

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
Year Ended March 31, 2012

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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Annual Meeting of Shareholders: June 19, 2012 (plan)
 Filing of Financial Report : June 20, 2012 (plan)
 Start of cash dividend payments : May 29, 2012 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the Year Ended March 31, 2012

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentages for net sales, operating income and net income represent changes from the prior year)

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For Year ended March 31, 2012	395,502	(0.3)	58,384	(15.1)	21,820	(47.4)
For Year ended March 31, 2011	396,732	3.1	68,750	87.3	41,510	104.8

(Note) Comprehensive income:

For Year ended March 31, 2012: ¥29,656 million ((44.5) %)

For Year ended March 31, 2011: ¥53,435 million (135.1%)

	Net income per share	Net income per share (Diluted)	Return on equity	Operating income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
For Year ended March 31, 2012	86.73	86.54	7.7	12.2	14.8
For Year ended March 31, 2011	163.19	163.18	16.2	15.6	17.3

(Reference) Equity in earnings of affiliates:

For Year ended March 31, 2012: ¥ (8) million

For Year ended March 31, 2011: ¥ 35 million

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2012	497,451	296,376	58.9	1,167.59
March 31, 2011	458,624	285,461	60.0	1,093.23

(Reference) Shareholders' equity

March 31, 2012: ¥293,105 million

March 31, 2011: ¥275,193 million

(3) CONSOLIDATED CASH FLOWS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For Year ended March 31, 2012	38,023	(59,012)	914	146,599
For Year ended March 31, 2011	87,696	(29,585)	(57,168)	165,983

2. Cash Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends paid to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended March 31, 2011	—	20.00	—	20.00	40.00	10,072	24.5	3.9
Year ended March 31, 2012	—	20.00	—	20.00	40.00	10,043	46.1	3.5
Year ending March 31, 2013 (plan)	—	20.00	—	20.00	40.00		25.1	

3. Forecast of Consolidated Operating Results for the Year ending March 31, 2013

(Percentages for net sales, operating income and net income represent changes from the prior 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, 2012	163,000	6.8	2,500	(83.5)	3,500	(12.1)	13.94
Entire - year	470,000	18.8	66,000	13.0	40,000	83.3	159.34

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during the year ended March 31, 2012: No
- (2) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the consolidated financial statements:
 1. Changes associated with revision in accounting standards: Yes
 2. Other changes: No
- (3) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)
 - March 31, 2012: 266,229,476
 - March 31, 2011: 266,229,476
 2. Number of treasury stock at the end of the period
 - March 31, 2012: 15,194,836
 - March 31, 2011: 14,504,662
 3. Average number of shares during the period
 - For Year ended March 31, 2012: 251,577,472
 - For Year ended March 31, 2011: 254,373,107

[Caution With Regard to Operating Results Outlook]

- This report is outside the scope of audit in accordance with the Financial Instruments and Exchange Law, and the audit of financial statements in accordance with the Law has not been completed as of the disclosure of this report.

- 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 "Overview" on page 4.

1. Operating Results and Financial Position

(1) Overview

During the fiscal year ended 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 floods in Thailand 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, although the pachislot and pachinko industry witnessed the replacement of older pachinko machines at a rather weak pace, the pachislot machines are on a recovery trend thanks to the positive factors including several newly launched machines popular on the market, a recovery in their utilization rate and an increase in the quantity installed in 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 software industry, demand remained weak due to the severe economic environment, primarily in the U.S. and Europe. The Group needs to adapt to changing business environment in which the market demand for new content geared to social networking service (SNS) and smartphones is expanding.

In this business environment, net sales for the fiscal year ended March 31, 2012 amounted to ¥395,502 million (a decrease of 0.3% from the previous fiscal year). The Group posted an operating income of ¥58,384 million (a decrease of 15.1% from the previous fiscal year). Due to the factors including gain on negative goodwill, impairment loss, amortization of goodwill, the settlement payment for patent licensing and restructuring loss, the Group recorded a net income of ¥21,820 million (a decrease of 47.4% from 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 acquired all the shares of Phoenix Resort Co., Ltd. from RHJ International S.A. on March 26, 2012, and Phoenix Resort Co., Ltd. have become wholly owned subsidiary of the Company. Furthermore, 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.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group launched “Pachinko SOUTEN-NO-KEN” and “Pachinko CR ALADDIN NEO” under the Sammy brand. However, total sales of pachinko machines decreased slightly year on year to 332 thousand units reflecting stagnant market conditions.

In the pachislot machine business, “Pachislot Hokuto No Ken”, under the Sammy brand, and “Pachislot Monster Hunter”, under the RODEO brand, were highly regarded by the market. Nonetheless, overall pachislot machine sales generally remained flat on a year-on-year basis at 300 thousand units, due to revised sales schedules on some titles caused by disruptions from floods in Thailand.

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

Furthermore, Sammy Corporation, a subsidiary of the Company, has started construction of a new plant as well as a new distribution center.

As a result, net sales in this segment were ¥212,334 million (an increase of 0.0% from the previous fiscal year) and operating income was ¥71,040 million (an increase of 10.5% from the previous fiscal year).

Main Pachinko Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachinko SOUTEN-NO-KEN	(Sammy)	62
Pachinko CR ALADDIN NEO	(Sammy)	57
Pachinko Hokuto No Ken Series	(Sammy)	40
Pachinko CR Ring ni Kakero 1 -Golden Japan Jr. Series-	(Sammy)	35
CR Ryu ga Gotoku Kenzan! Series	(Taiyo Elec)	24

Main Pachislot Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachislot Hokuto No Ken	(Sammy)	177
Pachislot Monster Hunter	(Rodeo)	56
Pachislot Kaze no Yojimbo 2	(Rodeo)	23
Pachislot Kaitou Tenshi Twin Angel 3	(Sammy)	16
GINTOKIN	(Taiyo Elec)	9

《Amusement Machine Sales》

In the amusement machine sales business, the sales of the major titles such as “StarHorse3 Season I A NEW LEGEND BEGINS.” remained solid, and the sales of CVT KITS, such as “SEGA NETWORK MAHJONG MJ5” and “WORLD CLUB Champion Football”, 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 ¥53,000 million (an increase of 5.3% from the previous fiscal year) and operating income was ¥7,415 million (an increase of 1.3% from 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 compared to the previous fiscal year. The Group operated a total of 241 amusement centers at the end of the period. Additionally, the group sold its amusement centers in the U.S.

As a result, net sales in this segment were ¥44,608 million (a decrease of 2.4% from the previous fiscal year) and operating income was ¥355 million (an increase of 3.9% from the previous fiscal year).

《Consumer Business》

In the consumer business, a number of titles such as "Mario & Sonic at the London 2012 Olympic Games™" and "Sonic Generations" were sold in the packaged game software field. Even so, sales of new titles remained weak primarily in the U.S. and Europe due to adverse market conditions, resulting in a year-on-year decline in the total volume of packaged software sales to 17,240 thousand copies, including 6,140 thousand copies in the U.S., 8,290 thousand copies in Europe and 2,800 thousand copies in Japan and other regions.

On the other hand, in the field of digital game software for mobile phones, smartphones and PC downloading, "Kingdom Conquest", a title for smartphones, exceeded 2.5 million downloads on a cumulative basis in March 2012. Launch of an Android version in December 2011, which follows the existing iOS version, is expected to further diffuse the software on the market. Meanwhile, a smartphone version of "777townSP" service was started in our pachinko and pachislot game website for mobile phones and PCs.

In the toy sales division, sales remained weak on the whole despite solid sales in mainstay products such as "Anpanman Series" and "Jewelpod".

In the animated films business, license revenue from "Anpanman", "Detective Conan" and TV series "CARDFIGHT!! VANGUARD" remained solid.

As a result, net sales in this segment were ¥86,433 million (a decrease of 3.5% from the previous fiscal year), and an operating loss was ¥15,182 million (an operating income of ¥1,969 million for the previous fiscal year).

In the consumer business, we have decided to carry out streamlining of the organization responsible for the packaged game software field in the U.S. and European markets in a bid to establish a structure that can consistently generate profit, as part of the strategies to restore growth as well as improve profitability. Due to the cost of this move, we have posted ¥345 million for impairment loss and ¥6,308 million for restructuring loss. From here on, we will endeavor to shift our business structure with a view to adapting to the changes in the business environment, including further focus on the development of the field of digital games.

Outlook for the Fiscal Year ending March 31, 2013

The Japanese economy during the fiscal year ending March 31, 2013 is expected to remain unpredictable under various adverse influences including response measures to power shortages which are feared to be prolonged, and turmoil in global financial markets mainly in Europe.

Under such circumstance, the market in the pachislot and pachinko industry is likely to remain stagnant for the pachinko machine business, while the pachislot machine business, which was already on a recovery track, is likely to remain solid.

In its pachislot and pachinko machines business, the Group will seek to further expand product diversity and reinforce its overall lineup in both machine categories. For the fiscal year ending March 31, 2013, the Group forecasts sales of 450 thousand pachinko machines, up 117 thousand from the current fiscal year, and 473 thousand pachislot machines, up 172 thousand.

In the amusement machine sales business, we will maintain our current efforts to ensure consistent profit through the revenue sharing model, while strengthening the sales of minor titles of the prize machines and medal machines.

In the amusement center operations business, we will further reinforce management capabilities of amusement centers while enhancing their competitiveness locally through proactive renovation work. For the fiscal year ending March 31, 2013, the Group plans to open 7 new amusement centers, and to close 11 amusement centers.

The packaged game software field in the consumer business will undergo rationalization primarily overseas, in an effort to establish a structure that can consistently generate profit. Estimated total volume of packaged software sales is 8,940 thousand copies, including 2,850 thousand copies in the U.S., 4,020 thousand in Europe and 2,060 thousand in Japan. In the meantime, we will endeavor to shift our business structure with a view to adapting to changes in the business environment, including greater focus on the development of the field of digital game software for mobile phones, smartphones and PC downloading.

In the toy sales division, we will reinforce our sales activities for mainstay products such as “Anpanman Series” and “Jewelpod”, while our value chain will be reviewed as part of measures to enhance profitability.

In the animated films business, we will continue to engage in business development focused on the production of new titles in film and television.

In light of the above, the Group is forecasting consolidated net sales of ¥470,000 million (an increase of 18.8% from the previous fiscal year), operating income of ¥66,000 million (an increase of 13.0% from the previous fiscal year), and net income of ¥40,000 million (an increase of 83.3% from the previous fiscal year) for the fiscal year ending March 31, 2013.

From the fiscal year ending March 31, 2013, the Company and its domestic consolidated subsidiaries change the useful life of property, plant and equipment from the one that was mainly based on the Corporation Tax Act in Japan to the useful life that is determined with consideration of economic life. Additionally, depreciation method for property, plant and equipment is also going to be changed mainly from the declining-balance method to the straight-line method.

These changes are to be made because of the review of the economic reality of the depreciation for property, plant and equipment that is prompted by the planned major capital investment. As a result of these changes, depreciation expense is expected to decrease ¥4,000 million compared with the amount using the previous method for the year ending March 31, 2013.

[Caution With Regard to Operating Results Outlook]

Statements in this report pertaining to market projections and the outlook for operating results reflect the assumptions and judgment of the Company’s management based on the most accurate information available at the time of release. Such statements carry inherent risks and uncertainties. Factors that may affect operating results include, but are not limited to, those discussed in the projections and outlook. Readers are cautioned that changes in a variety of factors could cause actual results to differ substantially from the aforementioned projections and outlook.

(2) Consolidated Financial Position

1) Assets, liabilities and net assets

(Assets and liabilities)

Although cash and deposits decreased because of payment of income tax, current assets increased ¥12,064 million due to an increase in notes and accounts receivable-trade and negotiable certificates of deposit. Non current assets increased ¥26,761 million due to increase of property, plant and equipment because of an initiation of construction of the new plant for the pachislot and pachinko machines business that is scheduled to be completed in the next fiscal year and acquisition of Phoenix Resort Co., Ltd. as a wholly owned subsidiary. Also, investment securities increased due primarily to the increase of the value of the investment securities. As a result, total assets as of the end of the current fiscal year increased ¥38,826 million from the end of the previous fiscal year, to ¥497,451 million.

(Net assets)

During the current fiscal year, shareholder's equity increased thanks to the posting of net income for the current fiscal year and an increase in valuation difference on available-for-sale securities, while dividend payments reduced shareholder's equity and acquisition of TAIYO ELEC Co., Ltd. as a wholly owned subsidiary reduced minority interests. As a result, net assets as of the end of the current fiscal year increased ¥10,914 million from the end of the previous fiscal year, to ¥296,376 million.

(Financial ratio)

The current ratio at the end of the current fiscal year still remained at high level of 247.5%, despite 41.9 points decrease from the end of the previous fiscal year due to an increase in current assets as well as in current liabilities. The equity ratio at the end of the current fiscal year decreased 1.1 points from the end of the previous fiscal year, to 58.9%.

2) Cash flows

Cash and cash equivalents at the end of the current fiscal year decreased ¥19,384 million from the end of the previous fiscal year, to ¥146,599 million.

Cash flows in respect of each area of activities in the current fiscal year are as follows

(Cash flows from operating activities)

Meanwhile, ¥42,969 million income before income taxes and minority interests, ¥16,158 million of depreciation and amortization and ¥22,519 million increase of notes and accounts payable-trade, notes and accounts receivable-trade increased ¥16,632 million and ¥40,396 million payment of corporate tax resulted in ¥38,023 million (a decrease of ¥49,672 million from the previous fiscal year) net cash provided by operating activities in the current fiscal year.

(Cash flows from investing activities)

Factors including expenditures of ¥44,102 million for the purchase of short-term investment securities, along with ¥24,005 million for the purchase of property, plant and equipment, resulted in ¥59,012 million net cash used in investing activities in the current fiscal year, compared with ¥29,585 million net cash used in investing activities in the previous fiscal year.

(Cash flows from financing activities)

Meanwhile, expenditures of ¥10,242 million for cash dividends paid (including cash dividends paid to minority shareholders), ¥8,430 million for the purchase of treasury stock and ¥13,642 million for the redemption of bonds, finance of ¥34,430 million through long-term debt resulted in ¥914 million net cash provided by financing activities in the current fiscal year, compared with ¥57,168 million net cash used in financing activities in the previous fiscal year.

<Cash Flow Indices>

	March 2008	March 2009	March 2010	March 2011	March 2012
Equity ratio	55.3%	52.4%	55.8%	60.0%	58.9%
Equity ratio (fair market value)	56.6%	51.3%	67.4%	79.4%	87.5%
Redemption of debt	—	218.9%	137.9%	58.9%	192.4%
Interest coverage ratio	—	35.1 times	73.0 times	134.1 times	58.1 times

Notes: Equity ratio: (Net assets — Subscription rights to shares — Minority interests) / total assets

Equity ratio (fair market value): Market capitalization / total assets

Redemption of debt: Interest-bearing debt / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

1. All indicators are calculated using the consolidated financial results.
2. Market capitalization is calculated by multiplying the year-end share price with the number of shares issued and outstanding at year-end (excluding treasury stock).
3. Operating cash flow refers to Cash Flows from Operating Activities in the Consolidated Statements of Cash Flows.
4. Interest-bearing debt is the portion of debt recorded in the Consolidated Balance Sheets on which interest is being paid.
5. Interest payments refer to interest paid as shown in the Consolidated Statements of Cash Flows.
6. No figures are shown in Redemption of debt, and Interest coverage ratio in March 2008, due to negative results on Operating cash flow.

(3) Basic Policy Concerning Distribution of Earnings for the Fiscal Year ended March 31, 2012 and the Fiscal Year ending March 31, 2013

SEGA SAMMY HOLDINGS gives priority to returning profits to shareholders. The Company's basic policy is to pay an appropriate dividend that is commensurate with earnings.

For the distribution of surplus, the Company paid second quarter and plans to pay year-end dividends of ¥20 per share, respectively. This reflects the Group's policy of paying dividends to shareholders stably.

For the fiscal year ending March 31, 2013, the Company plans to pay second quarter and year-end dividends of ¥20 per share, respectively.

Furthermore, the Company's policy is to use retained earnings effectively to bolster its financial position and operating base as well as for investments in line with business expansion.

2. Overview of the SEGA SAMMY Group

This information is omitted since nothing significant has changed from the one set forth in the Annual Securities Report filed on June 24, 2011.

3. Management Policies

(1) Basic Management Policies

SEGA CORPORATION and Sammy Corporation on October 1, 2004 integrated their operations to build an even more powerful base as a comprehensive global entertainment organization. Combining the resources of the two companies, a holding company called SEGA SAMMY HOLDINGS was established with the aim of maximizing corporate value. Since then, the Group has been taking various measures to build a business framework that responds quickly and flexibly to changes in the operating environment and accelerate growth.

The core business domain of the SEGA SAMMY Group is the comprehensive entertainment business, comprising pachislot and pachinko machines, amusement machine sales, amusement center operations, and the consumer business.

Within this sphere, the Group targets markets worldwide in the quest to maximize and cross-fertilize its entertainment content and resources, ultimately aiming to promote business operations that target every age group. Moreover, the SEGA SAMMY Group is enhancing its presence in every applicable business field in a drive to become the world's leading name in comprehensive entertainment. To this end, the Group is committed to winning the trust and meeting the expectations of its stakeholders.

(2) Medium- to Long-term Strategies and Other Issues

The SEGA SAMMY Group is engaged in a diverse array of entertainment businesses, ranging from pachislot and pachinko machines to commercial amusement machines, amusement center operation and home videogame software, as well as services through internet and for mobile handsets. Operations also extend to toys and animation. Our goal is to have strong competitiveness in these fields as our core businesses.

(3) Issues to be Addressed

In the pachislot and pachinko machines business, the Group will strive to adapt to the changes in business environment, through efforts including the development and supply of products with innovative gameplay that meet market needs reflecting changes in user preference.

In the amusement machine business, the Group will seek a broad range of users by not only providing various products from high value added items to household items that meet user needs but also simultaneously enhancing investment efficiency for operators and securing sources of long-term and stable earnings for the Company as a machine manufacturer. In overseas markets, the Group must provide products that meet local needs at competitive prices.

In the amusement center operations business, the Group's challenge will be to recover profits by strengthening management capabilities and competitiveness at its amusement centers, as well as by attracting new customers.

In the packaged game software field of the consumer business, one prevailing management issue is how to address the expanding market for new content for the field of digital game software for mobile phones, smartphones and PC downloading, among others, along with the improvement in profitability through the streamlining of development efforts by focusing on a smaller number of titles. In the toy sales business and the animated films business, further reinforcement of our business by intra-Group collaboration and other measures is our focus.

Another issue is flexible adaptation to circumstances including power shortages due to suspended nuclear power plants.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior year (As of March 31, 2011)	Current year (As of March 31, 2012)
	Amount	Amount
(A s s e t s)		
Current assets		
Cash and deposits	149,006	127,721
Notes and accounts receivable-trade	56,468	73,554
Allowance for doubtful accounts	(472)	(593)
Short-term investment securities	42,412	66,509
Merchandise and finished goods	5,889	6,677
Work in process	14,916	6,992
Raw materials and supplies	15,567	20,890
Income taxes receivable	5,861	6,740
Deferred tax assets	13,795	6,347
Other	12,136	12,805
Total current assets	315,580	327,645
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	48,271	91,568
Accumulated depreciation	(28,150)	(69,197)
Buildings and structures, net	20,120	22,370
Amusement machines and facilities	49,869	49,024
Accumulated depreciation	(45,318)	(43,322)
Amusement machines and facilities, net	4,550	5,701
Land	24,643	29,457
Construction in progress	1,155	12,608
Other	41,889	55,935
Accumulated depreciation	(35,218)	(47,899)
Other, net	6,670	8,035
Total property, plant and equipment	57,140	78,173
Intangible assets		
Goodwill	15,559	10,790
Other	7,195	10,517
Total intangible assets	22,754	21,308
Investments and other assets		
Investment securities	44,193	52,725
Long-term loans receivable	306	291
Lease and guarantee deposits	12,396	13,057
Deferred tax assets	1,988	357
Other	5,646	5,131
Allowance for doubtful accounts	(1,382)	(1,239)
Total investments and other assets	63,149	70,324
Total noncurrent assets	143,044	169,805
Total assets	458,624	497,451

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior year (As of March 31, 2011)	Current year (As of March 31, 2012)
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	37,513	59,917
Short-term loans payable	2,857	10,194
Current portion of bonds	11,892	23,515
Income taxes payable	26,310	5,550
Accrued expenses	17,546	12,573
Provision for bonuses	2,373	2,745
Provision for directors' bonuses	956	917
Provision for point card certificates	143	—
Provision for business restructuring	—	4,737
Asset retirement obligations	185	199
Deferred tax liabilities	0	0
Other	9,247	12,046
Total current liabilities	109,028	132,398
Noncurrent liabilities		
Bonds payable	29,608	11,943
Long-term loans payable	5,316	25,052
Provision for retirement benefits	12,656	14,527
Provision for directors' retirement benefits	1,203	293
Deferred tax liabilities	2,782	3,498
Deferred tax liabilities for land revaluation	958	846
Asset retirement obligations	1,848	1,943
Other	9,760	10,572
Total noncurrent liabilities	64,135	68,676
Total liabilities	173,163	201,075
(Net Assets)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,784	119,397
Retained earnings	164,669	175,173
Treasury stock	(25,329)	(26,067)
Total shareholders' equity	289,077	298,456
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,350	18,872
Deferred gains or losses on hedges	(0)	—
Revaluation reserve for land	(5,969)	(4,541)
Foreign currency translation adjustment	(19,264)	(19,681)
Total accumulated other comprehensive income	(13,883)	(5,350)
Subscription rights to shares	406	991
Minority interests	9,861	2,279
Total net assets	285,461	296,376
Total liabilities and net assets	458,624	497,451

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior year From April 1, 2010 To March 31, 2011	Current year From April 1, 2011 To March 31, 2012
	Amount	Amount
Net sales	396,732	395,502
Cost of sales	230,677	233,839
Gross profit	166,055	161,663
Selling, general and administrative expenses	97,304	103,279
Operating income	68,750	58,384
Other income (expenses) :		
Interest income	463	386
Dividends income	311	495
Equity in earnings of affiliates	35	—
Gain on investments in partnership	391	507
Income from operation of lease asset	92	88
Gain on valuation of derivatives	—	18
Interest expenses	(637)	(676)
Equity in losses of affiliates	—	(8)
Sales discounts	(198)	(33)
Commission fee	(399)	(481)
Provision of allowance for doubtful accounts	(32)	(2)
Loss on investments in partnership	(97)	(140)
Foreign exchange losses	(206)	(210)
Penalty payment for cancellation of game center lease agreement	(18)	(2)
Loss on valuation of derivatives	(263)	—
Gain on sales of noncurrent assets	34	163
Reversal of allowance for doubtful accounts	315	—
Gain on sales of subsidiaries and affiliates' stocks	—	173
Gain on sales of investment securities	52	56
Gain on change in equity	125	—
Reversal of recovery costs of video game arcades	544	1
Gain on outlawed debt	167	—
Gain on reversal of subscription rights to shares	1,174	—
Distribution of patent royalty income for prior periods	1,139	—
Gain on negative goodwill	—	2,152
Gain on liquidation of subsidiaries and affiliates	—	489
Loss on retirement of noncurrent assets	(296)	—
Loss on sales of noncurrent assets	(40)	(2)
Impairment loss	(1,502)	(3,341)
Loss on valuation of investment securities	(1,308)	(189)
Loss on liquidation of subsidiaries	(1,468)	(5)
Amortization of goodwill	(204)	(3,363)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(1,177)	—
Cost of product compensation related	(5,225)	—
Loss on disaster	(1,254)	—
The settlement payment for patent licensing	—	(3,500)
Restructuring loss	—	(6,308)
Other	(1,800)	(1,679)
Subtotal	(11,283)	(15,414)

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior year From April 1, 2010 To March 31, 2011	Current year From April 1, 2011 To March 31, 2012
	Amount	Amount
Income before income taxes and minority interests	57,467	42,969
Income taxes-current	27,460	13,056
Income taxes-deferred	(14,140)	7,465
Total income taxes	13,320	20,522
Income before minority interests	44,147	22,446
Minority interests in income	2,636	626
Net income	41,510	21,820
Minority interests in income	2,636	626
Income before minority interests	44,147	22,446
Other comprehensive income		
Valuation difference on available-for-sale securities	10,986	7,526
Deferred gains or losses on hedges	(24)	0
Revaluation reserve for land	—	112
Foreign currency translation adjustment	(1,684)	(434)
Share of other comprehensive income of associates accounted for using equity method	10	5
Total other comprehensive income	9,288	7,210
Comprehensive income	53,435	29,656
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	50,852	29,038
Comprehensive income attributable to minority interests	2,582	618

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2012

Prior year (From April 1, 2010 to March 31, 2011)

(Unit : Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2010	29,953	171,080	132,128	(73,694)	259,468
Changes of items during the period					
Dividends from surplus			(8,816)		(8,816)
Net income			41,510		41,510
Increase by share exchanges		(11,294)		32,890	21,595
Retirement of treasury stock		(40,000)		40,000	-
Purchase of treasury stock				(24,530)	(24,530)
Disposal of treasury stock		(1)		3	2
Change of scope of consolidation			(155)		(155)
Reversal of revaluation reserve for land			2		2
Total changes of items during the period	—	(51,296)	32,541	48,364	29,609
Balances as of March 31, 2011	29,953	119,784	164,669	(25,329)	289,077

(Unit : Millions of Yen)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balances as of April 1, 2010	346	24	(5,966)	(17,626)	(23,222)
Changes of items during the period					
Dividends from surplus					
Net income					
Increase by share exchanges					
Retirement of treasury stock					
Purchase of treasury stock					
Disposal of treasury stock					
Change of scope of consolidation					
Reversal of revaluation reserve for land			(2)		(2)
Net changes of items other than shareholders' equity	11,003	(24)		(1,637)	9,341
Total changes of items during the period	11,003	(24)	(2)	(1,637)	9,338
Balances as of March 31, 2011	11,350	(0)	(5,969)	(19,264)	(13,883)

(Unit : Millions of Yen)

	Subscription rights to shares	Minority interests	Total net assets
Balances as of April 1, 2010	1,188	19,335	256,770
Changes of items during the period			
Dividends from surplus			(8,816)
Net income			41,510
Increase by share exchanges			21,595
Retirement of treasury stock			—
Purchase of treasury stock			(24,530)
Disposal of treasury stock			2
Change of scope of consolidation			(155)
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	(782)	(9,474)	(915)
Total changes of items during the period	(782)	(9,474)	28,690
Balances as of March 31, 2011	406	9,861	285,461

Current year (From April 1, 2011 to March 31, 2012)

(Unit : Millions of Yen)

	Shareholders' equity				
	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 during the period					
Dividends from surplus			(10,057)		(10,057)
Net income			21,820		21,820
Increase by share exchanges		(394)		7,724	7,329
Purchase of treasury stock				(8,469)	(8,469)
Disposal of treasury stock		(0)		6	6
Change of scope of consolidation		8	55		63
Reversal of revaluation reserve for land			(1,314)		(1,314)
Total changes of items during the period	—	(386)	10,503	(737)	9,378
Balances as of March 31, 2012	29,953	119,397	175,173	(26,067)	298,456

(Unit : Millions of Yen)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balances as of April 1, 2011	11,350	(0)	(5,969)	(19,264)	(13,883)
Changes of items during the period					
Dividends from surplus					
Net income					
Increase by share exchanges					
Purchase of treasury stock					
Disposal of treasury stock					
Change of scope of consolidation					
Reversal of revaluation reserve for land			1,314		1,314
Net changes of items other than shareholders' equity	7,522	0	112	(416)	7,218
Total changes of items during the period	7,522	0	1,427	(416)	8,532
Balances as of March 31, 2012	18,872	—	(4,541)	(19,681)	(5,350)

(Unit : Millions of Yen)

	Subscription rights to shares	Minority interests	Total net assets
Balances as of April 1, 2011	406	9,861	285,461
Changes of items during the period			
Dividends from surplus			(10,057)
Net income			21,820
Increase by share exchanges			7,329
Purchase of treasury stock			(8,469)
Disposal of treasury stock			6
Change of scope of consolidation			63
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	585	(7,581)	221
Total changes of items during the period	585	(7,581)	10,914
Balances as of March 31, 2012	991	2,279	296,376

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior year From April 1, 2010 To March 31, 2011	Current year From April 1, 2011 To March 31, 2012
	Amount	Amount
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	57,467	42,969
Depreciation and amortization	15,949	16,158
Impairment loss	1,502	3,341
Amount of transfer of equipment by amusement center operation business	(3,074)	(3,796)
Loss (gain) on sales of noncurrent assets	5	(161)
Loss on retirement of noncurrent assets	296	217
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,177	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(173)
Loss on liquidation of subsidiaries	1,468	5
Loss (gain) on sales of investment securities	113	(49)
Loss (gain) on valuation of investment securities	1,308	189
Loss (gain) on investments in partnership	(294)	(366)
Amortization of goodwill	1,875	6,363
Gain on negative goodwill	—	(2,152)
Increase (decrease) in allowance for doubtful accounts	(719)	(57)
Increase (decrease) in provision for directors' bonuses	302	(39)
Increase (decrease) in provision for point card certificates	(17)	(5)
Increase (decrease) in provision for retirement benefits	438	877
Increase (decrease) in provision for directors' retirement benefits	107	(910)
Increase (decrease) in provision for bonuses	(136)	375
Interest and dividends income	(775)	(882)
Interest expenses	637	676
Foreign exchange losses (gains)	171	(126)
Equity in (earnings) losses of affiliates	(35)	8
Loss (gain) on change in equity	(81)	—
Decrease (increase) in notes and accounts receivable-trade	10,033	(16,632)
Decrease (increase) in inventories	(737)	2,186
Increase (decrease) in notes and accounts payable-trade	222	22,519
Increase (decrease) in guarantee deposits received	35	176
Other, net	7,268	1,709
Subtotal	94,507	72,423
Interest and dividends income received	653	855
Interest expenses paid	(653)	(654)
Income taxes paid	(9,565)	(40,396)
Income taxes refund	2,755	5,796
Net cash provided by (used in) operating activities	87,696	38,023

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior year From April 1, 2010 To March 31, 2011	Current year From April 1, 2011 To March 31, 2012
	Amount	Amount
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,185)	(380)
Proceeds from withdrawal of time deposits	1,288	1,097
Purchase of short-term investment securities	(24,300)	(44,102)
Proceeds from redemption of securities	8,195	22,066
Purchase of trust beneficiary right	(7,293)	(6,097)
Proceeds from sales of trust beneficiary right	7,511	5,114
Purchase of property, plant and equipment	(10,901)	(24,005)
Proceeds from sales of property, plant and equipment	197	988
Purchase of intangible assets	(3,571)	(6,469)
Proceeds from sales of intangible assets	1	—
Purchase of investment securities	(5,413)	(1,961)
Proceeds from sales of investment securities	1,239	105
Proceeds from redemption of investment securities	3,800	1,000
Payments for investment in partnerships	(190)	(176)
Proceeds from distribution of investment in partnerships	1,062	631
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(120)	(7,551)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	30	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(165)
Proceeds from liquidation of subsidiaries	—	2,100
Purchase of stocks of subsidiaries and affiliates	(1,030)	(306)
Payments of loans receivable	(66)	(118)
Collection of loans receivable	46	135
Payments for lease deposits	(563)	(1,022)
Collection of lease deposits	1,674	680
Proceeds from transfer of business	23	0
Other, net	(20)	(577)
Net cash provided by (used in) investing activities	(29,585)	(59,012)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	55	(1,500)
Proceeds from long-term loans payable	—	34,430
Repayment of long-term loans payable	(1,512)	(6,157)
Proceeds from issuance of bonds	—	7,474
Redemption of bonds	(20,600)	(13,642)
Proceeds from stock issuance to minority shareholders	103	—
Cash dividends paid	(8,810)	(10,043)
Cash dividends paid to minority shareholders	(399)	(199)
Purchase of treasury stock	(24,530)	(8,430)
Other, net	(1,473)	(1,017)
Net cash provided by (used in) financing activities	(57,168)	914
Effect of exchange rate change on cash and cash equivalents	(1,191)	22
Net increase (decrease) in cash and cash equivalents	(248)	(20,052)
Cash and cash equivalents at beginning of period	167,000	165,983
Increase in cash and cash equivalents from newly consolidated subsidiary	35	667
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(803)	—
Cash and cash equivalents at end of period	165,983	146,599

Changes in Important Matters that Form the Basis for Preparing Consolidated Financial Statements

(Application of Accounting Standard for Earnings Per Share)

The Company applied 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) from the fiscal year ended March 31, 2012.

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.

(Additional information)

- (1) For accounting changes and corrections of prior period errors which are made after the beginning of the fiscal year ended 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) The Company adopted the Consolidated Taxation System from the fiscal year ended March 31, 2012.
- (3) Due to the promulgation on December 2, 2011, of The Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114 of 2011), and The Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Tohoku Earthquake (Law No.117 of 2011), for fiscal years beginning on or after April 1, 2012, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted. As a result of this tax rate change, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥795 million, income taxes-deferred increased by ¥869 million, valuation difference on available-for-sale securities increased by ¥1,552 million and revaluation reserve for land increased by ¥112 million.

SEGMENT INFORMATION

1. Outline of reporting segments

Reporting segments of the Group are the organizational units for which separated financial information is available, and on the basis of which the Board of Directors makes decision on the allocation of management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service, is carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the business run by each company, in which “Pachislot and Pachinko Machines”, “Amusement Machine Sales”, “Amusement Center Operations” and “Consumer Business” are the reporting segments.

Line of business at each reporting segment is as follows:

- (1) Pachislot and Pachinko Machines ... Development, manufacture and sales of pachislot and pachinko machines and design for parlors
- (2) Amusement Machine Sales ... Development, manufacture and sales of game machines used in amusement arcades
- (3) Amusement Center Operations ... Development, operation, rent and maintenance of amusement centers
- (4) Consumer Business ... Development and sales of home video game software;
development, manufacture and sales of toys;
planning and production of entertainment contents through mobile phone etc.;
Planning, production and sales of animated movies

2. Information on the amounts of net sales, income or loss, assets, and other items by each reporting segment

Prior year (From April 1, 2010 to March 31, 2011)

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
Sales to third parties	212,060	47,237	45,695	88,896	393,889	2,843	396,732
Inter-segment sales and transfers	233	3,082	25	654	3,995	979	4,975
Total	212,293	50,319	45,721	89,550	397,885	3,822	401,708
Segment income (loss)	64,284	7,317	342	1,969	73,914	(10)	73,903
Segment assets	125,565	27,374	36,019	98,535	287,495	2,252	289,748
Other items							
Depreciation	3,943	2,194	6,126	3,566	15,832	135	15,967
Increases in property, plant and equipment and intangible assets	5,725	1,538	7,701	4,848	19,813	92	19,905

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

Current year (From April 1, 2011 to March 31, 2012)

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
Sales to third parties	212,189	49,929	44,608	85,688	392,415	3,087	395,502
Inter-segment sales and transfers	144	3,071	0	745	3,960	918	4,879
Total	212,334	53,000	44,608	86,433	396,376	4,006	400,382
Segment income (loss)	71,040	7,415	355	(15,182)	63,628	234	63,862
Segment assets	172,244	31,902	37,256	81,689	323,093	13,878	336,972
Other items							
Depreciation	4,249	1,620	6,184	4,079	16,134	115	16,250
Increases in property, plant and equipment and intangible assets	12,726	1,388	8,328	10,763	33,207	181	33,389

(Note) "Other" is the business segment not included in the reporting segments, but includes Information provider services, etc. Additionally, "Other" in the segment assets includes the assets of the Resort business.

3. Major differences between the total amount of all reporting segments and the amounts on the consolidated financial statements (Difference adjustment)

(Unit: Millions of Yen)

Net sales	Previous year	Current year
Total net sales in the reporting segments	397,885	396,376
Segment net sales in Other	3,822	4,006
Elimination of inter segment transactions	(4,975)	(4,879)
Net sales in the consolidated financial statements	396,732	395,502

(Unit: Millions of Yen)

Income (loss)	Previous year	Current year
Total income in the reporting segments	73,914	63,628
Segment income (loss) in Other	(10)	234
Elimination of inter segment transactions	(126)	(215)
General corporate expenses (note)	(5,026)	(5,263)
Operating income in the consolidated financial statements	68,750	58,384

(Note) General corporate expenses are mainly consisted of the expenses of the group management incurred by the holding company.

(Unit: Millions of Yen)

Assets	Previous year	Current year
Total assets in the reporting segments	287,495	323,093
Segment assets in Other	2,252	13,878
General corporate assets (note)	169,159	166,372
Other adjustments	(282)	(5,893)
Total assets in the consolidated financial statements	458,624	497,451

(Note) General corporate assets are mainly consisted of excess funds at the holding company, etc. and other assets, etc. of the holding company.

(Unit: Millions of Yen)

Other items	Total assets in the reporting segments		Other		Adjustments		Amount in the consolidated financial statement	
	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year
Depreciation	15,832	16,134	135	115	(18)	(91)	15,949	16,158
Increases in property, plant and equipment and intangible assets	19,813	33,207	92	181	(219)	2,752	19,686	36,141

(Note) Adjustments are corporate and elimination of inter segment transactions.