We expect that the results would be favorable, due to that the Company plans to reopen the facilities to revitalize and to provide the new concept space or services.

<Consumer Business>

- To strengthen the function in North America market, new marketing structure in North America was established in Fall 2003. In addition, in Japan, the Company completed the reorganization of marketing division and improvement of cost structures. On one hand, some titles were sold over million units globally, on the other hand, some titles showed poor performance. The Company realized that the existing products are limited to expand. Thus, the Company will improve its cost structures by reinforcement of the software development division and reallocation of the development resources.

- The Company's sales units projection for the year ending March 2005 are as follows.

Japan: 3,730 thousand unit

North America: 4,460 thousand unit

Europe: 3,380 thousand unit

In addition to the existing home-use game software development, the Company struggles to establish the profit

The Company's forecasts for the results for the year ending March 2005 are as follows.

Net Sales: 204,000 million yen

Ordinary Profit: 12,500 million yen

Net Income: 8,000 million yen

2) Prerequisite for the performance forecast for the year ending March 2005

The Company's estimations of foreign exchange rates are as follows.

1 USD=105 JPY, 1 GBP=185 JPY, 1 euro=125 JPY

## **II. Financial Condition**

Total assets decreased 33,011 million yen to 189,055 million yen, compared with the previous year-end. Meanwhile, Shareholders' equity increased 11,076 million yen to 97,962 million yen compared with the previous year. Thus, shareholders equity ratio at the end of the year under review was 51.8%.

Cash and cash equivalents at the end of the year fell 29,438 million yen from previous fiscal year-end to 71,922 million yen.

Interest-bearing debt fell 41,637 million to 53,624 million yen, compared to the previous year-end. This was mainly from the Company's repayment by purchase of convertible bonds due June 2004 worth of 34,920 million yen.

Net cash at the end of the year was 18,298 million yen. The Company realized the significant improvement of the financial structures.

The Company has already prepared the funds for the repayment of the convertible bonds (amount outstanding: 10,080 million yen). In addition, the Company set up overdraft facilities and commitment with banks.

Cash flows from operating activities fell 12,648 million yen to 21,583 million yen, compared with the previous year. This decrease was mainly due to the increase of net income and decrease in notes and accounts receivable.

Cash flows from investing activities decrease 23,095 million yen to negative 9,095 million yen.

This was mainly from increase of payments on acquisition of property and equipment.

Thus free cash flows (combined cash flows from operating activities and ones from investing activities) were 12,488 million yen.

Due to the repayment of long-term debt and redemption of convertible bonds, cash flows from financing activities fell 42,446 million to negative 41,399 million.

	FY03/2001	FY03/2002	FY03/2003	FY03/2004
Shareholders' equity ratio	32.2%	34.3%	39.1%	51.8%
Shareholders' equity ratio at market value	113.1%	147.1%	46.8%	93.0%
Debt repayment period (year)	N/A	10.6	2.8	2.5
Interest coverage ratio	N/A	4.5	47.1	34.1
(millions of yen)				
Interest-bearing debt	120,118	99,313	95,261	53,624
CFs from operating activities	(73,970)	9,349	34,232	21,583

- (Note) Shareholders' equity ratio: Shareholders' equity/Total Assets  
 Shareholders' equity ratio at market value: Total stock market value/Total assets  
 Debt repayment period (year): Interest-bearing debt/cash flows from operating activities  
 Interest coverage ratio: Cash flows from operating activities/Interest paid  
 -All figures are calculated by the consolidated financial figures.  
 -Stock market value: Stock price at the end of the year\*total number of shares issued excluding treasury stock at the end of the year  
 -Interest paid is used the figures accounted on the statement of cash flows



**Consolidated Balance Sheets**

SEGA CORPORATION and Consolidated Subsidiaries

As of March 31, 2003 and 2004

(millions of yen)

<b>ASSETS</b>	<b>2004.3</b>	<b>2003.3</b>
<b>Current Assets:</b>		
Cash and time deposits	71,927	101,366
Notes and accounts receivable	19,436	17,515
Inventories	8,865	8,838
Other current assets	7,347	11,058
Less allowance for doubtful accounts	(1,421)	(1,379)
Total current assets	106,156	137,401
<b>Property and Equipment</b>		
Amusement machines and facilities	10,165	9,893
Buildings and structures	17,254	18,126
Land	9,336	9,290
Others	3,838	4,085
Total property and equipment	40,595	41,396
<b>Intangible Fixed Assets</b>	4,508	5,846
<b>Investments and Advances</b>		
Investments in securities	13,358	12,431
Fixed Leasehold deposits	15,988	17,012
Other investments	17,488	15,667
Less allowance for doubtful accounts	(9,180)	(8,406)
Total investments and advances	37,655	36,705
<b>Deferred Charges</b>	139	717
Total Assets	189,055	222,067

(millions of yen)

<b>LIABILITIES</b>	<b>2004.3</b>	<b>2003.3</b>
<b>Current Liabilities:</b>		
Notes and accounts payable	14,373	14,762
Short-term bank loans	725	1,510
Current portion of debentures	2,950	2,450
Current portion of convertible bonds	10,080	-
Current portion of long-term bank loans	4,988	4,939
Accrued expenses	10,050	9,981
Income taxes payable	1,186	1,194
Other current liabilities	4,100	7,541
Total current liabilities	48,454	42,379
<b>Long-Term Liabilities</b>		
Debentures	13,495	15,550
Convertible bonds	6,806	51,806
Long-term debt	14,579	19,005
Deferred income taxes	1,348	330
Accrued employees' retirement benefits	4,541	3,679
Accrued retirement benefits for directors and corporate directors	174	122
Other	1,155	1,256
Total long-term liabilities	42,100	91,750
Total Liabilities	90,555	134,129
<b>Minority Interests in Consolidated Subsidiaries</b>	537	1,051
<b>Shareholders' Equity</b>		
Common stock	127,582	127,582
Additional paid-in capital	2,171	2,171
Retained earnings	15,459	6,816
Adjustment of revaluation of land	(6,265)	(6,264)
Unrealized gain on investments in securities	1,488	(551)
Translation adjustment	(8,825)	(9,227)
Treasury stock	(33,649)	(33,641)
Total Shareholders' Equity	97,962	86,886
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	189,055	222,067

## Consolidated Statement of Operations

SEGA CORPORATION and Consolidated Subsidiaries

For the Year Ended March 31, 2003 and 2004

(millions of yen)

	2004.3	2003.3
<b>Net Sales</b>	<b>191,257</b>	197,223
<b>Cost of Sales</b>	<b>138,687</b>	144,161
Gross profit	<b>52,570</b>	53,062
<b>Selling, General and Administrative Expenses</b>	<b>38,090</b>	43,765
Operating income	<b>14,480</b>	9,296
<b>Non-Operating Income</b>	<b>922</b>	1,245
Interest income	111	226
Equity in gains of non-consolidated subsidiaries and affiliates	142	440
Others	668	578
<b>Non-Operating Expenses</b>	<b>(2,784)</b>	(2,758)
Interest expenses	<b>(621)</b>	(737)
Amortization of bond and note issue expenses	<b>(602)</b>	(594)
Equity in losses of non-consolidated subsidiaries and affiliates	<b>(145)</b>	(702)
Others	<b>(1,413)</b>	(723)
<b>Ordinary Profit</b>	<b>12,617</b>	7,783
<b>Extraordinary Income</b>	<b>2,617</b>	6,072
Gain on sale of investments in securities	<b>571</b>	3,077
Gain on sale of property and equipment	<b>1,010</b>	1,248
Gain on repayment by purchase of convertible bonds	<b>509</b>	-
Others	<b>527</b>	1,745
<b>Extraordinary Loss</b>	<b>(4,893)</b>	(7,408)
Loss on disposal of inventories	<b>(760)</b>	-
Loss on disposal of property and equipment	<b>(411)</b>	(398)
Loss on sale of property and equipment	-	(281)
Impairment change on goodwill	<b>(1,174)</b>	-
Loss on valuation of investments in securities	<b>(1,527)</b>	(959)
Provision for doubtful accounts	<b>(11)</b>	(1,161)
Loss on settlement of donated assets from Mr. Okawa	<b>(196)</b>	(2,716)
Others	<b>(811)</b>	(1,889)
Income before income taxes and minority interests in earnings of consolidated subsidiaries	<b>10,341</b>	6,447
<b>Income taxes</b>		
Current	<b>2,169</b>	1,944
Deferred	<b>(220)</b>	1,395
<b>Minority interests in Earnings of Consolidated Subsidiaries</b>	<b>(368)</b>	53
Net Income	<b>8,760</b>	3,054

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

2. Figures less than 1 million yen have been omitted.

## Consolidated Statements of Capital Surplus

SEGA CORPORATION and Consolidated Subsidiaries

For the Year Ended March 31, 2003 and 2004

(millions of yen)

	2004.3	2003.3
<b>(Capital Surplus)</b>		
<b>Capital Surplus at Beginning of the Year</b>	<b>¥2,171</b>	¥124,916
<b>Increase in Capital Surplus</b>		
Conversion of convertible bonds	-	1,549
Exercise of warrants	-	622
<b>Decrease in Capital Surplus</b>		
Decrease in capital surplus due to disposition of losses	-	124,916
<b>Capital Surplus at End of the Year</b>	<b>2,171</b>	2,171
<b>(Retained Earnings)</b>		
<b>Deficit at Beginning of the Year</b>	<b>6,816</b>	(118,037)
<b>Increase in Retained Earnings</b>		
Net Income for the Term	<b>8,760</b>	3,054
Increase in retained earnings due to disposition of losses	-	124,916
Adjustment on revaluation of land during the year	<b>0</b>	-
<b>Decrease in Retained Earnings</b>		
Directors' Bonus	<b>118</b>	101
Adjustment on revaluation of land during the year	-	3,016
<b>Retained Earnings at End of the Year</b>	<b>¥15,459</b>	¥6,816

## Consolidated Statements of Cash Flows

SEGA CORPORATION and Consolidated Subsidiaries

For the year ended March 31, 2003 and 2004

	Millions of yen	
	2004	2003
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes and minority interests in earnings of consolidated subsidiaries	¥10,341	¥6,447
Depreciation and amortization	12,729	14,983
Transfer of amusement machines and facilities from investing activities	(3,931)	(4,085)
Provision for doubtful accounts	656	444
Increase in accrued employees' retirement benefits	870	265
Interest and dividend income	(126)	(268)
Interest expense	621	737
Equity in loss of non-consolidated subsidiaries and affiliates	(142)	(440)
Amortization of excess investment costs over net assets of consolidated subsidiaries	1,526	236
Gain on sale of property and equipment	(1,010)	(1,248)
Loss on sale or disposal of property and equipment	411	398
Gain on sale of investments in securities	(571)	(3,077)
Loss on valuation of investments in securities	1,527	959
Gain on sale of donated assets	196	2,716
Decrease (increase) in notes and accounts receivable	(1,716)	12,538
Decrease in inventories	(1,168)	977
(Decrease) increase in notes and accounts payable	305	(2,145)
Decrease in accrued expenses	350	(7,745)
Gain on repayment by purchase of convertible bonds	(509)	-
Loss on disposal of inventories	760	-
Others	1,819	(855)
Subtotal	22,942	20,838
Interest and dividends received	164	329
Interest paid	(632)	(727)
Gain on disposal of donated assets	1,518	18,888
Income taxes paid	(2,408)	(5,097)
Net cash used in operating activities	21,583	34,232
<b>Cash Flows from Investing Activities:</b>		
Payments for time deposits	-	(50)
Proceed from cancellation of time deposits	-	10,060
Payments for purchases of property and equipment	(9,230)	(7,015)
Proceeds from sales of property and equipment	1,834	5,508
Payments for purchase of intangible assets	(1,006)	(1,307)
Payments for purchases of investments in securities	(2,085)	(180)
Proceeds from investments in securities	1,221	6,946
Payments for advance	(42)	(172)
Proceeds from collections of advances	125	509
Payments for fixed leasehold deposits	(1,334)	(2,959)
Proceeds from collections of fixed leasehold deposits	1,710	2,578
Others	(287)	83
Net cash Provided by (used in) investing activities	(9,095)	14,000
<b>Cash Flows from Financing Activities:</b>		
Decrease in short-term bank loans, net	(708)	(27,339)
Proceeds from long-term debt	300	31,565
Repayment of long-term debt	(4,968)	(12,817)
Proceeds from issuance of straight bonds	885	17,631
Repayment of straight bonds	(2,465)	(5,000)
Payment on redemption of convertible bonds	(34,410)	(4,621)
Proceeds from exercising stock option	-	1,245
Cash dividend paid	(22)	(8)
Others	(9)	391
Net cash provided by financing activities	(41,399)	1,047
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(528)	(668)
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	(29,438)	48,610
<b>Cash and Cash Equivalents at Beginning of Year</b>	101,361	52,750
<b>Cash and Cash Equivalents at End of Year</b>	¥71,922	¥101,361

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

2. Figures less than 1million yen have been omitted.

## Segment Information

### I. Business Segment Information

Year Ended March 31, 2004

(millions of yen)

	Amusement machine sales	Amusement center operations	Consumer business	Total	Eliminations/ Corporate	Consolidated Total
Sales to outside customer	¥60,365	¥69,860	¥61,032	¥191,257	-	¥191,257
Intersegment sales/transfers	14,272	231	88	14,592	(14,592)	-
Total	74,637	70,091	61,121	205,850	(14,592)	191,257
Cost of sales and operating expenses	62,617	63,955	63,945	190,518	(13,741)	176,777
Operating income (loss)	¥12,019	¥6,135	(¥2,824)	¥15,331	(¥851)	¥14,480
Assets	25,227	54,194	34,474	113,896	75,158	189,055
Depreciation and amortization	850	9,183	2,370	12,404	927	13,331
Capital expenditures	738	10,981	2,009	13,729	420	14,149

Year Ended March 31, 2003

(millions of yen)

	Amusement machine sales	Amusement center operations	Consumer business	Total	Eliminations/ Corporate	Consolidated Total
Sales to outside customer	¥61,343	¥69,330	¥66,549	¥197,223	-	¥197,223
Intersegment sales/transfers	14,407	53	123	14,584	(14,584)	-
Total	75,751	69,384	66,673	211,808	(14,584)	197,223
Cost of sales and operating expenses	64,858	61,334	75,243	201,436	(13,509)	187,927
Operating income (loss)	¥10,892	¥8,049	(¥5,870)	¥10,372	(¥1,075)	¥9,296
Assets	32,787	58,621	33,291	124,700	97,366	222,067
Depreciation and amortization	1,095	10,512	3,044	14,652	923	15,575
Capital expenditures	1,164	9,736	1,561	12,462	526	12,989

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

2. Figures less than 1million yen have been omitted.

## II. Geographical Segment Information

Year Ended March 31, 2004

(millions of yen)

	Japan	North America	Europe	Total	Eliminations	Consolidated total
Net Sales to:						
Outside customers	¥163,992	¥16,979	¥10,285	¥191,257	-	¥191,257
Intersegment sales/transfers	7,376	3,118	3	10,499	(10,499)	-
<b>Total</b>	<b>171,369</b>	<b>20,098</b>	<b>10,288</b>	<b>201,756</b>	<b>(10,499)</b>	<b>191,257</b>
Cost of sales and operating expenses	156,465	20,690	10,663	187,819	(11,041)	176,777
Operating income (loss)	¥14,903	(¥591)	(¥374)	¥13,937	¥542	¥14,480
Assets	¥109,332	¥8,220	¥6,612	¥124,164	¥64,890	¥189,055

Year Ended March 31, 2003

(millions of yen)

	Japan	North America	Europe	Total	Eliminations	Consolidated total
Net Sales to:						
Outside customers	¥163,425	¥26,447	¥7,351	¥197,223	-	¥197,223
Intersegment sales/transfers	14,238	7,689	3	21,932	(21,932)	-
<b>Total</b>	<b>177,663</b>	<b>34,136</b>	<b>7,355</b>	<b>219,156</b>	<b>(21,932)</b>	<b>197,223</b>
Cost of sales and operating expenses	161,341	41,108	7,785	210,235	(22,308)	187,927
Operating income (loss)	¥16,322	(¥6,971)	¥429	¥8,920	¥376	¥9,296
Assets	¥144,381	¥13,948	¥6,976	¥165,306	¥56,760	¥222,067

(Notes) 1. Division by country or region is based on geographical proximity.

2. Main country and regional division other than Japan

North America: U.S.A.

Europe: U.K., France, Spain, Germany

### III. Overseas Sales Information

Year Ended March 31, 2004

(millions of yen)

	North America	Europe	Others	Total
<b>Overseas sales</b>	<b>¥21,905</b>	<b>¥10,751</b>	<b>¥3,277</b>	<b>¥35,934</b>
<b>Consolidated net sales</b>	-	-	-	<b>191,257</b>
<b>Ratio of overseas sales to consolidated sales</b>	<b>11.5%</b>	<b>5.6%</b>	<b>1.7%</b>	<b>18.8%</b>

Year Ended March 31, 2003

(millions of yen)

	North America	Europe	Others	Total
<b>Overseas sales</b>	<b>¥35,223</b>	<b>¥9,489</b>	<b>¥3,688</b>	<b>¥48,401</b>
<b>Consolidated net sales</b>	-	-	-	<b>197,223</b>
<b>Ratio of overseas sales to consolidated sales</b>	<b>17.8%</b>	<b>4.8%</b>	<b>1.9%</b>	<b>24.5%</b>

(Notes) 1. Division by country or region is based on geographical proximity.

2. Main country and regional division other than Japan

North America: U.S.A.

Europe: U.K., France, Spain, Germany

Others: Australia, Singapore

## Non-consolidated Balance Sheets

SEGA CORPORATION  
As of March 31, 2003 and 2004

(millions of yen)

ASSETS	2004.3	2003.3
<b>Current Assets:</b>		
Cash and time deposits	¥53,799	¥79,386
Notes and accounts receivable	13,646	14,804
Inventories	5,242	4,371
Other current assets	11,336	14,995
Less allowance for doubtful accounts	(520)	(549)
Total current assets	83,510	113,009
<b>Property and Equipment</b>		
Amusement machines and facilities	817	708
Building and structure	10,354	10,912
Land	8,968	8,924
Others	2,208	2,396
Total property and equipment	22,350	22,941
<b>Intangible Fixed Assets</b>	3,126	3,471
<b>Investments and Advances</b>		
Investments in securities	7,150	5,728
Fixed Leasehold deposits	1,999	1,535
Other investments	53,568	76,698
Less allowance for doubtful accounts	(12,790)	(35,832)
Reserve for valuation loss of investments in securities	(7,962)	(7,637)
Total investments and advances	41,967	40,493
<b>Deferred Charges</b>	122	717
Total Assets	¥151,078	¥180,634

(millions of yen)

LIABILITIES	2004.3	2003.3
<b>Current Liabilities:</b>		
Notes and accounts payable	¥10,047	¥9,194
Short-term bank loans	739	841
Current portion of long-term bank loans	600	600
Current portion of debentures	2,900	2,450
Current portion of convertible bonds	10,080	-
Accrued expenses	7,475	12,341
Income taxes payable	53	54
Other current liabilities	2,024	2,135
Total current liabilities	33,923	27,618
<b>Long-Term Liabilities</b>		
Debentures	12,650	15,550
Convertible bonds	6,806	51,806
Long-term debt	3,300	3,900
Deferred income taxes	1,018	-
Accrued employees' retirement benefits	2,511	2,290
Accrued retirement benefits for directors and corporate directors	85	59
Other	744	777
Total long-term liabilities	27,115	74,383
Total Liabilities	61,039	102,002
<b>Shareholders' Equity</b>		
Common stock	127,582	127,582
Additional paid-in capital	2,171	2,171
Retained earnings	(1,285)	(10,942)
Adjustment of revaluation of land	(6,265)	(6,264)
Unrealized gain on investments in securities	1,485	(274)
Treasury stock	(33,649)	(33,641)
Total Shareholders' Equity	90,038	78,631
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	¥151,078	¥180,634



## Non-consolidated Statement of Operations

SEGA CORPORATION  
For the Year Ended March 31, 2003 and 2004

(millions of yen)

	2004.3	2003.3
<b>Net Sales</b>	<b>97,268</b>	¥100,042
<b>Cost of Sales</b>	<b>71,851</b>	77,933
Gross profit	<b>25,417</b>	22,109
<b>Selling, General and Administrative Expenses</b>	<b>19,293</b>	20,015
Operating income	<b>6,124</b>	2,093
<b>Non-Operating Income</b>	<b>3,459</b>	3,439
<b>Non-Operating Expenses</b>	<b>2,584</b>	3,588
<b>Recurring Profit</b>	<b>6,998</b>	1,944
<b>Extraordinary Income</b>	<b>1,909</b>	4,705
<b>Extraordinary Loss</b>	<b>2,251</b>	12,609
Income before income taxes and minority interests in earnings of consolidated subsidiaries	<b>6,655</b>	(5,959)
<b>Income taxes</b>	<b>(3,000)</b>	(3,423)
Net income (loss) for the term	<b>9,655</b>	(2,536)
Loss Carried Forward from the previous fiscal year	<b>(10,942)</b>	(5,389)
Adjustment of revaluation of land	<b>(0)</b>	(3,016)
Undisposed Loss	<b>(1,285)</b>	(¥10,942)

(Notes)

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