

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
3 Months Ended June 30, 2005

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp>)
Representative : Hajime Satomi
 Chairman & CEO
Any inquiry to : Shunichi Shimizu
 General Manager, Finance Department
 Tel (03) 6215-9955

1. Significant Accounting Policies in the Preparation of First-Quarter Operating Results

- (1) Adoption of the simplified method of accounting: Yes
 The simplified method is applied to the computation of income taxes.
 (2) Changes to accounting policies in the most-recent consolidated fiscal year: None
 (3) Changes in the scope of consolidation and application of the equity method: Yes
 8 companies were newly consolidated and 3 companies were excluded.

2. Consolidated Operating Results for the 3 Months Ended June 30, 2005

(1) RESULTS OF CONSOLIDATED OPERATIONS

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 3 months ended June 30, 2005	100,528	—	17,592	—	10,703	—
For 3 months ended June 30, 2004	—	—	—	—	—	—
For Year ended March 31, 2005	515,668	—	105,089	—	50,574	—

	Net income	Net income per
	per share	share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2005	85.63	85.40
For 3 months ended June 30, 2004	—	—
For Year ended March 31, 2005	410.53	400.95

[Qualitative Data Regarding Business Results]

In the pachislot and Pachinko machine business, one of the SEGA SAMMY Group's mainstay businesses, pachislot machine "Onimusha 3," launched under the RODEO brand in fiscal 2004, posted favorable sales of 50 thousand units (119 units in cumulative terms from the previous fiscal year) during this quarter. Moreover, pachislot machine "Pachislot Umimonogatari," developed and manufactured by the SEGA SAMMY Group based on Sanyo Bussan Co., Ltd. "Umimonogatari" pachinko series, recorded sales of 63 thousand units. Combined with other factors, the Group posted total pachinko sales of 153 thousand units.

Meanwhile, in pachinko machines, our structure of R&D and Sales line has been strengthened. Accordingly trust from Pachinko parlors and users was increased and product brand is upward. "CR ChoroQ," the first in a series of pachinko machines featuring new frames, was released, posting sales of 25 thousand units.

In the amusement machine sales business, although sales of certain prize games, including "UFO Catcher," declined, "Sangokushi Taisen" grew steadily as it did in the previous year.

Meanwhile, in amusement center operations, the ongoing popularity of "The King of Beetle MUSHIKING," "Oshare Majo Love and Berry," and "Sangokushi Taisen" again made a large contribution to sales in this segment. During the

quarter under review, the Group opened 5 new amusement centers, including “Festival Walk Soga,” and closed down 12. As a result, as of the end of the first quarter of fiscal 2005, the Group operated 470 amusement centers.

The consumer business achieved total sales of 1,860 thousand copies, comprising 840 thousand copies in Japan, 380 thousand copies in the U.S., and 640 thousand copies in Europe. This was attributable to favorable sales of game software, including “The King of Beetle MUSHIKING: Road to Greatest Champion” launched in June 2005.

As a result of the above, during the first quarter of fiscal 2005, the SEGA SAMMY Group largely attained initial targets, with consolidated net sales of ¥100,528 million, operating income of ¥17,592 million, and net income of ¥10,703 million.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2005	434,935	262,023	60.2	2,095.75
June 30, 2004	—	—	—	—
March 31, 2005	438,991	258,954	59.0	2,067.91

[Qualitative Data Regarding Financial Position]

Total assets declined ¥4,055 million from the previous fiscal year-end to ¥434,935 million. Even though retained earnings rose due to higher net income, total shareholders' equity increased only ¥3,069 million, due to dividend payments. The equity ratio increased 59.0 percentage points to 60.2%.

3. Projection for Consolidated Result for Fiscal Year 2005 (April 1, 2005 ~ March 31, 2006)

First-quarter business results were largely in line with plans. Accordingly, no change has been made to initial half-year and full-year business forecasts announced on May 24, 2005. Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecasts.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2005 AND JUNE 30, 2004 AND MARCH 31, 2005

(Unit : Millions of Yen)

	Current period (As of June 30, 2005)		Prior period (As of June 30, 2004)		Prior year (As of March 31, 2005)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(Assets)		%		%		%
I Current Assets						
Cash and deposits	156,827		—		152,277	
Notes and accounts receivable - trade	49,159		—		76,922	
Inventories	35,789		—		32,001	
Others	24,393		—		21,260	
Total current assets	266,168	61.2	—	—	282,461	64.3
II Fixed assets						
Tangible fixed assets	77,338	17.8	—	—	73,187	16.7
Intangible fixed assets	11,976	2.7	—	—	10,040	2.3
Investments and other assets	79,450	18.3	—	—	73,300	16.7
Total fixed assets	168,766	38.8	—	—	156,529	35.7
Total assets	434,935	100.0	—	—	438,991	100.0
(Liabilities)						
I Current liabilities						
Short-term bank loans and current portion of long - term debt	15,541		—		10,023	
Notes and accounts payable - trade	53,292		—		57,139	
Redeemable bond within a year	2,818		—		3,278	
Others	32,698		—		39,826	
Total current liabilities	104,350	24.0	—	—	110,268	25.1
II Non-current liabilities						
Long-term debt, less current portion	11,009		—		11,118	
Bonds payable	25,938		—		25,788	
Corporate bond with stock acquisition rights	4,943		—		5,322	
Others	16,375		—		19,036	
Total non-current liabilities	58,265	13.4	—	—	61,265	14.0
Total liabilities	162,616	37.4	—	—	171,533	39.1
Minority interests	10,295	2.4	—	—	8,503	1.9
(Shareholders' equity)						
Common stock	27,481	6.3	—	—	27,291	6.2
Capital surplus	168,593	38.8	—	—	176,302	40.2
Retained earnings	144,752	33.3	—	—	133,760	30.5
Adjustment on revaluation of land	(6,541)	(1.5)	—	—	(6,541)	(1.5)
Net unrealized holding gains on securities	10,879	2.5	—	—	10,792	2.4
Foreign currency translation adjustments	(9,803)	(2.3)	—	—	(9,425)	(2.1)
Treasury stock	(73,338)	(16.9)	—	—	(73,225)	(16.7)
Total shareholders' equity	262,023	60.2	—	—	258,954	59.0
Total liabilities and Shareholders' equity	434,935	100.0	—	—	438,991	100.0

SEGA SAMMY HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE 3 MONTHS ENDED JUNE 30, 2005 AND FOR THE 3 MONTHS ENDED JUNE 30, 2004 AND YEAR ENDED MARCH 31, 2005

(Unit : Millions of Yen)

	Current period (From April 1, 2005 to June 30, 2005)		Prior period (From April 1, 2004 to June 30 2004)		Prior year (From April 1, 2004 to March 31, 2005)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net sales	100,528	100.0	—	—	515,668	100.0
Cost of sales	62,037	61.7	—	—	304,109	59.0
Gross profit	38,491	38.3	—	—	211,558	41.0
Selling, general and administrative expenses	20,899	20.8	—	—	106,469	20.6
Operating income	17,592	17.5	—	—	105,089	20.4
Other income	1,784	1.8	—	—	8,023	1.6
Other expenses	1,615	1.6	—	—	23,631	4.6
	168	0.2	—	—	(15,607)	(3.0)
Income before income taxes and minority interests	17,760	17.7	—	—	89,482	17.4
Total Income taxes	6,722	6.7	—	—	38,089	7.4
Net income before minority interests	11,038	11.0	—	—	51,393	10.0
Minority interests	334	0.3	—	—	819	0.2
Net income	10,703	10.7	—	—	50,574	9.8

SEGMENT INFORMATION

Operations by product

Current period (From April 1, 2005 to June 30,2005)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	49,710	12,682	21,013	11,542	5,580	100,528	—	100,528
(2) Inter segment	123	31	10	61	247	473	(473)	—
Total	49,833	12,713	21,023	11,604	5,827	101,002	(473)	100,528
Cost and expenses	31,626	12,279	20,341	13,655	5,847	83,751	(814)	82,936
Operating income (loss)	18,206	433	681	(2,050)	(20)	17,251	340	17,592

Prior period (From April 1, 2004 to June 30,2004)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	—	—	—	—	—	—	—	—
(2) Inter segment	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—
Cost and expenses	—	—	—	—	—	—	—	—
Operating income (loss)	—	—	—	—	—	—	—	—

Prior year (From April 1, 2004 to March 31,2005)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	280,109	63,304	83,193	65,341	23,719	515,668	—	515,668
(2) Inter segment	32	16,535	125	115	746	17,555	(17,555)	—
Total	280,141	79,840	83,319	65,456	24,466	533,223	(17,555)	515,668
Cost and expenses	176,210	72,416	77,847	74,266	25,007	425,748	(15,169)	410,578
Operating income (loss)	103,930	7,423	5,472	(8,809)	(541)	107,475	(2,386)	105,089