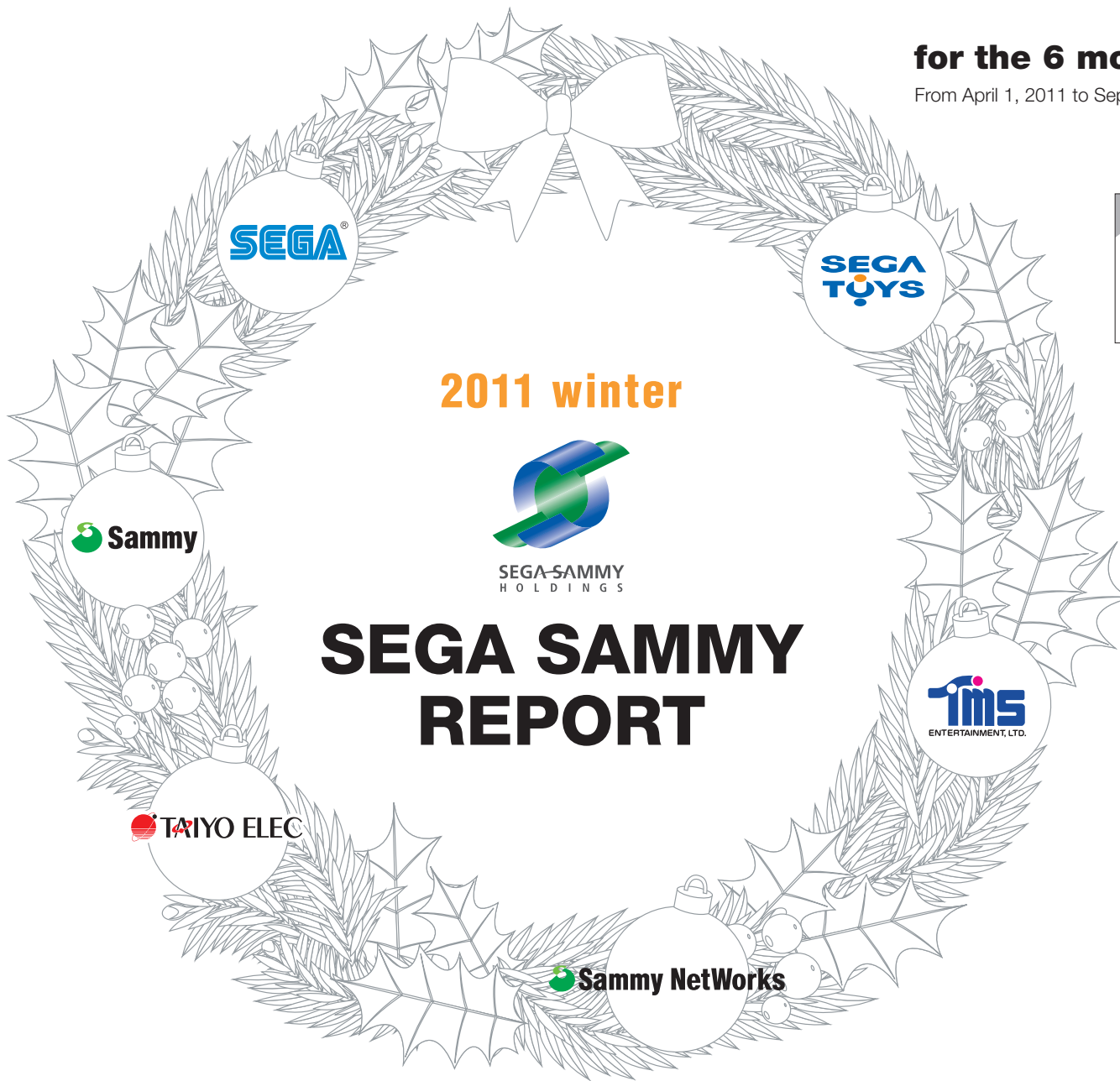


Business Report for the 6 months ended September 30, 2011

From April 1, 2011 to September 30, 2011

Winter
Edition

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We take an aggressive approach to business segments in order to be a market speed leader



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Dear shareholders,

The SEGA SAMMY Group has advanced initiatives to enhance our profitability through ongoing cost structure reforms. Furthermore, we have prepared a foundation for full use of the Group's comprehensive strengths through the conversion of a listed subsidiary into a wholly owned subsidiary. During the previous fiscal year and the first half of the fiscal year ending March 31, 2012, moving forward, we will move up to the stage where we can benefit from full-scale generation of synergistic effects, coming together as a group with the middle-term objective of returning consolidated operating income to JPY100.0 billion or higher. We look forward to your continued support in our endeavors.

December 2011

Hajime Satomi

SEGA SAMMY HOLDINGS INC.
Chairman of the Board and Chief Executive Officer
Chairman, Representative Director, and Chief Executive Officer of Sammy Corporation
Chairman, Representative Director, and Chief Executive Officer of SEGA CORPORATION

Looking back, what is your evaluation of the first half of the fiscal year ending March 31, 2012?

Operating results have exceeded those of the first-half plan announced at the start of the period, and we have made upward revisions to our results forecast.



During the first half of the fiscal year ending March 31, 2012, we had net sales of JPY152,602 million, operating income of JPY15,181 million, ordinary income of JPY14,716 million, and net income of JPY3,980 million, a drop in both sales and profits compared to the same period in the previous fiscal year, in which we had launched mainstay titles. However, results have compared favorably to the plan announced at the start of the period, and we have made upward revisions to both our first-half and full-year forecasts during the period.

In the Pachislot and Pachinko Machines Business segment, pachislot machine sales have remained strong. There were concerns of increased raw material procurement costs as a result of the Great East Japan Earthquake, but these have stayed at roughly the same level as the previous year, and our margin has improved. The Amusement Machine Sales Business and Amusement Center Operations segments have maintained positive positions due to an increased preference among consumers for more accessible entertainment. On the other hand, in the Consumer Business segment, while game software sales for the domestic market have remained strong, sales have struggled in the European and North American markets.

Net Sales
JPY 152.6 billion
(down 29.9% year on year)

Operating Income
JPY 15.1 billion
(down 67.7% year on year)

Please see page 3 for financial information up to the second quarter under review

In August 2011, TAIYO ELEC Co., Ltd. was converted into a wholly owned subsidiary. What will your management policy be going forward?

We will closely link the Group's management resources, aiming to produce synergistic effects and maximize profits.



During the previous fiscal year, the SEGA SAMMY Group converted three listed subsidiaries into wholly owned subsidiaries, working to prepare a foundation for further profit recovery and the continuous development of the Group. In August 2011, our remaining listed subsidiary, TAIYO ELEC, was converted into a wholly owned subsidiary by Sammy. In the future, we will further strengthen the cooperation between TAIYO ELEC and Sammy through measures such as our ongoing administration and sales department personnel exchanges, as well as exchanges between highly skilled pachislot and pachinko developers, leveraging the substantial intellectual property of the SEGA SAMMY Group, joint development which fuses each party's technologies, and more. Through this, we will further increase profits for the Pachislot and Pachinko Machines Business segment.

What were the factors that led to the upward revision of the full-year results forecast?

These revisions were made due to positive business progress in the Pachislot and Pachinko Machines Business, Amusement Machine Sales Business, and Amusement Center Operations segments.



In the Pachislot and Pachinko Machines Business segment, pachislot operation in pachinko parlors is doing extremely well, reflecting a clear market recovery. Our analysis has indicated that this will also lead to an increase in pachislot machine installation. "Hokuto No Ken," a mainstay title which will be launched in December, is performing extremely well with more than 160,000 units ordered as of the end of October. This far exceeds our initial forecasts. We are planning to launch additional major titles in the fourth quarter, and have upwardly revised our full-year sales forecast. On the other hand, the pachinko sales market is rather harsh. However, from an overall pachislot and pachinko machines market perspective, the environment is positive for the Company.

In the Amusement Machine Sales Business segment, one of the major titles for this fiscal year, "StarHorse3" was launched in November, and is selling well. In addition, we expect continued stable contributions to revenue by revenue sharing models. In the Amusement Center Operations segment, we are planning to install several major titles during the third quarter, including "StarHorse3," and intend to further increase sales by strengthening operational management capabilities and maximizing installation effectiveness for individual titles.

In the Consumer Business segment, an unforgiving sales climate continues to be expected for the new game software market overseas, but we plan to launch several mainstay titles during the latter half of the fiscal year, and our hopes are especially high for "Mario & Sonic at the London 2012 Olympic Games™." We are taking an aggressive approach to the smartphone and SNS content field, focusing on intellectual properties with proven track records. By steadily implementing measures in each of these business segments, we aim to achieve JPY440.0 billion in consolidated net sales, JPY77.0 billion in operating income, JPY75.5 billion in ordinary income, and JPY38.0 billion in net income.

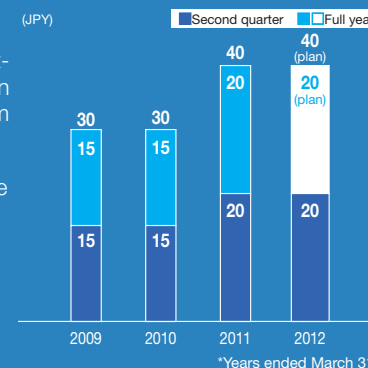
(Unit: JPY billion)	Year ended March 31, 2011 Results	Year ending March 31, 2012 Plan (Announced October 31, 2011)	Change (%)
Net sales	396.7	440.0	+10.9
Operating income	68.7	77.0	+12.0
Ordinary income	68.1	75.5	+10.9
Net income	41.5	38.0	-8.4

Notice of Dividends

The Company decided at the meeting of Board of Directors, held on October 31, 2011, to pay an interim dividend for the 8th term as follows.

- Interim dividend of JPY20 per share
- Year-end dividend of JPY20 and full-year cash dividends of JPY40 are planned.

- Effective date (payment start date) December 2, 2011



Finally, a word to shareholders, please.

We will proactively engage in investments in order to achieve corporate growth, while paying dividends to shareholders aligned with our level of profits.



Our capital expenditures are expected to be greater than those in our initial plan, due to the construction of new pachislot and pachinko machine plants and distribution centers primarily for the Sammy brand. We consider the creation of an infrastructure that enables us to respond in a timely fashion to increased future orders to be a key strategic issue, have secured 39,378 square meters of land adjacent to an existing plant, and began construction of these new facilities in November. By improving our production and distribution capabilities, we aim to achieve further expansion of pachislot and pachinko machine sales. We will actively shift Group management resources to the smartphone and SNS content business, which continues to experience dramatic growth, as well as being a growth field for the SEGA SAMMY Group, while also considering mergers and acquisitions.

While investing for growth, we will also pay dividends to shareholders aligned with our level of profits. We plan to pay interim dividend of JPY20, year-end dividend of JPY20, and full-year cash dividends of JPY40. Between August 1 and September 5 of this year, we acquired 5 million shares in treasury stock.

We ask for and appreciate the continued understanding and support of our shareholders in the Company's business activities.



Key Points of Financial Results by the numbers (First Half)

Other key numbers

JPY **152.6** billion

Net sales

During the second quarter under review, net sales decreased versus the same period in the previous fiscal year, because launches of mainstay titles in the Pachislot and Pachinko Machines Business segment are disproportionately timed during the latter half of the fiscal year, and the earthquake caused a temporary drop in replacement demand for new machines. However, since we are planning to launch mainstay products during the latter half of the fiscal year, the full-year plan calls for increased net sales. The Amusement Machine Sales Business and Amusement Center Operations segments have remained strong, and the Consumer Business segment is doing well domestically but is faltering overseas.

JPY **15.1** billion

Operating income

Profits fell by 67.7% from the same period in the previous fiscal year, but cost improvements in the Pachislot and Pachinko Machines Business segment and operation management capability improvements in the Amusement Center Operations segment resulted in an increase in profits in line with our initial plan of JPY1.5 billion.

1.6 million downloads

Number of Kingdom Conquest downloads

In the smartphone and SNS content business, which we have positioned as a growth field and are actively pursuing, total downloads of "Kingdom Conquest," launched in the previous fiscal year, have exceeded 1.6 million.

Pachislot
50,000 units → **310,000** units
(First half) (Full year)

Pachinko
180,000 units → **400,000** units
(First half) (Full year)

Number of pachinko and pachislot machines sold

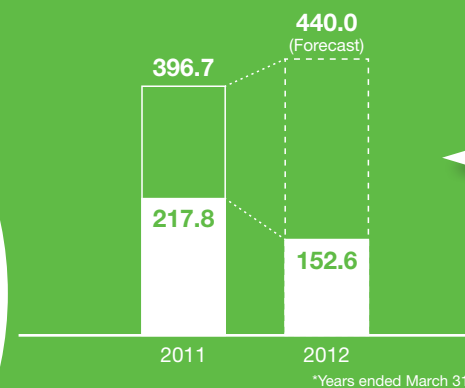
The number of pachislot machines sold exceeded our initial plans, but the launches of some of our planned pachinko machine titles were delayed until the third quarter or later, resulting in a decrease versus the same period in the previous fiscal year. For the full fiscal year, our forecasts are for sales of 310,000 pachislot machines, and 400,000 pachinko machines.

101.2%

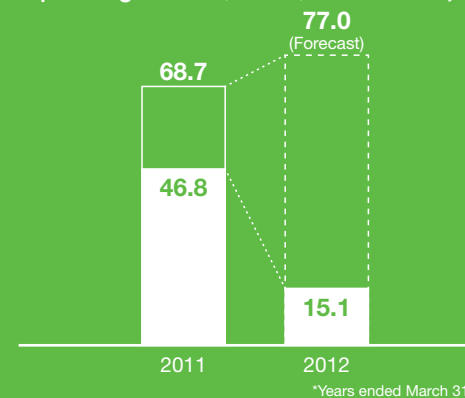
Net sales by existing SEGA amusement centers in Japan

Supported by the improving amusement market environment, and enhancements in the operation management capabilities of existing amusement centers, net sales rose to 101.2% of the level achieved in the same period in the previous fiscal year.

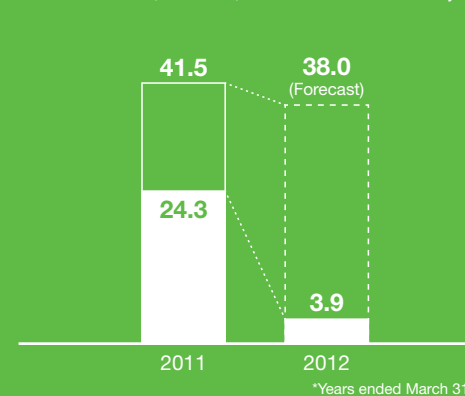
Net Sales(JPY billion) ■ First half □ Full year



Operating Income(JPY billion) ■ First half □ Full year



Net Income(JPY billion) ■ First half □ Full year



Please see page 13 for detailed financial information.

Pachislot and Pachinko Machines Segment

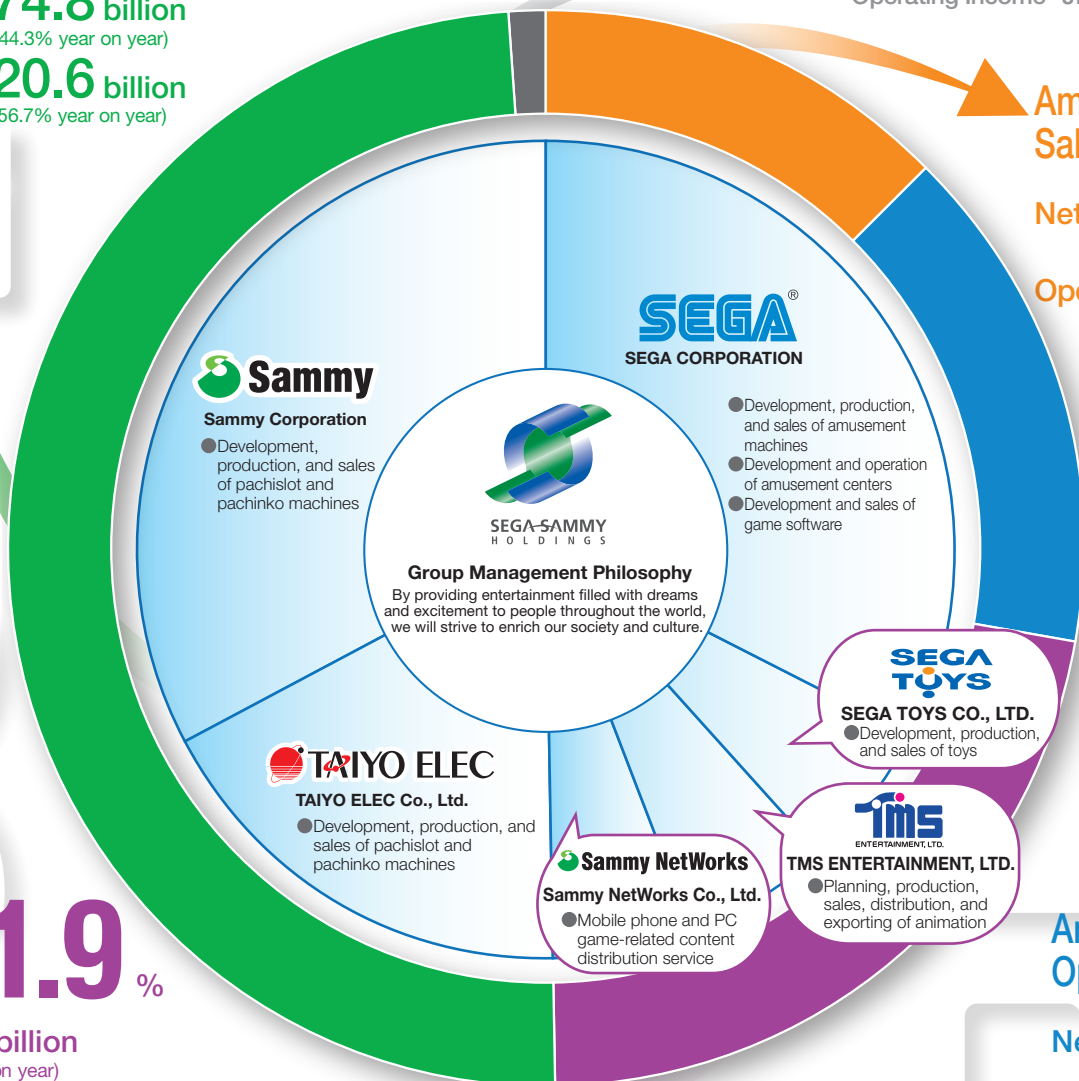
Net Sales

49.0%
JPY74.8 billion
 (down 44.3% year on year)
JPY20.6 billion
 (down 56.7% year on year)

Operating Income



Composition of Net Sales by Business Segment



Other **1.1%**

Net Sales **JPY1.6 billion** (up 6.7% year on year)
 Operating Income **JPY0.2 billion** (up 100.0% year on year)

Amusement Machine Sales Segment

12.7%

Net Sales **JPY19.3 billion**
 (down 1.5% year on year)
 Operating Income **JPY1.5 billion**
 (down 21.1% year on year)

Amusement Center Operations Segment

15.2%

Net Sales **JPY23.2 billion**
 (down 1.7% year on year)
 Operating Income **JPY1.6 billion**
 (up 45.5% year on year)

Consumer Business Segment

21.9%

Net Sales **JPY33.4 billion**
 (down 13.7% year on year)
 Operating Loss **JPY6.0 billion**
 (-)



Sammy Corporation
 ● Development, production, and sales of pachislot and pachinko machines



- Development, production, and sales of amusement machines
- Development and operation of amusement centers
- Development and sales of game software



Group Management Philosophy
 By providing entertainment filled with dreams and excitement to people throughout the world, we will strive to enrich our society and culture.



TAIYO ELEC Co., Ltd.
 ● Development, production, and sales of pachislot and pachinko machines



SEGA TOYS CO., LTD.
 ● Development, production, and sales of toys



TMS ENTERTAINMENT, LTD.
 ● Planning, production, sales, distribution, and exporting of animation



Sammy NetWorks Co., Ltd.
 ● Mobile phone and PC game-related content distribution service



Segment Information

Pachislot and Pachinko Machines Segment



Composition of Net Sales **49.0%**

Net Sales

JPY **74.8** billion

(down **44.3%** year on year)

Operating Income

JPY **20.6** billion

(down **56.7%** year on year)

Net Sales (JPY billion) Operating Income (JPY billion)
■ First Half ■ Full Year



Key Points for the First Half

Market Environment

- ▶ Due to the impact of supply chain interruptions and fear of power shortages, new unit replacement demand temporarily declined
- ▶ Pachinko parlor operations appear to be recovering

Results

● Pachinko

The launches of some titles have been delayed until the third quarter or later

Primary Factors

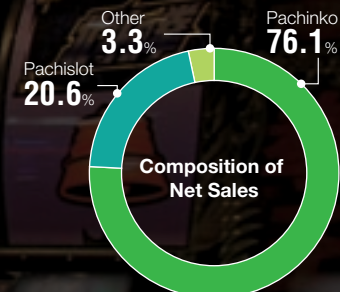
- ▶ Sales of several titles have been strong, but the launches of some titles have been delayed until the third quarter or later, resulting in a decrease in units sold compared to the same period in the previous fiscal year

● Pachislot

Strong sales of multiple titles

Primary Factors

- ▶ Several newly launched titles are performing well and exceeding plans
- ▶ Launches of new mainstay titles are disproportionately timed during the latter half of the fiscal year, resulting in the number of machines sold falling below that of the same period in the previous fiscal year



Composition of Net Sales

Number of Main New Machines Sold up to the Second Quarter

● Pachinko

- Sammy "Pachinko CR ALADDIN NEO" **57,455** units
- Sammy "Pachinko CR Hokuto No Ken Yuria" **20,449** units
- Sammy "Pachinko CR Hokuto No Ken Falco" **15,021** units

● Pachislot

- RODEO "Kaze no Yojimbo 2" **23,439** units
- Sammy "Pachislot Kaitou Tenshi Twin Angel 3" **12,345** units
- TAIYO ELEC "GINTOKIN" **9,299** units

*Pachislot Kaitou Tenshi Twin Angel 3" unit sales include shipments up to the second quarter

In Focus

Rushing winds (kaze) build into the rhythm of a storm (arashi)!

RODEO's "Kaze no Yojimbo 2" carries on the world view of its predecessor, but with an all-new, original story. The truth unfolds through the game's ART. It sets the groundwork for even greater enjoyment as an original novel told via Myslot, linking the mobile phone site and pachislot machine.

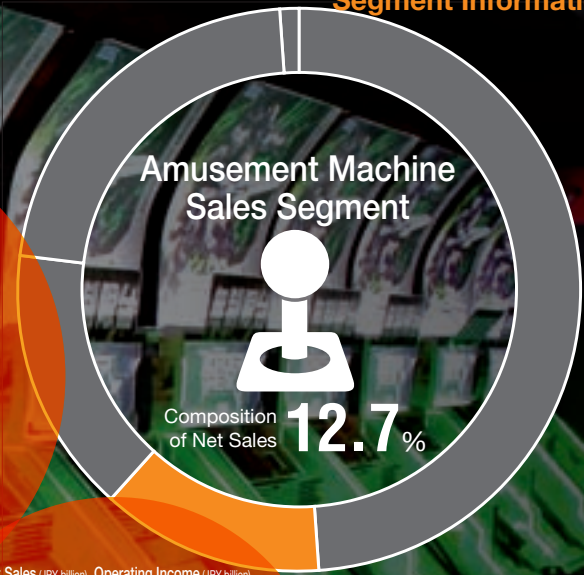


*"Kaze no Yojimbo 2" (RODEO)
© Kurosawa Production/Sammy/DENTSU/Pierrot/NTV © Sammy © RODEO

Key Points for the Full Year

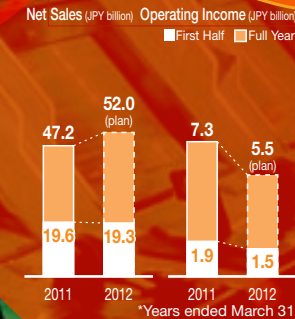
Several major titles will be launched during the latter half of the fiscal year. Increased sales and profits are expected

- ▶ Orders for "Pachislot Hokuto No Ken," to be installed in December, are doing exceptionally well. As of the end of October, orders had been received for more than 160,000 units
- ▶ We are planning to launch additional major titles in the fourth quarter
- ▶ In terms of pachinko machines, launches of the mainstay titles "Pachinko SOUTEN-NO-KEN" and "Ryuga Gotoku Kenzan!" are planned for the third quarter
- ▶ Cost improvement measures, centering on reuse of components, are also contributing, and margin improvement is expected



Net Sales
JPY 19.3 billion
 (down 1.5% year on year)

Operating Income
JPY 1.5 billion
 (down 21.1% year on year)



Key Points for the First Half

Market Environment

- ▶ The market remained strong due to factors including an increased preference among consumers for more accessible entertainment

Results

- Net sales and profits have both declined compared to the same period in the previous fiscal year, but have exceeded our initial plans

Primary Factors

- ▶ Sales of “SEGA NETWORK MAHJONG MJ5” have been strong
- ▶ Revenue sharing model operation has resulted in continued strong distribution revenue
- ▶ The amusement center market has recovered, resulting in positive sales of consumables such as cards

Key Points for the Full Year

A temporary rise in costs is expected due to the introduction of new boards for certain titles, so while sales are expected to rise, profits are expected to fall

- ▶ Sales of our mainstay title, “StarHorse3 Season I A NEW LEGEND BEGINS.” (November) are strong
- ▶ Revenue sharing model operation is contributing to stable revenue
- ▶ A temporary rise in costs is expected due to the introduction of new boards for certain titles

Main Titles Sold up to the Second Quarter

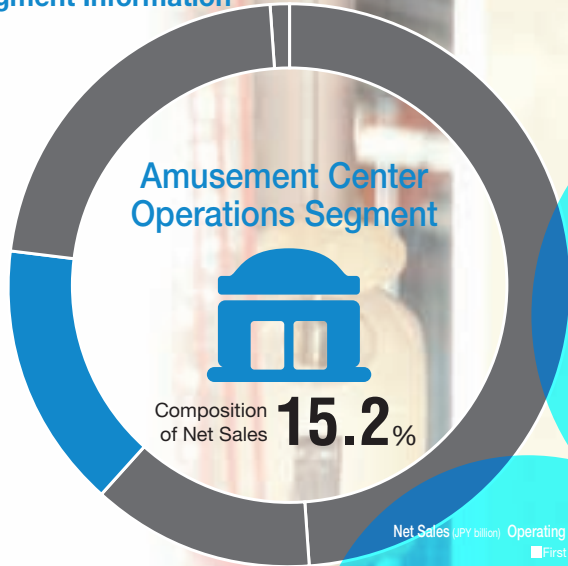
- SEGA NETWORK MAHJONG MJ5 (video game)
- “BORDER BREAK” series (video game)
- WORLD CLUB Champion Football Intercontinental Clubs 2010-2011 (trading card game)

In Focus

The newest game in the SEGA NETWORK MAHJONG “MJ Series,” “SEGA NETWORK MAHJONG MJ5,” is finally here!

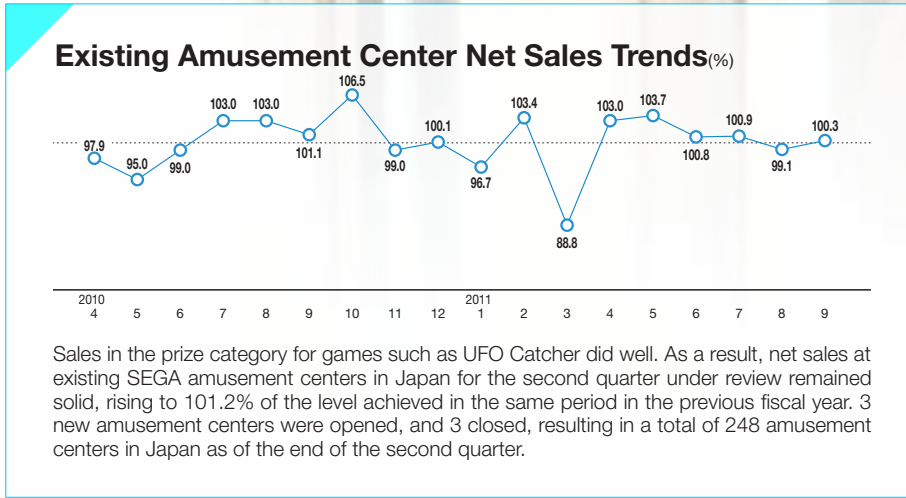
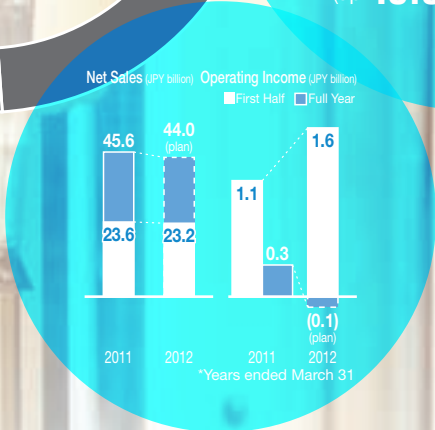
This game offers unparalleled realism of mahjong, replicating the look of fully automated mahjong tables and the feel of mahjong tiles. It now offers a player rating (“R”), indicating player skill. Polished presentation in a variety of scenes is certain to heat up the mahjong table!





Net Sales
JPY **23.2** billion
(down **1.7%** year on year)

Operating Income
JPY **1.6** billion
(up **45.5%** year on year)



Key Points for the First Half

Market Environment

- ▶ Consumer preferences have turned toward more accessible entertainment, strengthening the market
- ▶ Expectations are high for amusement center operators showing more investment appetite in the future in response to this strengthened market

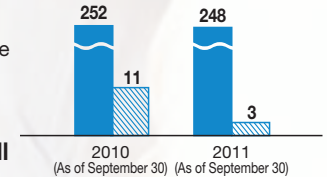
Results

- Existing SEGA amusement centers in Japan are doing well While posting lower sales than the same period in the previous fiscal year, profits are up

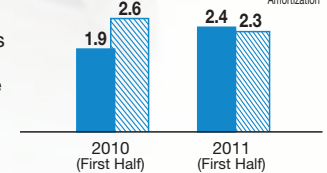
Primary Factors

- ▶ Operational management capabilities of existing amusement centers have been strengthened, and as a result, net sales at existing SEGA amusement centers in Japan remained solid, rising to 101.2% of the level achieved in the same period in the previous fiscal year

Trends in the Number of Amusement Centers in Japan and Overseas (Locations)



Trends in Capital Expenditure / Depreciation and Amortization (JPY billion)



Key Points for the Full Year

Initial plans have been exceeded, but sales are expected to fall below those of the previous fiscal year, and losses are expected to be posted

- ▶ Led by positive movement up to the second quarter, our goal for the full year is to achieve net sales equal to 100% of those achieved in the previous fiscal year for existing SEGA amusement centers in Japan
- ▶ We will maximize the installation effectiveness of our major mainstay titles, such as "StarHorse3 Season I A NEW LEGEND BEGINS." (November) in order to further strengthen operations
- ▶ Capital expenditure and depreciation and amortization are higher than the previous fiscal year

Net Sales
JPY33.4 billion
 (down 13.7% year on year)

Operating Loss
JPY6.0 billion
 (-)

Consumer Business Segment



Composition of Net Sales **21.9%**

Net Sales (JPY billion) Operating Income (JPY billion)



Key Points for the First Half

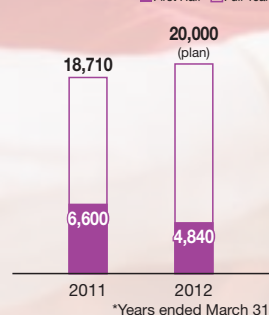
Market Environment

- ▶ Overseas, harsh market environments have led to poor sales of new titles for home video game consoles
- ▶ Demand is growing in new content markets, such as SNS and smartphones

Results

- Lower sales than the same period in the previous fiscal year, and increased losses

Unit Sales of Home Video Game Software
 (Unit sales: in thousands)



Primary Factors

- ▶ Unit sales of game software have dropped compared to the same period in the previous fiscal year
- ▶ Operating expenses such as amortization of goodwill have risen
- ▶ Over 1.6 million downloads of "Kingdom Conquest" (iOS)
- ▶ With respect to toys, domestic sales of "Anpanman" series and "Jewelpod" remain strong
- ▶ With regards to the animation business, "Anpanman" merchandizing royalties and distribution revenue from the "Detective Conan" theatrical release are performing well

Key Points for the Full Year

Increased sales and decreased profits are planned due to increases in operating expenses such as amortization of goodwill

- ▶ Planned unit sales of game software for the full year of 20 million
- ▶ We will launch mainstay titles for the overseas market, such as "Mario & Sonic at the London 2012 Olympic Games™," and "Sonic Generations"
- ▶ We plan to launch the "Football Manager Online" online game service in Korea
- ▶ "Sammy 777 Town" will be released for smartphones
- ▶ With respect to toys, we will focus our efforts on the sales expansion of the "Zoobles," "Jewelpod," and "Anpanman" series
- ▶ With regards to the animation business, we will begin production of a new TV series, and also initiate production cost improvement initiatives

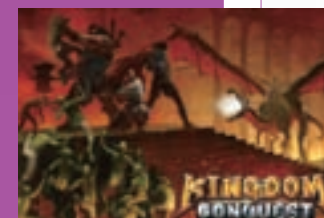
Main Items Sold up to the Second Quarter

Game Title	(Sales Region)	Platform
Captain America: Super Soldier	(US / Europe)	PS3, Xbox360, Wii, NDS
RISE OF NIGHTMARES	(Japan / US / Europe)	Xbox360
Sakatsuku7 EURO PLUS	(Japan)	PSP
Other Game Content	(Service Name)	Platform
Kingdom Conquest	Download (Microtransaction)	iOS
Ryu ga Gotoku Mobile for GREE	(SNS)	GREE

In Focus

Over 1.6 million downloads worldwide! "Kingdom Conquest"

Kingdom Conquest is an original multi-player RTS (Real-Time Strategy) game for iOS devices such as the iPhone, iPod touch, and iPad. It is a microtransaction based free-to-play game. It was launched first in the United States and Europe, followed by Japan in January 2011.



Looking back with a "Key Person"



Review of Activities up to the Second Quarter



SEGA and BBC Worldwide Limited, a fusion of nature and technology



Partnership Contract Signed for Entertainment Park

In June 2011, SEGA CORPORATION and BBC Worldwide Limited (UK, hereinafter "BBCW") announced the signing of a partnership deal for the development and operation of an entertainment park using visual images from the nature documentaries of "BBC EARTH," produced by the British Broadcasting Corporation (BBC).

"BBC EARTH" is the global brand for the contents of nature programming produced by the BBC over the past 50 years. Using groundbreaking new filming techniques to create images of extraordinary beauty, this collection represents the world's finest visual contents of nature in all its authenticity and mystery.

The partnership allows SEGA CORPORATION to combine its technological, planning and development strengths with the BBC's visual contents, in order to create a unique space where people can feel close to "Mother Nature," and enjoy a revolutionary new learning experience through entertainment. We plan to develop an entertainment facility, including attractions utilizing the "BBC EARTH" footage, with the opening scheduled for the Spring of 2013. The park, covering an area of approximately 4,000 square meters, will be located in the Minato Mirai 21 area in Yokohama.

Furthermore, this partnership opens up the possibility of a new global category in the entertainment business. Therefore, we aim to further increase our corporate value by building on this development, with a view to future expansion in the United States and other countries abroad.

BBCW also anticipates greater customer exposure worldwide for its "BBC EARTH" brand as its abundant resources find a broader range of applications.



Key Person

**A word from Okitane Usui,
President of SEGA CORPORATION**

I am deeply delighted to work in partnership with BBCW, which possesses the finest library of natural history footage in the world. I am convinced that the combination of this outstanding visual content of "BBC EARTH" with SEGA's technological expertise will provide an opportunity to experience nature in a completely new way. Through the development of this park on the universal theme of "nature," we will create an entirely new form of entertainment that will be enjoyed by men and women of all ages and cultures.



© Sammy



Sammy

Event Held for Fans of "Pachislot Kaitou Tenshi Twin Angel 3"

On September 25, fans of the "Pachislot Kaitou Tenshi Twin Angel 3" were invited to an event held in Akihabara, Tokyo where they could try out pachislot machines, hear a live performance by "ave;new project," and visit the "twin angels project" booth, among other attractions. Thousands of fans enjoyed the event, with approximately 2,000 people in attendance, while more than 90,000 watched the live broadcast online on "NICO NICO LIVE."



“THE PRINCESS AND THE PILOT” Animated Movie in Nationwide Release October 2011!

The film version of Koroku Inumura’s 2008 novel “THE PRINCESS AND THE PILOT” (published by Shogakukan) opened in theatres across Japan on October 1, 2011. The film was made by TMS ENTERTAINMENT, LTD., producing high quality animation films over 40 years, in association with the following corporations: Shogakukan Inc., BANDAI VISUAL CO., LTD., Sammy Corporation, Movic Co., LTD., TV TOKYO MEDIANET, INC., TOPPAN PRINTING CO., LTD., Kids Station Inc., and TOKYO THEATRES COMPANY, INCORPORATED; the film was jointly financed through the production committee method. The novel struck a chord with many people, finding popularity with a wide range of readers, and was made into a radio play and a manga comic, after which many fans expressed the desire to see it made into an animated film. A talented team of well-known professionals, including the director, screenwriter, character designer, and voice actors, came together to make the film, producing a highly accomplished work of great beauty.



© 2011 Koroku Inumura, Shogakukan/Toaru Hikuushiheno Tsuboku Project



Total Sales for the Home Planetarium “HOMESTAR” Series Top 500,000!

The “HOMESTAR” series, which has enjoyed great popularity since its introduction, was developed with the cooperation of Mr. Takayuki Ohira, who holds a Guinness record for his planetarium creation. The “HOMESTAR” is the world’s first home planetarium that features the same projection optics as used in industrial projectors. The “HOMESTAR AQUA,” released in January 2010, allows people to enjoy a sky full of 10,000 stars in the comfort of their bath or living room. This reasonably priced item has been a big hit with women in their late teens to 40s, selling over 120,000 units to date. We have further expanded the series, introducing in June 2011 the “HOMESTAR Travel,” which combines the night skies of six different world locations in one device, and the “HOMESTAR R2-D2,” in the shape of the **STAR WARS** film character, in September.



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Aiming at a Greater Share of the Market TAIYO ELEC Co., Ltd. Made Wholly Owned Subsidiary

TAIYO ELEC Co., Ltd. has built a strong operating base in today’s pachislot and pachinko industry through its development of pachinko and pachislot machines featuring rich dramatic effects created through visuals and sound, and game elements of an originality far ahead of their time and information. In March of 2007, the company began a business and capital tie-up with Sammy Corporation, which allowed them to strengthen their business operations base, while increasing their competitiveness in the pachislot and pachinko industry. In order to maintain the operation’s level of growth, it was decided that the partnership should be strengthened and that business operations needed to be thoroughly integrated into the SEGA SAMMY Group. Therefore, an exchange of shares was conducted, making TAIYO ELEC Co., Ltd. a wholly owned subsidiary of Sammy Corporation as of August 1. Bearing in mind the importance of a multi-brand strategy, Sammy and TAIYO ELEC will continue to use their respective brands, aiming to further increase brand power while maximizing the Group’s earnings.

Key Person

A word from Yuichi Amari,
President of TAIYO ELEC Co., Ltd.

On August 1, 2011, I took on the job of President and Representative Director of TAIYO ELEC Co., Ltd.

Having two core businesses in the pachinko machine and pachislot machine operations is the great strength of the SEGA SAMMY Group.

The Group as a whole currently dominates the pachislot machine market with a share of approximately 30%, but has only 10% of the pachinko machine market. We aim to take advantage of the synergy generated by becoming a wholly owned subsidiary to create big titles that will allow us to gain a leading share in the pachinko machine market within the next five years.





82nd Japan Amateur Baseball Championships

The SEGA SAMMY Group believes that sports bring us dreams and drama, and are an important contribution to culture. Our amateur baseball team, the SEGA SAMMY Baseball Club, participated in the 82nd Japan Amateur Baseball Championships, started on October 22, 2011. Unfortunately, our first outing did not meet with success; even so, we were very pleased with the number of people who turned out to give us warm encouragement.



Key Person

A word from Coach Nishizume, SEGA SAMMY Baseball Club

I would like to express my appreciation for the support that the shareholders have shown for our baseball club. Unfortunately, our performance at the Japan Amateur Baseball Championships did not live up to expectations. For next year, we will work hard to have a spirited team for you to cheer for. We thank you for your ongoing support and encouragement.



Other main news (April 1 to September 30, 2011)

May **TMS** **TOYS** Held "BAKUGAN Battle Championships Japan Finals in Spring 2011"

June **SSHJ** General Meeting of Shareholders
SEGA Participated in the U.S. E3 Show
TOYS Participated in International Tokyo Toy Show
TOYS SEGA TOYS awarded the Awards for Excellence at "Japan Toys Grand Prize 2011" in five categories

July **TMS** Release of theater animation series No. 23 "Anpanman"
Sammy Release of "Pachinko CR ALADDIN NEO"
SEGA Contract signed with EA for game distribution in Japan

Sept. **SEGA** Participated in TOKYO GAME SHOW
SEGA Participated in The 49th Amusement machine show
SNW Established official Twitter account for SAMMY Group's original "Myslot" service



CSR Column, vol.1

Great East Japan Earthquake Volunteer Efforts in the Affected Area

The Orange Squad comes every Wednesday!

The SEGA SAMMY Group has donated JPY200 million to assist the victims of the Great East Japan Earthquake and to support revitalization of the affected area, in addition to which Group companies are carrying out a variety of activities in aid of the Tohoku region.

The "SEGA SAMMY Group Disaster Assistance Volunteers," started by company employees at the end of June, is continuing its work in the area.

By the end of November, 12 visits were made to the area, and a total of 144 members had taken part in activities such as clearing sludge and sand from the floors and eaves of houses, automobile factories, and barns; cleaning greenhouses, parks, and forestry roads; and removing rubble, mainly in Higashi Matsushima and Shichigahama in Miyagi Prefecture.

We will continue these volunteer activities while responding to the needs of the people in the affected area.



Key Person

A word from Naoko Noguchi, New Project Division, Sammy NetWorks Co., Ltd.

Seeing the site become steadily cleaner gives me a real sense of satisfaction, but on the other hand, when I realize that it's only gotten this far in the four months since the disaster because of hundreds of small efforts like ours, the end seems a long way away. I am committed to helping out for the long term, and will keep looking for ways I can contribute, even a little. And it would be good if we could give some support in the form of entertainment.

Key Person

A word from Takayuki Kawagoe, Senior Executive Officer and General Manager, Development Strategies Planning Division, SEGA CORPORATION

I learned that volunteer help was still needed in the revitalization effort, especially with regard to houses, so that people can get back to their normal lives. I want to keep on doing this support work, and I hope I can help get things back to normal so that people can once again relax and enjoy the entertainment contents our company has to offer.



A second half bursting with new products and titles!

Two Versions of the Reborn Hokuto: Simultaneous Release of Two New Models of Our Star Title!

On September 30, we announced the simultaneous release of two new models of our star title and leading performer for the year. The new pachinko machine model, “Pachinko SOUTEN-NO-KEN,” arrived on the scene, following on the overwhelming popularity of its predecessor, which sold more than 90,000 units. This model features the “no sorting of number of jackpot rounds” specifications that are popular with players, and makes all jackpot patterns ALL 15 rounds. In addition, the model features elimination-style Battle Bonus “Jackpot Rounds,” during which expectation levels are varied through the different characters that appear.

The powerful battle effects refined in the “Hokuto No Ken” have been fully incorporated into the new model, faithfully recreating the dramatic love story of the original, inviting all players into a new Hokuto world.

The new pachislot machine “Pachislot Hokuto No Ken” was also launched. With this, we offer “the ultimate specifications” to all fans of Hokuto, perfectly reincarnating the first “Pachislot Hokuto No Ken,” a huge hit that sold approximately 620,000 units. Here, the fatal battle between Kenshiro and Raoh is brought back to life. Using the new specialized “Tensei” chassis with the “Hokuto Shutter,” the ART is fully loaded with new elements, including “extra games” and “extra game zone.” All the latest trends are featured, along with many new and original features not found anywhere else.



Key Person

A word from Toshiimi Kumagai,
Executive Officer of Sammy Corporation

It takes confidence to release two new models of major titles at the same time. The “Pachinko SOUTEN-NO-KEN” is based on exhaustive market research to reflect market needs, and should be an even bigger hit than its predecessor. As a refined battle style max machine, it rivals the “CR Hokuto No Ken” series in terms of content.

The “Pachislot Hokuto No Ken” is based on the concept of “returning to our roots,” and is a perfect recreation of early machines. We are proud to say that this model will be the salvation of the pachislot market, drawing in new users and inactive users, as well as core fans.

Please try out the two all new Hokuto models, the product of the latest advances in the evolution of pachinko and pachislot history.



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Latest Release in “StarHorse” Series, the Gold Standard of Horse-Racing Medal Games

Horse-racing medal games are among the most popular of arcade attractions. The “StarHorse” series, which can be said to be the gold standard of such games, is releasing its long-awaited new version this winter, entitled “StarHorse3 Season I A NEW LEGEND BEGINS.” The chassis used on the acclaimed earlier version, “StarHorse2,” has been further refined, and the main monitor and satellite have been significantly upgraded in this even more lavish makeover. Based on actual race results, the latest data such as the strength of the horse, and level of future expectations, are updated every month through the “latest generation report.” Other enhancements include implementation of the “Legend Mode,” in which players can try winning by owning and training well-known actual horses. Enjoyed by all, this game is a central attraction in every game center.

StarHorse3
Season I A NEW LEGEND BEGINS.



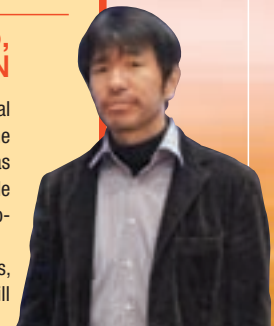
© SEGA

Key Person

A word from Naoyuki Sato,
Producer of “StarHorse3,” SEGA CORPORATION

The “StarHorse” series, which first appeared in the year 2000 as a commercial horse-racing medal game, has been repeatedly revised, and is now in its 12th version. Having led the commercial game market for more than a decade, the game has faced the challenge of continually evolving, and has steadily won new fans. In response to demand, we have recently upgraded the hardware to include reclining seats for two players, and built-in movable LCDs. New elements have also been incorporated into the software.

Furthermore, we have implemented promotional strategies to effectively attract horse-racing fans, thus raising public awareness of the “StarHorse” brand in hopes that more and more people will have a chance to enjoy this game.



Overview of Consolidated Balance Sheets (Unit: JPY Billion)

Factors Affecting Assets

Total assets stood at JPY460.9 billion, up JPY2.3 billion from the previous fiscal year-end.

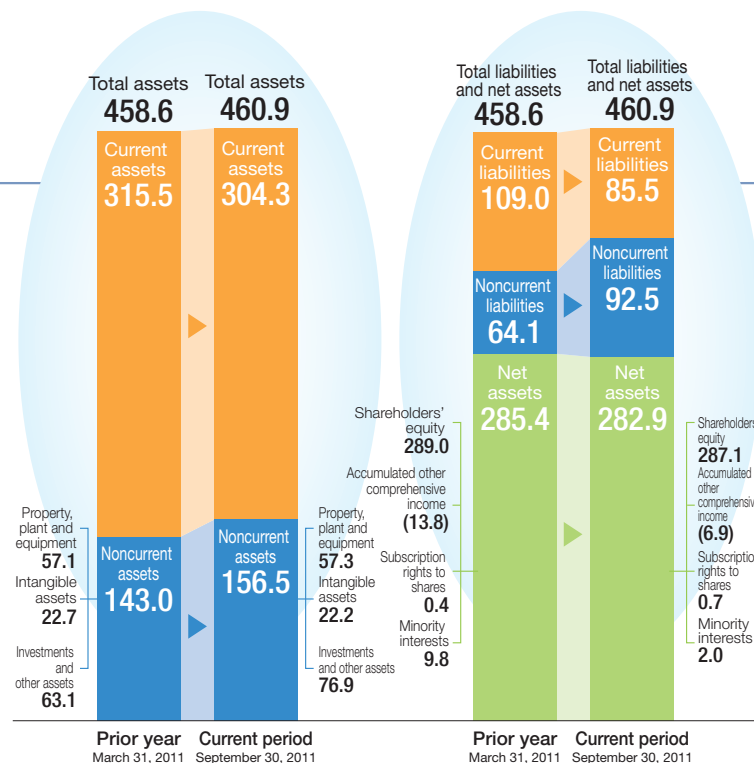
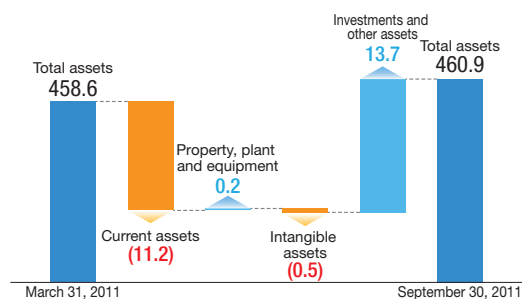
● Current assets decreased by JPY11.2 billion.

Factors ▶ A decrease due to tax payments, etc.

● Noncurrent assets increased by JPY13.5 billion.

Factors ▶ An increase reflecting a rise in the market value of securities

● Current ratio remained at a high level of 356.0%, an improvement of 66.6 percentage points from the previous fiscal year-end.



Factors Affecting Liabilities and Net Assets

Total liabilities increased by JPY4.9 billion from the previous fiscal year-end.

● Current liabilities decreased by JPY23.5 billion.

Factors ▶ Short-term loans payable increased by JPY5.1 billion
▶ Income taxes payable decreased by JPY21.1 billion

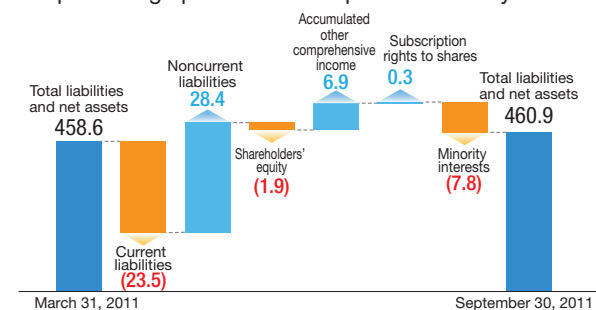
● Noncurrent liabilities increased by JPY28.4 billion.

Factors ▶ Long-term loans payable increased by JPY25.3 billion

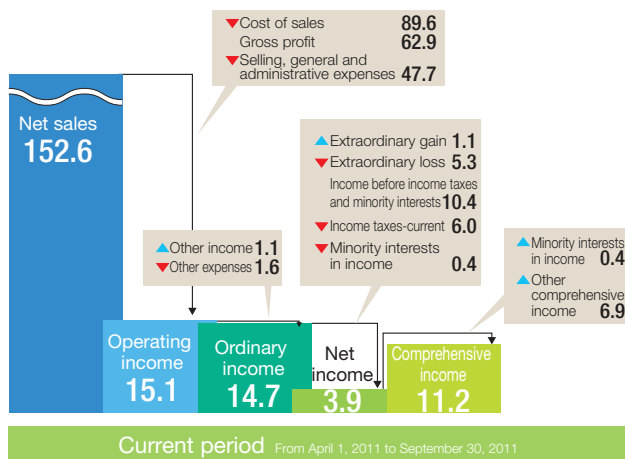
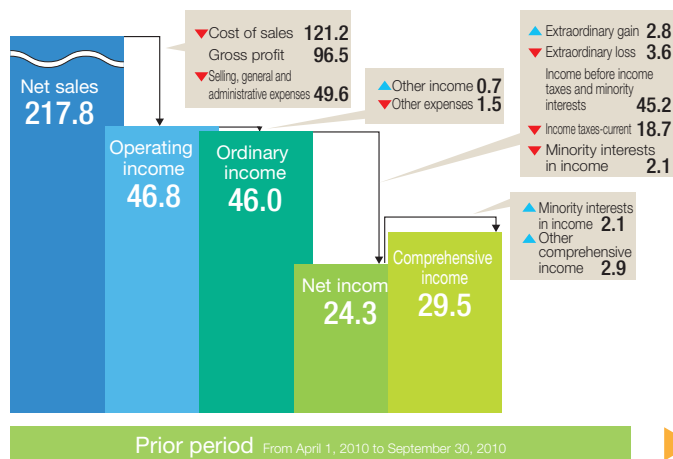
Total net assets decreased by JPY2.5 billion from the previous fiscal year-end.

Factors ▶ Valuation difference on available-for-sale securities increased by JPY8.7 billion
▶ Minority interests decreased by JPY7.8 billion

Equity ratio as of September 30, 2011 was 60.8%, up 0.8 percentage points from the previous fiscal year-end.



Overview of Consolidated Statements of Income and Comprehensive Income (Unit: JPY Billion)



Net Income

Net income for the first half of the fiscal year ending March 31, 2012 amounted to ¥3.9 billion, a decrease of 83.7% for the same period in the previous fiscal year.

Company Profile (As of September 30, 2011)

Company Name	SEGA SAMMY HOLDINGS INC.																				
URL	http://www.segasammy.co.jp/english/																				
Established	October 1, 2004																				
Capital	JPY29.9 billion																				
Number of Employees	6,057 (Consolidated)																				
Directors and Auditors	<table border="0"> <tr> <td>Hajime Satomi</td> <td>Chairman of the Board and Chief Executive Officer</td> </tr> <tr> <td>Keishi Nakayama</td> <td>Executive Vice President and Representative Director</td> </tr> <tr> <td>Okitane Usui</td> <td>Director</td> </tr> <tr> <td>Hisao Oguchi</td> <td>Director and CCO (Chief Creative Officer)</td> </tr> <tr> <td>Yuji Iwanaga</td> <td>Director</td> </tr> <tr> <td>Takeshi Natsuno</td> <td>Director</td> </tr> <tr> <td>Tomio Kazashi</td> <td>Standing Corporate Auditor</td> </tr> <tr> <td>Toshio Hirakawa</td> <td>Corporate Auditor</td> </tr> <tr> <td>Hisashi Miyazaki</td> <td>Corporate Auditor</td> </tr> <tr> <td>Mineo Enomoto</td> <td>Corporate Auditor</td> </tr> </table>	Hajime Satomi	Chairman of the Board and Chief Executive Officer	Keishi Nakayama	Executive Vice President and Representative Director	Okitane Usui	Director	Hisao Oguchi	Director and CCO (Chief Creative Officer)	Yuji Iwanaga	Director	Takeshi Natsuno	Director	Tomio Kazashi	Standing Corporate Auditor	Toshio Hirakawa	Corporate Auditor	Hisashi Miyazaki	Corporate Auditor	Mineo Enomoto	Corporate Auditor
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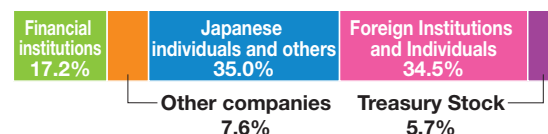
Information on Outstanding Shares (As of September 30, 2011)

Number of shares authorized for issue	800,000,000 shares
Total shares issued and outstanding	266,229,476 shares
Number of Shareholders	91,486 (Odd-lot shareholders 63,363)

Principal Shareholders

Name of Shareholder	Shares held	Shareholding Ratio (%)
Hajime Satomi	43,569,338	17.4
Mellon Bank N.A. Treaty Clients Omnibus	18,333,922	7.3
SEGA SAMMY HOLDINGS INC.	15,087,016	—
FSC Co., Ltd.	14,172,840	5.6
Japan Trustee Services Bank, Ltd. (Trustee)	12,824,800	5.1

Distribution of Shareholders



Shareholder Memo

Stock Code	6460
Round Lot	100 shares
Fiscal Year	April 1 through March 31 of the following year
Ordinary General Meeting of Shareholders	June
Date of Record for Dividends	March 31 (September 30 for interim dividends, if paid) Advance public notice is given when required for other dividend payments.
Method of Public Notice	Electronic public notices
Notification URL	http://www.segasammy.co.jp/japanese/etc/notice If, due to unavoidable circumstances, electronic notification is not possible, the Company shall post the notice in The Nihon Keizai Shimbun.
Administrative Office of Transfer Agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation Mitsubishi UFJ Trust and Banking Corporation 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan Telephone : +81-3-5683-5111
Agency	Mitsubishi UFJ Trust and Banking Corporation branches in Japan The website of Mitsubishi UFJ Trust and Banking Corporation, the Company's transfer agent, provides information on share registration, purchase or additional purchase of shares in fractional lots, and other stock-related procedures. If using the storage transfer system for share certificates, etc., please contact the securities company that handles the transaction. Mitsubishi UFJ Trust and Banking Corporation website: http://www.tr.mufj.jp/daikou/

Editor's note

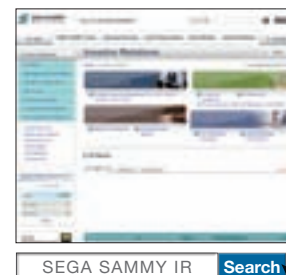
Based on comments received from our readers, we have revised

the SEGA SAMMY REPORT. The next issue will be in the summer of 2012. From this issue onwards, we will enhance the contents of our report from time to time to ensure that it meets your expectations.

2012 IR Calendar

Schedule of activities for shareholders and investors

February	● Announcement of financial results for the third quarter of the fiscal year ending March 2012
May	● Announcement of financial results for the fiscal year ending March 2012
June	● Ordinary General Meeting of Shareholders ● Business Report for the fiscal year ending March 31, 2012



For detailed information, please see the investor information section of the Company's website.

<http://www.segasammy.co.jp/english/ir/>

Please inquire to the following inquiry desk regarding any questions you may have in relation to stock information, Group information, or other such matters.

SEGA SAMMY HOLDINGS INC. IR Information Center

Phone **+81-3-6215-9839**

Hours of operation **Weekdays 9:00-18:00**

Please be aware that the IR Information Center is closed on Saturdays, Sundays, national holidays, and company holidays.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements in this document regarding the plans, estimates, beliefs, management strategies, perceptions, and other aspects of SEGA SAMMY HOLDINGS INC. ("the Company") and its SEGA SAMMY Group Companies ("the Group"), including SEGA CORPORATION and Sammy Corporation, are forward-looking statements based on the information currently available to the Company. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may," and "might," and words of similar meaning in connection with a discussion of future operations, financial performance, events, or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to management. The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not assume that the Company has any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The Company disclaims any such obligation. Actual results may vary significantly from the Company's forecasts due to various factors. Factors that could influence actual results include, but are not limited to, economic conditions, especially trends in consumer spending, as well as currency exchange rate fluctuations, changes in laws and government systems, pressure from competitors' pricing and product strategies, declines in the marketability of the Group's existing and new products, disruptions to production, violations of the Group's intellectual property rights, rapid advances in technology, and unfavorable verdicts in major litigation. [This business report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.]



SEGA SAMMY
H O L D I N G S

SEGA SAMMY HOLDINGS INC.

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