

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
3 Months Ended June 30, 2011

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
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(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2011

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes from the prior period)

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 3 months ended June 30, 2011	65,331	(28.5)	2,969	(80.1)	(2,224)	—
For 3 months ended June 30, 2010	91,340	51.1	14,951	—	7,036	—

(Note) Comprehensive income

For 3 months ended June 30, 2011 : ¥ 2,438 million ((63.9)%)

For 3 months ended June 30, 2010 : ¥ 6,761 million (—%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2011	(8.84)	—
For 3 months ended June 30, 2010	27.93	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
June 30, 2011	420,165	283,057	64.8
March 31, 2011	458,624	285,461	60.0

(Reference) Shareholders' equity

June 30, 2011 : ¥ 272,285 million

March 31, 2011: ¥ 275,193 million

2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	For the year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2011	—	20.00	—	20.00	40.00
Year ending March 31, 2012	—				
Year ending March 31, 2012 (plan)		20.00	—	20.00	40.00

(Note) Revision of the forecast in the first quarter of the year ending March 31, 2012: No

3. Projection for Consolidated Results for the Year ending March 31, 2012

(Percentage represents changes from the prior period/year)

	Net sales		Operating income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half ending September 2011	165,000	(24.2)	1,500	(96.8)	(3,000)	—	(11.92)
Entire – year	450,000	13.4	60,000	(12.7)	33,000	(20.5)	131.10

(Note) Revision of the projection in the first quarter of the year ending March 31, 2012: No

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during period: No
- (2) Adoption of the simplified method of accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the quarterly consolidated financial statements:
 1. Changes associated with revision in accounting standards: Yes
 2. Other changes: No
- (4) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)
 - June 30, 2011 : 266,229,476
 - March 31, 2011 : 266,229,476
 2. Number of treasury stock at the end of the period
 - June 30, 2011 : 14,507,735
 - March 31, 2011: 14,504,662
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 3 months ended June 30, 2011: 251,723,496
 - For 3 months ended June 30, 2010: 251,912,948

(Note)

- At the time of this report's release, the quarterly review procedures under the Financial Instruments and Exchange Law have not been completed.
- The forward-looking statements, such as results forecasts, included in this document are based on information available to the Company at the time of the announcement and assumptions considered reasonable. Actual results could differ materially, depending on a range of factors. For the assumptions prerequisite to the results forecasts and the points to be noted in the use of the forecasts, please see "Projection for Consolidated Results" on page 5.

Operating Results and Financial Position

(1) Overview

During the first quarter of the fiscal year ending March 31, 2012, some uncertainty prevailed in the Japanese economy due to various impacts in the aftermath of the Great East Japan Earthquake that took place on March 11, 2011, including the concern for the availability of parts and materials and the struggle to cope with the shortage of electricity supply which is now likely to be prolonged.

In this climate, the pachislot and pachinko industry witnessed the replacement of older pachinko machines with new ones at a rather weak pace for a while across the market, due to the devastated supply chain. More recently however, there have been signs of recovery from the disaster of the earthquake, such as the solid orders for some of the popular titles and the recovery in the operating ratio at pachinko parlors.

In the amusement machine and amusement center industry, the market stays solid thanks primarily to the consumer behavior turning to more accessible entertainments, in which amusement center operators are expected to show more investment appetite in future.

In the home video game industry, the demand was generally weak in the U.S. and European markets due to the headwind like sluggish personal consumption. The Group needs to adapt to changing business environment in which the market demand for new content geared to social networking service (SNS) and smartphone is expanding.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2012 amounted to ¥65,331 million, a decrease of 28.5% for the same period in the previous fiscal year. The Group posted an operating income of ¥2,969 million, a decrease of 80.1% for the same period in the previous fiscal year. Due to the factors including the settlement payment for patent licensing, the Group recorded a net loss of ¥2,224 million (net income of ¥7,036 million for the same period in the previous fiscal year).

As announced on May 13, 2011, the Company, its wholly owned subsidiary Sammy Corporation., and Sammy Corporation's subsidiary TAIYO ELEC Co., Ltd. decided to conduct an exchange of shares with the purpose to convert Sammy Corporation into a wholly owned parent while converting TAIYO ELEC Co., Ltd. into a wholly owned subsidiary, in consideration for the Company's common stock.

This exchange of shares is scheduled to be effective on August 1, 2011.

For further detail, please refer to "Notice Concerning the Conversion of TAIYO ELEC Co., Ltd. into a Wholly Owned Subsidiary of Sammy Corporation, a Wholly Owned Subsidiary of SEGA SAMMY HOLDINGS INC." dated May 13, 2011.

Results of each segment were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group launched "Pachinko CR Ring ni Kakero 1 -Golden Japan Jr. Series-" and "Pachinko CR Sengoku Ranbu KOMPEKI NO SOZIN" under the Sammy brand along with "CR BLACK LAGOON" and other titles under the Taiyo Elec brand, which received a favorable evaluation in the market and recorded sales of 82 thousand units. In the pachislot machine business, overall sales was 7 thousand units, as the launch of titles including "Pachislot ALIYAN BEGINS" under the Sammy brand was not good enough to make up for the current absence of this fiscal year's major titles that are scheduled for launch in the latter half of the fiscal year.

As a result, net sales in this segment were ¥29,971 million (a decrease of 38.9% for the same period in the previous fiscal year) and operating income was ¥7,147 million (a decrease of 52.8% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, distribution revenue remained solid thanks to the operation of the revenue sharing models with the purpose to improve investment efficiency on the side of the operators of amusement centers while ensuring long-term stable earnings for the Group. The Group also engaged in the sales of prize products and consumables including cards. Meanwhile the Group committed to the reduction of cost and expenses through the streamlining initiatives including the business restructuring in Europe and the U.S.

As a result, net sales in this segment were ¥8,198 million (a decrease of 21.5% for the same period in the previous fiscal year) and operating income was ¥158 million (a decrease of 88.6% for the same period in the previous fiscal year).

《Amusement Center Operations》

In the amusement center operations business, operations has been suspended at some of the amusement centers in the aftermath of the Great East Japan Earthquake, which however, started re-opening one after another as soon as safety at each premises has been confirmed. The number of suspended amusement centers as of July 28, 2011 is 3.

Thanks to the current consumer behavior turning to more accessible entertainments, sales at existing SEGA amusement centers in Japan registered 102.5% of the level during the same period in the previous fiscal year. In the first quarter, the Group closed 3 amusement centers and opened 3 new amusement centers in the domestic market. Consequently, the Group operated a total of 248 amusement centers as at the end of the period.

As a result, net sales in this segment were ¥10,957 million (a decrease of 1.3% for the same period in the previous fiscal year) and operating income was ¥634 million (an increase of 257.3% for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, in the area of home video game software, some major titles for the overseas markets including “Virtua Tennis™ 4” and “THOR: God of Thunder”, along with the major titles for the Japanese market including “Ryu ga Gotoku OF THE END” were launched. Although domestic sales generally remained solid, in the overseas markets, sales of the new titles remained slow as affected by the adverse market condition. As a result, the Group sold 700 thousand video game copies in the U.S., 1,020 thousand copies in Europe and 600 thousand copies in Japan and other regions, for a total of 2,330 thousand copies, which is below the performance level of the same period in the previous fiscal year.

In the mobile phone, smartphone and PC content business, “Kingdom Conquest” a title for iOS recorded 1.3 million downloads on a cumulative basis, while titles for SNS and smartphone such as “SAMURAI BLOODSHOW” were supplied. Meanwhile, the pay-per-use service of “777 Town” remained solid.

In the toy sales division, the sales of “Anpanman Series” remained solid. In the animated films business, royalty revenue from “Anpanman”, etc. remained solid.

As a result, net sales in this segment were ¥16,207 million (a decrease of 22.3% for the same period in the previous fiscal year) and operating loss was ¥3,856 million (operating loss of ¥636 million for the same period in the previous fiscal year).

(2) Projection for Consolidated Results

Although having recorded decrease in both sales and profit, the results of the first quarter under review remained favorable against the projection for consolidated results for the first half of the fiscal year ending March 31, 2012 as well as that for the full year, both announced on May 13, 2011, thus necessitating no change to the projections. Modified projection for consolidated results for the first half of the fiscal year ending March 31, 2012 and that for the full year would be released promptly if it is appropriate to modify the previous projection after evaluating the trend of the sales of major titles in the second quarter.

As announced on July 29, 2011, Sammy Corporation decided to construct a new plant as well as a new distribution center in anticipation of the expansion of the pachislot and pachinko machines business on a medium- to long-term basis. As the new plant and the new distribution center are scheduled to be completed and commence operations during the fiscal year ending March 31, 2013, the construction is expected to have minimal impact on the Company's results for the fiscal year ending March 31, 2012. Such impact shall be specifically disclosed as part of the results projection for the fiscal year ending March 31, 2013.

(3) Other

Changes in accounting principles, procedures, method of presentation associated with the preparation of the quarterly consolidated financial statements.

1. Application of Accounting Standard for Accounting Changes and Error Corrections

For accounting changes and corrections of prior period errors which are made after the beginning of the first quarter of the fiscal year ending March 31, 2012, "Accounting Standard for Accounting Changes and Error Corrections"(Accounting Standards Board of Japan (ASBJ) Statement No.24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

2. Application of Accounting Standard for Earnings Per Share

Effective from the first quarter of the fiscal year ending March 31, 2012, the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, issued on June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share"(ASBJ Guidance No. 4, issued on June 30, 2010) have been applied.

In calculation of the amount of diluted net income per share, the method of calculating rights of stock options that are to be confirmed after a certain period of time of employment has been changed; of the fair value of stock options, the amount related to future services to be provided to the Company is included in the amount that is assumed to be received by the Company through exercise of rights.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND MARCH 31, 2011

(Unit : Millions of Yen)

	Prior year (As of March 31,2011)	Current period (As of June 30,2011)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	149,006	133,489
Notes and accounts receivable – trade	56,468	45,571
Allowance for doubtful accounts	(472)	(410)
Short-term investment securities	42,412	16,500
Merchandise and finished goods	5,889	8,402
Work in process	14,916	17,326
Raw materials and supplies	15,567	17,988
Other	31,792	31,081
Total current assets	315,580	269,949
Noncurrent assets		
Property, plant and equipment		
Land	24,643	24,644
Other, net	32,497	33,397
Total property, plant and equipment	57,140	58,041
Intangible assets		
Goodwill	15,559	14,702
Other	7,195	7,486
Total intangible assets	22,754	22,189
Investments and other assets		
Investment securities	44,193	52,301
Other	20,338	19,035
Allowance for doubtful accounts	(1,382)	(1,350)
Total investments and other assets	63,149	69,985
Total noncurrent assets	143,044	150,216
Total assets	458,624	420,165

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND MARCH 31, 2011

(Unit : Millions of Yen)

	Prior year (As of March 31,2011)	Current period (As of June 30,2011)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	37,513	34,750
Short - term loans payable	2,857	1,544
Income taxes payable	26,310	1,294
Provision	3,473	1,535
Asset retirement obligations	185	176
Other	38,687	29,092
Total current liabilities	109,028	68,394
Noncurrent liabilities		
Bonds payable	29,608	32,771
Long - term loans payable	5,316	5,179
Provision for retirement benefits	12,656	12,887
Provision for directors' retirement benefits	1,203	1,089
Asset retirement obligations	1,848	1,893
Other	13,501	14,891
Total noncurrent liabilities	64,135	68,713
Total liabilities	173,163	137,107
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,784	119,783
Retained earnings	164,669	157,463
Treasury stock	(25,329)	(25,334)
Total shareholders' equity	289,077	281,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,350	16,192
Deferred gains or losses on hedges	(0)	(2)
Revaluation reserve for land	(5,969)	(5,969)
Foreign currency translation adjustment	(19,264)	(19,801)
Total accumulated other comprehensive income	(13,883)	(9,580)
Subscription rights to shares	406	555
Minority interests	9,861	10,216
Total net assets	285,461	283,057
Total liabilities and net assets	458,624	420,165

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 3 MONTHS ENDED JUNE 30, 2010 AND 2011

(Unit : Millions of Yen)

	Prior period From April 1,2010 To June 30,2010	Current period From April 1,2011 To June 30,2011
	Amount	Amount
Net sales	91,340	65,331
Cost of sales	52,949	39,780
Gross profit	38,391	25,551
Selling, general and administrative expenses	23,439	22,582
Operating income	14,951	2,969
Other income (expenses) :		
Interest income	115	84
Dividends income	213	262
Equity in earnings of affiliates	15	—
Gain on valuation of derivatives	105	—
Foreign exchange gains	—	15
Gain on investments in partnership	2	147
Interest expenses	(176)	(131)
Equity in losses of affiliates	—	(6)
Loss on valuation of derivatives	—	(7)
Bond issuance cost	—	(84)
Foreign exchange losses	(377)	—
Gain on sales of noncurrent assets	22	0
Gain on sales of subsidiaries and affiliates' stocks	—	9
Reversal of allowance for doubtful accounts	55	—
Reversal of recovery costs of video game arcades	106	—
Gain on outlawed debt	27	—
Loss on sales of noncurrent assets	(12)	(0)
Impairment loss	—	(66)
Loss on valuation of investment securities	—	(21)
Loss on disaster	—	(41)
The settlement payment for patent licensing	—	(3,500)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(1,179)	—
Other income	277	162
Other expenses	(443)	(168)
Subtotal	(1,246)	(3,344)
Income (loss) before income taxes and minority interests	13,704	(375)
Income taxes-current	6,368	1,488
Total income taxes	6,368	1,488
Income (loss) before minority interests	7,336	(1,863)
Minority interests in income	300	360
Net income (loss)	7,036	(2,224)

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 3 MONTHS ENDED JUNE 30, 2010 AND 2011

(Unit : Millions of Yen)

	Prior period From April 1,2010 To June 30,2010	Current period From April 1,2011 To June 30,2011
	Amount	Amount
Minority interests in income	300	360
Income (loss) before minority interests	7,336	(1,863)
Other comprehensive income		
Valuation difference on available-for-sale securities	522	4,846
Deferred gains or losses on hedges	88	(2)
Foreign currency translation adjustment	(1,191)	(538)
Share of other comprehensive income of associates accounted for using equity method	5	(2)
Total other comprehensive income	(575)	4,302
Comprehensive income	6,761	2,438
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	6,474	2,077
Comprehensive income attributable to minority interests	286	360

SEGMENT INFORMATION

1. Prior period (From April 1, 2010 to June 30, 2010)

(1) Information on the amounts of net sales, income (loss) by each reporting segment

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
(1) Sales to third parties	48,975	9,737	11,104	20,797	90,614	725	91,340
(2) Inter-segment sales and transfers	63	704	0	62	831	225	1,056
Total	49,039	10,442	11,104	20,859	91,445	951	92,396
Segment income (loss)	15,133	1,399	177	(636)	16,075	55	16,130

(Note) "Other" is the business segment not included in the reporting segments, and includes Information provider services, etc.

(2) Major differences between the total amount of income (loss) in the reporting segments and the operating income in the consolidated statement of operations for the first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	16,075
Segment income in Other	55
Elimination of inter segment transactions	(37)
General corporate expenses (note)	(1,140)
Operating income in the consolidated statement of operations for the first quarter of the fiscal year	14,951

(Note) General corporate expenses mainly consist of Group management expenses incurred by the holding company.

2. Current period (From April 1, 2011 to June 30, 2011)

(1) Information on the amounts of net sales, income (loss) by each reporting segment

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
(1) Sales to third parties	29,954	7,625	10,957	16,041	64,579	752	65,331
(2) Inter-segment sales and transfers	16	572	0	166	754	224	978
Total	29,971	8,198	10,957	16,207	65,333	976	66,310
Segment income (loss)	7,147	158	634	(3,856)	4,084	74	4,159

(Note) "Other" is the business segment not included in the reporting segments, and includes Information provider services, etc.

(2) Major differences between the total amount of income (loss) in the reporting segments and the operating income in the consolidated statement of operations for the first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	4,084
Segment income in Other	74
Elimination of inter segment transactions	9
General corporate expenses (note)	(1,199)
Operating income in the consolidated statement of operations for the first quarter of the fiscal year	2,969

(Note) General corporate expenses mainly consist of Group management expenses incurred by the holding company.