

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
3 Months Ended June 30, 2012

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
(URL <http://www.segasammy.co.jp/>)
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Filing of Quarterly Report: August 9, 2012 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2012

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes from the prior period)

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 3 months ended June 30, 2012	69,980	7.1	5,415	82.4	2,544	—
For 3 months ended June 30, 2011	65,331	(28.5)	2,969	(80.1)	(2,224)	—

(Note) Comprehensive income

For 3 months ended June 30, 2012 : ¥ (935) million (—%)

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

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2012	10.17	10.14
For 3 months ended June 30, 2011	(8.84)	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
June 30, 2012	471,925	284,164	59.4
March 31, 2012	497,451	296,376	58.9

(Reference) Shareholders' equity

June 30, 2012 : ¥ 280,554 million

March 31, 2012: ¥ 293,105 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, 2012	—	20.00	—	20.00	40.00
Year ending March 31, 2013	—				
Year ending March 31, 2013 (plan)		20.00	—	20.00	40.00

(Note) Revision of the forecast in the first quarter of the year ending March 31, 2013: No

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

(Percentage represents changes from the prior period/year)

	Net sales		Operating income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half ending September 2012	163,000	6.8	2,500	(83.5)	3,500	(12.1)	14.22
Entire – year	470,000	18.8	66,000	13.0	40,000	83.3	164.20

(Note) Revision of the forecast in the first quarter of the year ending March 31, 2013: No

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during period: No
- (2) Adoption of the simplified method of accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the quarterly consolidated financial statements:
 1. Changes associated with revision in accounting standards: No
 2. Other changes: Yes
- (4) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)
 - June 30, 2012 : 266,229,476
 - March 31, 2012 : 266,229,476
 2. Number of treasury stock at the end of the period
 - June 30, 2012 : 19,265,415
 - March 31, 2012: 15,194,836
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 3 months ended June 30, 2012: 250,293,105
 - For 3 months ended June 30, 2011: 251,723,496

(Note)

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

Operating Results and Financial Position

(1) Overview

During the first quarter of the fiscal year ending March 31, 2013, 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, recovery trend for the pachislot machines continued thanks to the positive factors including 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 solid market was driven mainly by the prize category. In the future, however, development and supply of innovative new game machines in line with diversifying customer needs is expected to revitalize the market.

In the home video game software industry, demand weakened, mainly for packaged games, due to the severe economic environment in the U.S. and Europe. Meanwhile, the Group needs to adapt to a changing business environment in which market demand for digital games geared toward social networking services (SNS) and smartphones is expanding.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2013 amounted to ¥69,980 million, an increase of 7.1% for the same period in the previous fiscal year. The Group posted an operating income of ¥5,415 million, an increase of 82.4% for the same period in the previous fiscal year. The Group recorded a net income of ¥2,544 million (net loss of ¥2,224 million for the same period in the previous fiscal year).

As disclosed on May 11, 2012, the Group reached an agreement with Paradise Group, which conducts tourism and other services business in South Korea, on the business of a resort complex development including casinos in the Incheon City area of South Korea. The agreement concerns establishment of a joint venture that will conduct planning, development, and operation of the project. Establishment of the joint venture has been completed.

For further detail, please refer to “Concerning Joint Venture with Paradise Group” dated May 11, 2012.

Furthermore, the Company resolved to acquire treasury stocks at the Board of Directors’ meeting held on May 31, 2012. The acquisition period is from June 7, 2012 to September 28, 2012, with 10,000,000 shares as the upper limit of shares to be acquired, and ¥17,000 million as the upper limit of acquisition costs. As of June 30, 2012, the number of shares acquired stood at 4,063,700 shares, at acquisition costs of ¥6,302 million.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group launched “Pachinko CR GAOGAOKING Series” and “Dejiten CR Hokuto No Ken Toki” under the Sammy brand along with “CR Ryu ga Gotoku Kenzan! Series” under the Taiyo Elec brand, but due to the current absence of this fiscal year’s major titles that are scheduled for launch in the latter half of the fiscal year, sales were 23 thousand units. In the pachislot machine business, thanks to strong performance by “Pachislot CODE GEASS Lelouch of the Rebellion” and “Pachislot THE iDOLMASTER LIVE in SLOT!” under the Sammy brand along with “Pachislot Monster Hunter” which was launched in the previous fiscal year under the RODEO brand, overall sales of pachislot machines exceeded results for the same period in the previous fiscal year, reaching 80 thousand units.

As a result, net sales in this segment were ¥33,794 million (an increase of 12.8% for the same period in the previous fiscal year) and operating income was ¥7,847 million (an increase of 9.8% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, sales continued of “StarHorse3 Season I A NEW LEGEND BEGINS.”, launched in the previous fiscal year, and sales of consumables including cards 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 ¥8,966 million (an increase of 9.4% for the same period in the previous fiscal year) and operating income was ¥201 million (an increase of 26.8% for the same period in the previous fiscal year).

《Amusement Center Operations》

In the amusement center operations business, efforts to reinforce management capabilities of existing amusement centers continued from the previous fiscal year. However, in reaction to the relatively strong performance driven primarily by the prize category in the same period in the previous fiscal year, sales at existing SEGA amusement centers in Japan slightly dipped and registered 94.6% of the level compared to the same period of the previous fiscal year.

In the first quarter, the Group closed 2 amusement centers and opened 1 new amusement centers in the domestic market. Consequently, the Group operated a total of 240 amusement centers at the end of the period.

As a result, net sales in this segment were ¥10,012 million (a decrease of 8.6% for the same period in the previous fiscal year) and operating income was ¥428 million (a decrease of 32.6% for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, “London 2012: The Official Video Game of the Olympic Games” and other titles were sold in the packaged game software field. However, a reduction of number of titles implemented as part of the structural reform policies announced on March 30, 2012 led to a year-on-year decline in total volume of packaged software sales to 1,340 copies, including 400 thousand copies in the U.S., 700 thousand copies in Europe, and 230 thousand copies in Japan.

On the other hand, performance remained favorable in the field of digital game software for mobile phones, smartphones, and PC downloading, and “Kingdom Conquest”, a title for smartphones, exceeded 3 million downloads on a cumulative basis as of June 2012. In addition, numerous other titles were launched, including “SAMURAI&DRAGONS”, “Sakatsuku Social World Stars”, and “Miku Flick”.

Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, results were strong for pay-per-use services, and the smartphone version of “777townSP” service was enhanced.

In the toy sales division, we continued to sell mainstay products such as “Anpanman Words Book” with solid results but the sales was weak for the division as a whole.

In the animated films business, program sales were healthy.

As a result, net sales in this segment were ¥15,095 million (a decrease of 6.9% for the same period in the previous fiscal year) and operating loss was ¥1,559 million (operating loss of ¥3,856 million for the same period in 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. In connection with this, we are closing bases primarily in Europe and reducing number of titles. Going forward, we will cut fixed costs through utilization of external distributors, and concentrate efforts on sales of strong titles that are expected to continue posting solid earnings, in order to improve our earning power.

In addition, SEGA CORPORATION established SEGA Networks, Ltd. on July 2, 2012 to bolster development of the digital game software field and shifting business structure with a view to adapting to changes in the business environment.

Furthermore, the “Phantasy Star Online 2”, the main title in the digital game software field for the current fiscal year, service was officially launched on July 4, 2012, and has been enjoying brisk sales.

(2) Forecast of Consolidated Operating Results

Although the amount of operating income for the first quarter of the fiscal year ending March 31, 2013 exceeded the forecasted amount for the first half of the fiscal year, announced on May 11, 2012, no change has been made to the forecast for consolidated operating results for the first half of the fiscal year ending March 31, 2013 as well as that for the full year announced on May 11, 2012 because the sales schedule in the future needs to be examined thoroughly. Modified forecast for consolidated operating results for the first half of the fiscal year ending March 31, 2013 and that for the full year would be released promptly if modification is needed.

As a result of the recalculation reflecting the purchase of treasury stock through July 2012, forecast of the net income per share for the first half of the fiscal year ending March 31, 2013 was revised to ¥14.22 (announced at ¥13.94 on May 11, 2012) and that for the full year was revised to ¥164.20 (announced at ¥159.34 on May 11, 2012).

(3) Other

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

1. Changes in accounting policies which is difficult to distinguish from changes in accounting estimates

Previously, the method of depreciation for property, plant, and equipment mainly employed by the Company and its domestic consolidated subsidiaries was the declining-balance method. However, as a result of a review of the economic reality prompted by planned major capital investment, we have changed to the straight-line method as of the fiscal year ending March 31, 2013.

Specifically, construction of the new pachislot and pachinko plant and distribution center aims to ensure stable manufacture and supply of products, and closing unprofitable amusement centers have been completed, so amusement center machines can be expected to operate stably for the most part during their useful lives. Therefore, the operating rate of the Group's property, plant, and equipment will not change significantly, and the Group's repair costs and other equipment maintenance expenses are mostly level; thus, the depreciation method has been determined through comprehensive consideration of these and other factors.

Comparing results with the previous method, gross profit was increased by ¥706 million, operating income and income before income taxes and minority interests were increased by ¥828 million, respectively, for the first quarter of the fiscal year ending March 31, 2013.

The effect to the segment information is stated in the SEGMENT INFORMATION.

2. Changes in accounting estimates

Previously, the Company and its domestic consolidated subsidiaries determined the useful life of property, plant, and equipment mainly according to standards identical to the methods stipulated under the Corporation Tax Act in Japan. However, as a result of a review of the economic reality prompted by planned major capital investment, the determination of useful life of property, plant, and equipment has been changed as of the fiscal year ending March 31, 2013.

Specifically, we have completed construction of the new pachislot and pachinko plant and distribution center, and closed unprofitable amusement centers. As a result, we can consider the period of physical use for property, plant, and equipment such as manufacturing facilities and amusement center machines, as well as the period of earning contributions arising from the use of that property, plant, and equipment, to be more stable. Therefore, useful life has been determined through comprehensive consideration of economic life.

Comparing results with the previous method, gross profit was decreased by ¥157 million, operating income and income before income taxes and minority interests were decreased by ¥162 million, respectively, for the first quarter of the fiscal year ending March 31, 2013.

The effect to the segment information is stated in the SEGMENT INFORMATION.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2012 AND MARCH 31, 2012

(Unit : Millions of Yen)

	Prior year (As of March 31, 2012)	Current period (As of June 30, 2012)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	127,721	157,117
Notes and accounts receivable – trade	73,554	36,230
Allowance for doubtful accounts	(593)	(379)
Short-term investment securities	66,509	27,708
Merchandise and finished goods	6,677	6,985
Work in process	6,992	9,480
Raw materials and supplies	20,890	18,932
Other	25,892	39,762
Total current assets	327,645	295,837
Noncurrent assets		
Property, plant and equipment		
Land	29,457	28,134
Other, net	48,716	54,429
Total property, plant and equipment	78,173	82,564
Intangible assets		
Goodwill	10,790	9,981
Other	10,517	11,629
Total intangible assets	21,308	21,610
Investments and other assets		
Investment securities	52,725	47,735
Other	18,838	25,391
Allowance for doubtful accounts	(1,239)	(1,213)
Total investments and other assets	70,324	71,913
Total noncurrent assets	169,805	176,087
Total assets	497,451	471,925

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2012 AND MARCH 31, 2012

(Unit : Millions of Yen)

	Prior year (As of March 31, 2012)	Current period (As of June 30, 2012)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	59,917	36,886
Short - term loans payable	10,194	11,222
Income taxes payable	5,550	2,353
Provision	8,401	4,421
Asset retirement obligations	199	187
Other	48,136	49,976
Total current liabilities	132,398	105,048
Noncurrent liabilities		
Bonds payable	11,943	16,943
Long - term loans payable	25,052	34,437
Provision for retirement benefits	14,527	14,778
Provision for directors' retirement benefits	293	124
Asset retirement obligations	1,943	1,919
Other	14,916	14,508
Total noncurrent liabilities	68,676	82,712
Total liabilities	201,075	187,760
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,397	119,397
Retained earnings	175,173	172,676
Treasury stock	(26,067)	(32,381)
Total shareholders' equity	298,456	289,645
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,872	15,929
Deferred gains or losses on hedges	—	(0)
Revaluation reserve for land	(4,541)	(4,541)
Foreign currency translation adjustment	(19,681)	(20,478)
Total accumulated other comprehensive income	(5,350)	(9,090)
Subscription rights to shares	991	1,133
Minority interests	2,279	2,477
Total net assets	296,376	284,164
Total liabilities and net assets	497,451	471,925

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 3 MONTHS ENDED JUNE 30, 2011 AND 2012

(Unit : Millions of Yen)

	Prior period From April 1, 2011 To June 30, 2011	Current period From April 1, 2012 To June 30, 2012
	Amount	Amount
Net sales	65,331	69,980
Cost of sales	39,780	41,410
Gross profit	25,551	28,570
Selling, general and administrative expenses	22,582	23,154
Operating income	2,969	5,415
Other income (expenses) :		
Interest income	84	125
Dividends income	262	401
Equity in earnings of affiliates	—	62
Gain on valuation of derivatives	—	80
Foreign exchange gains	15	—
Gain on investments in partnership	147	0
Interest expenses	(131)	(200)
Equity in losses of affiliates	(6)	—
Loss on valuation of derivatives	(7)	—
Bond issuance cost	(84)	(87)
Foreign exchange losses	—	(821)
Gain on sales of noncurrent assets	0	290
Gain on sales of subsidiaries and affiliates' stocks	9	—
Loss on sales of noncurrent assets	(0)	(0)
Impairment loss	(66)	—
Loss on valuation of investment securities	(21)	(9)
Loss on disaster	(41)	—
The settlement payment for patent licensing	(3,500)	—
Other income	162	183
Other expenses	(168)	(456)
Subtotal	(3,344)	(432)
Income (loss) before income taxes and minority interests	(375)	4,983
Income taxes-current	1,488	2,205
Total income taxes	1,488	2,205
Income (loss) before minority interests	(1,863)	2,778
Minority interests in income	360	233
Net income (loss)	(2,224)	2,544

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 3 MONTHS ENDED JUNE 30, 2011 AND 2012

(Unit : Millions of Yen)

	Prior period From April 1, 2011 To June 30, 2011	Current period From April 1, 2012 To June 30, 2012
	Amount	Amount
Minority interests in income	360	233
Income (loss) before minority interests	(1,863)	2,778
Other comprehensive income		
Valuation difference on available-for-sale securities	4,846	(2,942)
Deferred gains or losses on hedges	(2)	(0)
Foreign currency translation adjustment	(538)	(770)
Share of other comprehensive income of associates accounted for using equity method	(2)	(0)
Total other comprehensive income	4,302	(3,714)
Comprehensive income	2,438	(935)
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	2,077	(1,195)
Comprehensive income attributable to minority interests	360	259

SEGMENT INFORMATION

1. Prior period (From April 1, 2011 to June 30, 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	29,954	7,625	10,957	16,041	64,579	752	65,331
(2) Inter-segment sales and transfers	16	572	0	166	754	224	978
Total	29,971	8,198	10,957	16,207	65,333	976	66,310
Segment income (loss)	7,147	158	634	(3,856)	4,084	74	4,159

(Note) “Other” is the business segment not included in the reporting segments, 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 first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	4,084
Segment income in Other	74
Elimination of inter segment transactions	9
General corporate expenses (note)	(1,199)
Operating income in the consolidated statement of income and comprehensive income for the first quarter of the fiscal year ending March 31, 2012	2,969

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

2. Current period (From April 1, 2012 to June 30, 2012)

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

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
(1) Sales to third parties	33,775	8,382	10,012	14,929	67,099	2,881	69,980
(2) Inter-segment sales and transfers	18	584	0	166	769	210	980
Total	33,794	8,966	10,012	15,095	67,869	3,091	70,960
Segment income (loss)	7,847	201	428	(1,559)	6,917	(152)	6,764

(Note) "Other" is the business segment not included in the reporting segments, but includes operation of Resort complexes and 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 first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	6,917
Segment income in Other	(152)
Elimination of inter segment transactions	(68)
General corporate expenses (note)	(1,280)
Operating income in the consolidated statement of income and comprehensive income for the first quarter of the fiscal year ending March 31, 2013	5,415

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

(3) Concerning changes in the reporting segment etc.

Previously, the method of depreciation for property, plant, and equipment mainly employed by the Company and its domestic consolidated subsidiaries was the declining-balance method. However, we have changed to the straight-line method as of the fiscal year ending March 31, 2013 as stated in the "Changes in accounting policies which is difficult to distinguish from changes in accounting estimates".

Comparing the results with the previous method, segment income for "Pachislot and Pachinko Machines" increased by ¥167 million, "Amusement Machine Sales" increased by ¥42 million, "Amusement Center Operations" increased by ¥550 million, segment loss for "Consumer Business" decreased by ¥43 million, and segment income for "Other" increased by ¥10 million for the first quarter of the fiscal year ending March 31, 2013.

Previously, the Company and its domestic consolidated subsidiaries determined the useful life of property, plant, and equipment mainly according to standards identical to the methods stipulated under the Corporation Tax Act in Japan. However, the determination of useful life of property, plant, and equipment has been changed as of the fiscal year ending March 31, 2013 as stated in the "Changes in accounting estimates".

Comparing the results with the previous method, segment income for "Pachislot and Pachinko Machines" decreased by ¥145 million, "Amusement Machine Sales" increased by ¥2 million, "Amusement Center Operations" decreased by ¥16 million, and segment loss for "Consumer Business" increased by ¥2 million for the first quarter of the fiscal year ending March 31, 2013.

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, 2012	29,953	119,397	175,173	(26,067)	298,456
Changes of items for the 3 months ended June 30, 2012					
Dividends from retained earnings			(5,020)		(5,020)
Net income			2,544		2,544
Purchase of treasury stock (Note)				(6,314)	(6,314)
Disposal of treasury stock		(0)		1	1
Change of scope of consolidation			(21)		(21)
Total changes of items for the 3 months ended June 30, 2012	—	(0)	(2,497)	(6,313)	(8,810)
Balances as of June 30, 2012	29,953	119,397	172,676	(32,381)	289,645

(Note)

This refers primarily to the purchase of treasury stocks worth ¥6,302 million (4,063,700 shares) according to the resolution at the meeting of Board of Directors held on May 31, 2012.

Outline of the resolution

- (1) Type of shares to be acquired: Common shares
- (2) Total number of shares to be acquired: 10,000,000 shares (upper limit)
- (3) Total acquisition costs: ¥17,000 million (upper limit)
- (4) Acquisition period: From June 7, 2012 through September 28, 2012