

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
9 Months Ended December 31, 2012

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
Representative: Hajime Satomi
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Filing of Quarterly Report: February 13, 2013 (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, 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 9 months ended December 31, 2012	207,004	(33.6)	7,074	(89.0)	3,067	(91.1)
For 9 months ended December 31, 2011	311,682	0.5	64,360	2.2	34,384	(6.6)

(Note) Comprehensive income

For 9 months ended December 31, 2012 : ¥ 2,291 million ((95.0)%)

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

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2012	12.54	12.51
For 9 months ended December 31, 2011	136.58	136.32

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
December 31, 2012	457,849	274,021	59.0
March 31, 2012	497,451	296,376	58.9

(Reference) Shareholders' equity

December 31, 2012 : ¥ 270,091 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	—	20.00	—		
Year ending March 31, 2013 (plan)				20.00	40.00

(Note) Revision of the forecast from latest announcement: 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
Entire – year	320,000	(19.1)	15,000	(74.3)	12,500	(42.7)	51.24

(Note) Revision of the forecast from latest announcement: Yes

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)
 - December 31, 2012 : 266,229,476
 - March 31, 2012 : 266,229,476
 2. Number of treasury stocks at the end of the period
 - December 31, 2012 : 24,606,201
 - March 31, 2012 : 15,194,836
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 9 months ended December 31, 2012: 244,669,956
 - For 9 months ended December 31, 2011: 251,745,225

(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 4.

Operating Results and Financial Position

(1) Overview

During the first three quarters of the fiscal year ending March 31, 2013, the outlook for the Japanese economy remained uncertain due to turmoil in the global financial markets, mainly in Europe, and the economic slowdown of emerging nations.

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 further.

In this business environment, net sales for the first three quarters of the fiscal year ending March 31, 2013 amounted to ¥207,004 million, a decrease of 33.6% for the same period in the previous fiscal year. The Group posted an operating income of ¥7,074 million, a decrease of 89.0% for the same period in the previous fiscal year. Due to the factors including gains such as Gain on sales of investment securities and losses related to the subsidiary in the U.S. such as Impairment loss of Goodwill and Loss on liquidation of subsidiaries and affiliates, the Group recorded a net income of ¥3,067 million, a decrease of 91.1% for the same period in the previous fiscal year.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachinko machine business, although the Group launched “Pachinko CR Shin-Juoh” under the Sammy brand along with “CR Kome Kome Club” under the Taiyo Elec brand in the third quarter, due to a stagnant market environment, sales for the first three quarters were 89 thousand units and fell short of the same period in the previous fiscal year. In the pachislot machine business, although the Group launched “Pachislot GHOST IN THE SHELL -S.A.C.-” under the Sammy brand in the third quarter, as a result of the rescheduling of the launch of certain titles, overall sales for the first three quarters were 130 thousand units and fell short of the same period in the previous fiscal year.

As a result, net sales in this segment were ¥74,350 million (a decrease of 58.2% for the same period in the previous fiscal year) and operating income was ¥7,797 million (a decrease of 88.4% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, the sales of CTV KITs and expendables such as cards for the “WORLD CLUB Champion Football Series” were strong. Although distribution revenue from revenue sharing titles remained solid, the sales of major new titles were absent.

As a result, net sales in this segment were ¥33,098 million (a decrease of 8.9% for the same period in the previous fiscal year) and operating income was ¥2,615 million (a decrease of 48.3% 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 dipped and registered 93.7% of the level compared to the same period of the previous fiscal year. In the third quarter, the Group closed 1 amusement center in the domestic market. Consequently, the Group operated a total of 237 amusement centers at the end of the period.

As a result, net sales in this segment were ¥32,081 million (a decrease of 5.6% for the same period in the previous fiscal year) and operating income was ¥984 million (a decrease of 21.4% for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, sales were strong in the packaged game software field for titles such as “Ryu ga Gotoku 5: Yume,Kanaeshimono” which targets the domestic market, and “Sonic & All-Stars Racing Transformed” and “Football Manager 2013” for overseas markets. However, a reduction of number of titles carried out as part of the structural reform policies implemented in Europe and the U.S. starting from the end of the previous fiscal year led to a year-on-year decline in total volume of packaged software sales to 6,940 thousand copies, which includes 2,430 thousand copies in the U.S., 2,940 thousand copies in Europe, and 1,570 thousand copies in Japan.

In the field of digital game software for mobile phones, smartphones, and PC downloading, the number of registered users of the PC online RPG “Phantasy Star Online 2”, which launched its services in July, exceeded 1.7 million, and revenue from paid items continued to exceed forecast levels. Our title line-up for smartphones was expanded with the introduction of numerous additions including “Dragon Coins” and “Kingdom Conquest Series”.

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, sales of mainstay products such as “Jewelpod Diamond” remained solid.

In the animated films business, distribution revenue and film distribution for the movie “ANPANMAN: Revive Banana Island!” were favorable.

As a result, net sales in this segment were ¥60,947 million (a decrease of 4.9% for the same period in the previous fiscal year) and operating income was ¥518 million (operating loss of ¥5,509 million for the same period in the previous fiscal year).

(2) Forecast of Consolidated Operating Results

Adjustments have been made to the forecast of consolidated operating results for the full year announced on May 11, 2012.

For the forecast of consolidated operating results, please refer to “Notice of Adjustment to the Forecast of Full Year Consolidated Operating Results for the Year Ending March 31, 2013”, announced on February 5, 2013.

(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 ¥3,425 million, operating income and income before income taxes and minority interests were increased by ¥4,229 million, respectively, for the first three quarters 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 ¥531 million, operating income and income before income taxes and minority interests were decreased by ¥826 million, respectively, for the first three quarters 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 DECEMBER 31, 2012 AND MARCH 31, 2012

(Unit : Millions of Yen)

	Prior year (As of March 31, 2012)	Current period (As of December 31, 2012)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	127,721	131,167
Notes and accounts receivable – trade	73,554	48,515
Allowance for doubtful accounts	(593)	(388)
Short-term investment securities	66,509	9,210
Merchandise and finished goods	6,677	7,765
Work in process	6,992	9,299
Raw materials and supplies	20,890	31,450
Other	25,892	34,287
Total current assets	327,645	271,308
Noncurrent assets		
Property, plant and equipment		
Land	29,457	27,985
Other, net	48,716	59,559
Total property, plant and equipment	78,173	87,545
Intangible assets		
Goodwill	10,790	8,136
Other	10,517	13,702
Total intangible assets	21,308	21,838
Investments and other assets		
Investment securities	52,725	52,511
Other	18,838	25,876
Allowance for doubtful accounts	(1,239)	(1,231)
Total investments and other assets	70,324	77,156
Total noncurrent assets	169,805	186,540
Total assets	497,451	457,849

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

(Unit : Millions of Yen)

	Prior year (As of March 31, 2012)	Current period (As of December 31, 2012)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	59,917	39,866
Short - term loans payable	10,194	14,876
Income taxes payable	5,550	4,833
Provision	8,401	3,875
Asset retirement obligations	199	179
Other	48,136	35,869
Total current liabilities	132,398	99,500
Noncurrent liabilities		
Bonds payable	11,943	15,150
Long - term loans payable	25,052	35,499
Provision for retirement benefits	14,527	15,306
Provision for directors' retirement benefits	293	140
Asset retirement obligations	1,943	2,199
Other	14,916	16,031
Total noncurrent liabilities	68,676	84,326
Total liabilities	201,075	183,827
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,397	119,361
Retained earnings	175,173	168,368
Treasury stock	(26,067)	(41,272)
Total shareholders' equity	298,456	276,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,872	15,210
Deferred gains or losses on hedges	—	5
Revaluation reserve for land	(4,541)	(4,541)
Foreign currency translation adjustment	(19,681)	(16,992)
Total accumulated other comprehensive income	(5,350)	(6,318)
Subscription rights to shares	991	1,168
Minority interests	2,279	2,761
Total net assets	296,376	274,021
Total liabilities and net assets	497,451	457,849

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED DECEMBER 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior period From April 1, 2011 To December 31, 2011	Current period From April 1, 2012 To December 31, 2012
	Amount	Amount
Net sales	311,682	207,004
Cost of sales	170,731	128,197
Gross profit	140,951	78,806
Selling, general and administrative expenses	76,590	71,732
Operating income	64,360	7,074
Other income (expenses) :		
Interest income	262	375
Dividends income	494	751
Equity in earnings of affiliates	—	38
Gain on valuation of derivatives	—	292
Foreign exchange gains	—	953
Gain on investments in partnership	409	74
Interest expenses	(473)	(646)
Equity in losses of affiliates	(10)	—
Loss on valuation of derivatives	(195)	—
Bond issuance cost	(125)	(141)
Foreign exchange losses	(512)	—
Commission fee	(427)	(44)
Gain on sales of noncurrent assets	93	341
Gain on sales of subsidiaries and affiliates' stocks	173	—
Gain on sales of investment securities	51	1,891
Gain on negative goodwill	836	—
Loss on sales of noncurrent assets	(2)	(2)
Impairment loss	(1,432)	(2,070)
Loss on valuation of investment securities	(37)	(27)
The settlement payment for patent licensing	(3,500)	—
Loss on liquidation of subsidiaries and affiliates	—	(1,787)
Other income	714	668
Other expenses	(1,664)	(912)
Subtotal	(5,345)	(243)
Income before income taxes and minority interests	59,015	6,830
Income taxes-current	24,242	3,560
Total income taxes	24,242	3,560
Income before minority interests	34,772	3,270
Minority interests in income	388	202
Net income	34,384	3,067

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED DECEMBER 31, 2011 AND 2012

(Unit : Millions of Yen)

	Prior period From April 1, 2011 To December 31, 2011	Current period From April 1, 2012 To December 31, 2012
	Amount	Amount
Minority interests in income	388	202
Income before minority interests	34,772	3,270
Other comprehensive income		
Valuation difference on available-for-sale securities	12,848	(3,662)
Deferred gains or losses on hedges	0	5
Revaluation reserve for land	402	—
Foreign currency translation adjustment	(1,944)	2,613
Share of other comprehensive income of associates accounted for using equity method	(3)	64
Total other comprehensive income	11,303	(978)
Comprehensive income	46,076	2,291
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	45,708	2,099
Comprehensive income attributable to minority interests	368	192

SEGMENT INFORMATION

1. Prior 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.

2. Current period (From April 1, 2012 to December 31, 2012)

(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	74,053	30,634	32,070	60,385	197,144	9,860	207,004
(2) Inter-segment sales and transfers	297	2,463	11	562	3,334	641	3,975
Total	74,350	33,098	32,081	60,947	200,478	10,501	210,979
Segment income (loss)	7,797	2,615	984	518	11,916	(246)	11,670

(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 9 months ended December 31, 2012 (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	11,916
Segment loss in Other	(246)
Elimination of inter segment transactions	(17)
General corporate expenses (note)	(4,579)
Operating income in the consolidated statement of income and comprehensive income for the 9 months ended December 31, 2012	7,074

(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 ¥1,240 million, “Amusement Machine Sales” increased by ¥136 million, “Amusement Center Operations” increased by ¥2,471 million, “Consumer Business” increased by ¥137 million, and segment loss for “Other” decreased by ¥16 million for the first three quarters 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 ¥705 million, “Amusement Machine Sales” decreased by ¥4 million, “Amusement Center Operations” decreased by ¥77 million, and “Consumer Business” decreased by ¥39 million for the first three quarters 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 9 months ended December 31, 2012					
Dividends from retained earnings			(9,851)		(9,851)
Net income			3,067		3,067
Purchase of treasury stock (Note 1)				(16,214)	(16,214)
Disposal of treasury stock (Note 2)		(35)		1,009	973
Change of scope of consolidation			(21)		(21)
Total changes of items for the 9 months ended December 31, 2012	—	(35)	(6,805)	(15,204)	(22,045)
Balances as of December 31, 2012	29,953	119,361	168,368	(41,272)	276,410

(Note)

1. This refers primarily to the purchase of treasury stocks worth ¥16,192 million (10,000,000 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
2. This refers primarily to the assignment of treasury stocks worth ¥1,007 million (600,700 shares) due to the exercise of stock options.