

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
9 Months Ended December 31, 2011

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
Representative: Hajime Satomi
 Chairman of the Board and Chief Executive Officer
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Filing of Quarterly Report: February 13, 2012 (plan)

Start of cash dividend payments: —

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 9 Months Ended December 31, 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 9 months ended December 31,2011	311,682	0.5	64,360	2.2	34,384	(6.6)
For 9 months ended December 31,2010	310,103	8.7	62,970	118.2	36,821	117.3

(Note) Comprehensive income

For 9 months ended December 31, 2011 : ¥ 46,076 million (5.7 %)

For 9 months ended December 31, 2010 : ¥ 43,599 million (—%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31,2011	136.58	136.32
For 9 months ended December 31,2010	145.28	145.28

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
December 31, 2011	529,480	312,728	58.5
March 31, 2011	458,624	285,461	60.0

(Reference) Shareholders' equity

December 31, 2011 : ¥309,847 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	—	20.00	—		
Year ending March 31, 2012 (plan)				20.00	40.00

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

3. Forecast of Consolidated Operating Results for the Year ending March 31, 2012

(Percentage represents changes from the prior year)

	Net sales		Operating income		Net income		Net income per share
Entire – year	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
	440,000	10.9	77,000	12.0	38,000	(8.5)	151.03

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

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during the 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)
 - December 31, 2011 : 266,229,476
 - March 31, 2011 : 266,229,476
 2. Number of treasury stock at the end of the period
 - December 31, 2011 : 15,144,198
 - March 31, 2011 : 14,504,662
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 9 months ended December 31, 2011: 251,745,225
 - For 9 months ended December 31, 2010: 253,452,364

[Caution With Regard to Operating Results Outlook]

- 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 "Forecast of Consolidated Operating Results" on page 5.

Operating Results and Financial Position

(1) Overview

During the first three quarters of the fiscal year ending March 31, 2012, although concern for the availability of parts and materials due to various impacts in the aftermath of the Great East Japan Earthquake and Thai floods is improving, some uncertainty prevailed in the Japanese economy from the effects of the struggle to cope with an expected prolonged shortage of electricity supply, and confusion in the global financial markets, mainly in Europe.

In this climate, the pachislot and pachinko industry remained solid due to recovery of the devastated supply chain resulting from the Great East Japan Earthquake, a number of successful products in the market, and recovery in the operating ratio at pachinko parlors.

In the amusement machine and amusement center industry, the market stays solid thanks primarily to consumer behavior turning to more accessible entertainment.

In the home video game industry, demand was generally weak in the U.S. and European markets due to the headwinds such as sluggish personal consumption. The Group needs to adapt to a changing business environment in which the market demand for new content geared toward social networking services (SNS) and smartphones is expanding.

In this business environment, net sales for the first three quarters of the fiscal year ending March 31, 2012 amounted to ¥311,682 million, an increase of 0.5% for the same period in the previous fiscal year. The Group posted an operating income of ¥64,360 million, an increase of 2.2% for the same period in the previous fiscal year. Due to the factors including gain on negative goodwill and the settlement payment for patent licensing, the Group recorded a net income of ¥34,384 million, a decrease of 6.6% for the same period in the previous fiscal year.

The Company, its wholly owned subsidiary Sammy Corporation, and Sammy Corporation's subsidiary TAIYO ELEC Co., Ltd. have conducted an exchange of shares, effective August 1, 2011, with the purpose of converting Sammy Corporation into a wholly owning parent of TAIYO ELEC Co., Ltd. while converting TAIYO ELEC Co., Ltd. into a wholly owned subsidiary of Sammy Corporation, in consideration for the Company's common stock. Additionally, the Company resolved at the meeting of its Board of Directors held on August 1, 2011 to acquire treasury stocks, and acquired 5,000,000 shares (at an acquisition cost of ¥8,280 million), which was the upper limit for the number of shares to be acquired, during the period from August 1, 2011 through September 5, 2011.

Results of each segment were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group launched "Pachinko SOUTEN-NO-KEN" and "CR Rokudenashi BLUES" under the Sammy brand along with "CR Ryu ga Gotoku Kenzan!" under the Taiyo Elec brand, resulting in the sales of 287 thousand units.

In the pachislot machine business, the Group launched "Pachislot Hokuto No Ken," this fiscal year's major title under the Sammy brand, and highly regarded in the market, resulting in overall sales of 228 thousand units.

Additionally, the Group continued its initiatives to promote reuse of components, especially those related to liquid crystal displays.

As announced on July 29, 2011, Sammy Corporation, a subsidiary of the Company, started construction of a new plant as well as a new distribution center.

As a result, net sales in this segment were ¥177,716 million (an increase of 5.7% for the same period in the previous fiscal year) and operating income was ¥67,495 million (an increase of 23.5% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, the sales of the major titles such as “StarHorse3 Season I A NEW LEGEND BEGINS.” and “SEGA NETWORK MAHJONG MJ5” remained solid, and the sales of CVT KITS, such as “WORLD CLUB Champion Football Intercontinental Clubs Series,” etc., and consumables including cards also remained solid. In addition, distribution revenue continued to remain solid thanks to the operation of revenue sharing models.

As a result, net sales in this segment were ¥36,314 million (a decrease of 11.3% for the same period in the previous fiscal year) and operating income was ¥5,058 million (a decrease of 40.2% for the same period in the previous fiscal year).

《Amusement Center Operations》

In the amusement center operations business, thanks to current consumer behavior turning to more accessible entertainment, in addition to the Company’s efforts to reinforce management capabilities of the existing amusement centers, sales at existing SEGA amusement centers in Japan were solid and registered a 100.5% of the level during the same period in the previous fiscal year. The Group closed 6 amusement centers while opened 5 new amusement centers. Consequently, the Group operated a total of 247 amusement centers at the end of the period.

As a result, net sales in this segment were ¥33,989 million (a decrease of 1.7% for the same period in the previous fiscal year) and operating income was ¥1,253 million (an increase of 53.4% for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, in the area of home video game software, a number of titles such as “Mario & Sonic at the London 2012 Olympic Games™” and “Sonic Generations” were launched. Although domestic sales generally remained solid, in the overseas markets, sales of the new titles remained slow as affected by adverse market condition. As a result, the Group sold 4,390 thousand video game copies in the U.S., 6,370 thousand copies in Europe and 1,830 thousand copies in Japan and other regions, for a total of 12,600 thousand copies.

In the mobile phone, smartphone and PC content business, “Kingdom Conquest,” a title for smartphones, recorded 2 million downloads on a cumulative basis in December 2011. Widespread use of an Android version, introduced in addition to the existing iOS version in December 2011, is expected.

In the toy sales division, the Group worked on the sales of the regular products such as “Anpanman Series” and “Jewelpod,” etc.

In the animated films business, license revenue from “Anpanman” and TV series “CARDFIGHT!! VANGUARD” remained solid.

As a result, net sales in this segment were ¥64,101 million (a decrease of 4.9% for the same period in the previous fiscal year) and operating loss was ¥5,509 million (operating income of ¥2,811 million for the same period in the previous fiscal year).

(2) Forecast of Consolidated Operating Results

No amendments have been made to the full-year consolidated forecasts announced on October 31, 2011.

(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.

The Company adopted a consolidated tax return system from the first quarter of the fiscal year ending March 31, 2012

CONSOLIDATED FINANCIAL STATEMENTS

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

(Unit : Millions of Yen)

	Prior year (As of March 31, 2011)	Current period (As of December 31, 2011)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	149,006	134,683
Notes and accounts receivable – trade	56,468	116,154
Allowance for doubtful accounts	(472)	(609)
Short-term investment securities	42,412	35,799
Merchandise and finished goods	5,889	7,389
Work in process	14,916	16,745
Raw materials and supplies	15,567	19,671
Other	31,792	27,040
Total current assets	315,580	356,874
Noncurrent assets		
Property, plant and equipment		
Land	24,643	24,872
Other, net	32,497	42,410
Total property, plant and equipment	57,140	67,283
Intangible assets		
Goodwill	15,559	14,992
Other	7,195	9,518
Total intangible assets	22,754	24,511
Investments and other assets		
Investment securities	44,193	63,628
Other	20,338	18,443
Allowance for doubtful accounts	(1,382)	(1,260)
Total investments and other assets	63,149	80,812
Total noncurrent assets	143,044	172,606
Total assets	458,624	529,480

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

(Unit : Millions of Yen)

	Prior year (As of March 31, 2011)	Current period (As of December 31, 2011)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	37,513	61,526
Short - term loans payable	2,857	7,976
Income taxes payable	26,310	10,930
Provision	3,473	1,978
Asset retirement obligations	185	184
Other	38,687	49,813
Total current liabilities	109,028	132,410
Noncurrent liabilities		
Bonds payable	29,608	19,157
Long - term loans payable	5,316	32,305
Provision for retirement benefits	12,656	13,306
Provision for directors' retirement benefits	1,203	282
Asset retirement obligations	1,848	1,953
Other	13,501	17,336
Total noncurrent liabilities	64,135	84,341
Total liabilities	173,163	216,751
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,784	119,388
Retained earnings	164,669	189,052
Treasury stock	(25,329)	(25,987)
Total shareholders' equity	289,077	312,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,350	24,195
Deferred gains or losses on hedges	(0)	-
Revaluation reserve for land	(5,969)	(5,566)
Foreign currency translation adjustment	(19,264)	(21,187)
Total accumulated other comprehensive income	(13,883)	(2,559)
Subscription rights to shares	406	852
Minority interests	9,861	2,028
Total net assets	285,461	312,728
Total liabilities and net assets	458,624	529,480

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED DECEMBER 31, 2011 AND 2010

(Unit : Millions of Yen)

	Prior period From April 1, 2010 To December 31, 2010	Current period From April 1, 2011 To December 31, 2011
	Amount	Amount
Net sales	310,103	311,682
Cost of sales	174,300	170,731
Gross profit	135,803	140,951
Selling, general and administrative expenses	72,832	76,590
Operating income	62,970	64,360
Other income (expenses) :		
Interest income	359	262
Dividends income	311	494
Equity in earnings of affiliates	3	—
Gain on valuation of derivatives	91	—
Gain on investment in partnership	78	409
Interest expenses	(486)	(473)
Equity in losses of affiliates	—	(10)
Loss on valuation of derivatives	—	(195)
Bond issuance cost	—	(125)
Foreign exchange losses	(431)	(512)
Commission fee	(369)	(427)
Gain on sales of noncurrent assets	33	93
Gain on sales of subsidiaries and affiliates' stocks	—	173
Reversal of allowance for doubtful accounts	135	—
Reversal of recovery costs of video game arcades	147	—
Gain on outlawed debt	109	—
Gain on reversal of subscription rights to shares	1,174	—
Distribution of patent royalty income for prior periods	1,139	—
Gain on negative goodwill	—	836
Loss on sales of noncurrent assets	(39)	(2)
Impairment loss	(846)	(1,432)
Loss on valuation of investment securities	(1,289)	(37)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(1,177)	—
The settlement payment for patent licensing	—	(3,500)
Other income	717	765
Other expenses	(2,139)	(1,664)
Sub total	(2,479)	(5,345)
Income before income taxes and minority interests	60,491	59,015
Income taxes-current	21,570	24,242
Income taxes	21,570	24,242
Income before minority interests	38,921	34,772
Minority interests in income	2,099	388
Net income	36,821	34,384

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED DECEMBER 31, 2011 AND 2010

(Unit : Millions of Yen)

	Prior period From April 1, 2010 To December 31, 2010	Current period From April 1, 2011 To December 31, 2011
	Amount	Amount
Minority interests in income	2,099	388
Income before minority interests	38,921	34,772
Other comprehensive income		
Valuation difference on available-for-sale securities	7,215	12,848
Deferred gains or losses on hedges	45	0
Revaluation reserve for land	—	402
Foreign currency translation adjustment	(2,592)	(1,944)
Share of other comprehensive income of associates accounted for using equity method	9	(3)
Total other comprehensive income	4,678	11,303
Comprehensive income	43,599	46,076
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	41,549	45,708
Comprehensive income attributable to minority interests	2,049	368

SEGMENT INFORMATION

1. Prior period (From April 1, 2010 to December 31, 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	167,903	38,454	34,589	66,938	307,886	2,216	310,103
(2) Inter-segment sales and transfers	201	2,464	5	474	3,145	707	3,852
Total	168,105	40,918	34,594	67,413	311,031	2,923	313,955
Segment income	54,666	8,458	817	2,811	66,753	132	66,885

(Note) "Other" is the business segment not included in the reporting segments, but 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 income and comprehensive income for the 9 months ended December 31, 2010 (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	66,753
Segment income in Other	132
Elimination of inter segment transactions	(134)
General corporate expenses (note)	(3,780)
Operating income in the consolidated statement of income and comprehensive income for the 9 months ended December 31, 2010	62,970

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

2. Current period (From April 1, 2011 to December 31, 2011)

(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	177,599	34,089	33,989	63,571	309,250	2,432	311,682
(2) Inter-segment sales and transfers	117	2,224	0	529	2,871	699	3,570
Total	177,716	36,314	33,989	64,101	312,121	3,131	315,253
Segment income (loss)	67,495	5,058	1,253	(5,509)	68,297	286	68,584

(Note) "Other" is the business segment not included in the reporting segments, but 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 income and comprehensive income for the 9 months ended December 31, 2011 (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	68,297
Segment income in Other	286
Elimination of inter segment transactions	(134)
General corporate expenses (note)	(4,089)
Operating income in the consolidated statement of income and comprehensive income for the 9 months ended December 31, 2011	64,360

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

NOTES ON SIGNIFICANT CHANGES IN THE AMOUNT OF SHAREHOLDERS' EQUITY

(Unit: Millions of Yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2011	29,953	119,784	164,669	(25,329)	289,077
Changes of items for the 9 months ended December 31, 2011					
Dividends from retained earnings			(10,057)		(10,057)
Net income			34,384		34,384
Increase by share exchanges (Note) 1		(394)		7,724	7,329
Purchase of treasury stock (Note) 2				(8,387)	(8,387)
Disposal of treasury stock		(0)		5	4
Change of scope of consolidation			55		55
Total changes of items for the 9 months ended December 31, 2011	—	(395)	24,382	(657)	23,329
Balances as of December 31, 2011	29,953	119,388	189,052	(25,987)	312,406

(Note)

1. According to the resolution at the meeting of Board of Directors held on May 13, 2011, the Company carried out an exchange of shares on August 1, 2011, converting TAIYO ELEC Co., Ltd. to its wholly owned subsidiary. As a result, the number of treasury stocks decreased by 4,423,546.
2. This refers primarily to the purchase of treasury stocks worth ¥8,280 million (5,000,000 shares) according to the resolution at the meeting of Board of Directors held on August 1, 2011.

Outline of the resolution

- (1) Type of shares to be acquired: Common shares
- (2) Total number of shares to be acquired: 5,000,000 shares (upper limit)
- (3) Total acquisition costs: ¥10,000 million (upper limit)
- (4) Acquisition period: From August 1, 2011 through October 31, 2011