

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
9 Months Ended December 31, 2013

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: February 14, 2014 (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, 2013

(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, 2013	303,961	46.8	46,574	558.4	44,329	—
For 9 months ended December 31, 2012	207,004	(33.6)	7,074	(89.0)	3,067	(91.1)

(Note) Comprehensive income

For 9 months ended December 31, 2013 : ¥46,562 million (—%)

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

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2013	182.53	181.00
For 9 months ended December 31, 2012	12.54	12.51

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2013	575,520	358,766	61.5
March 31, 2013	528,504	320,034	59.7

(Reference) Shareholders' equity

December 31, 2013 : ¥353,872 million

March 31, 2013 : ¥315,752 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, 2013	—	20.00	—	20.00	40.00
Year ending March 31, 2014	—	20.00	—		
Year ending March 31, 2014 (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, 2014

(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	485,000	50.9	73,000	282.7	47,000	40.5	194.17

(Note) Revision of the forecast from latest announcement: No

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during period: Yes
(Included) Company name: SEGA SAMMY BUSAN INC.
(Excluded) Company name: Sega Sammy Resort Limited Liability Partnership
- (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: No
- (4) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)

December 31, 2013	: 266,229,476
March 31, 2013	: 266,229,476
 2. Number of treasury stock at the end of the period

December 31, 2013	: 22,750,030
March 31, 2013	: 24,169,675
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For 9 months ended December 31, 2013:	242,859,159
For 9 months ended December 31, 2012:	244,669,956

(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 SEGA SAMMY HOLDINGS INC. (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, 2014, there were growing hopes that the Japanese economy would break out of deflation and experience economic recovery amid the trend toward yen depreciation and rising stock prices backed by the effects of the economic policies set out by the government's new administration. However, uncertainty still prevailed due to worries of a slowing economy from the consumption tax rise that will be implemented in April 2014.

In this climate, with regard to the pachislot and pachinko industry, as orders tended to concentrate on some mainstay products due to pachinko parlor operators becoming increasingly selective about machines, there has been continuing strong replacement demand for new pachislot machines, while replacement demand for new pachinko machines has been rather weak. In order to revitalize the market in the future, it is essential to develop and supply machines that will be supported by end users.

In the amusement machine and amusement center industry, the market was sluggish due to the absence of major market-driving titles, along with the diversification of ways to play on smartphones and other devices. 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 expanded in the market for digital games geared toward social networking services (SNS) and smartphones, while the market for packaged games softened.

In this business environment, net sales for the first three quarters of the fiscal year ending March 31, 2014 amounted to ¥303,961 million, an increase of 46.8% for the same period in the previous fiscal year. The Group posted an operating income of ¥46,574 million, an increase of 558.4% 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 such as loss on liquidation of subsidiaries and affiliates, the Group recorded a net income of ¥44,329 million (net income of ¥3,067 million for the same period in the previous fiscal year).

In addition, a newly established subsidiary, which is a wholly owned subsidiary of SEGA CORPORATION, a subsidiary of the Company, concluded a business transfer agreement with Index Corporation on September 18, 2013 and the business transfer took place on November 1, 2013.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachislot machine business, thanks to solid performance by “Pachislot Eureka Seven 2” and “Pachislot Juoh” under the Sammy brand in the third quarter, overall sales for the first three quarters of the fiscal year exceeded results for the same period in the previous fiscal year and reaching 286 thousand units.

In the pachinko machine business, the Group launched “Pachinko CR Hokuto No Ken 5 Hyakuretsu” and “Pachinko CR SOUTEN-NO-KEN” under the Sammy brand in the third quarter and sales of pachinko machines reached 156 thousand units, exceeding the results of the same period in the previous fiscal year. However, titles other than the major titles performed weakly.

As a result, net sales in this segment were ¥160,364 million (an increase of 115.7% for the same period in the previous fiscal year) and operating income was ¥50,045 million (an increase of 541.8% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, although the Group launched CVT KITs for “WORLD CLUB Champion Football” and reported distribution revenue from revenue sharing titles such as “CODE OF JOKER,” new titles including “Hokuto no Ken BATTLE MEDAL” struggled due to the stagnant market environment.

As a result, net sales in this segment were ¥31,573 million (a decrease of 4.6% for the same period in the previous fiscal year) and operating loss was ¥275 million (operating income of ¥2,615 million 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, due to the absence of industry-driving titles, sales at existing amusement centers in Japan dipped and registered 94.9% of the level compared to the same period of the previous fiscal year.

In the third quarter, the Group opened 1 new amusement center in the domestic market. Consequently, the Group operated a total of 203 amusement centers at the end of the period.

Meanwhile, from the fiscal year ending March 31, 2014, numbers counted as amusement centers in the domestic market are based on amusement centers (game arcades) directly operated by the Group.

As a result, net sales in this segment were ¥32,415 million (an increase of 1.0% for the same period in the previous fiscal year) and operating loss was ¥55 million (operating income of ¥984 million for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, although the Group launched multiple titles including “Football Manager 2014” and “Sonic Lost World” in the packaged game software field, sales were low due to the harsh market environment.

As a result, a year-on-year decline in total volume of packaged software sales to 6,310 thousand copies, which includes 2,290 thousand copies in the U.S., 3,060 thousand copies in Europe, and 960 thousand copies in Japan.

In the field of digital game software for mobile phones, smartphones, and PC downloading, performance remained favorable for the online RPG “Phantasy Star Online 2” as well as titles for smartphones, “Puyopuyo!! Quest” and “CHAIN CHRONICLE.” Also, cumulative number of downloads for “Puyopuyo!! Quest” exceeded 6 million as of December 2013 and “CHAIN CHRONICLE” exceeded 2 million as of January 2014.

Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777townSP” service and service for DeNA Co., Ltd.’s “Moba7” were enhanced.

In the toy sales division, we continued to sell mainstay products such as “Jewelpod Diamond Premium.”

In the animated films business, distribution revenue from theater film “ANPANMAN: Fly! Handkerchief of hope” was favorable.

As a result, net sales in this segment were ¥72,934 million (an increase of 19.7% for the same period in the previous fiscal year) and operating income was ¥2,781 million (an increase of 436.7% for the same period in the previous fiscal year).

(2) Forecast of Consolidated Operating Results

No amendments have been made to the forecast of consolidated operating results for the year ending March 31, 2014 announced on May 10, 2013.

In the pachislot and pachinko machines business, although sales of pachislot machines have been strong, the Group is taking into account the trends in the market environment etc. to carefully determine the timing for the launch of major titles scheduled for release in the fourth quarter. The amusement machine sales business has underperformed due to restraint on investment of amusement center operators. Additionally, in amusement center operations business, although sales from existing amusement centers continued to fall short of the same period of the previous fiscal year, the Group intends to continue its efforts to reinforce the management capabilities of the amusement centers. In the consumer business, despite weak performance in the packaged game software field, strong sales have been reported in the digital game software field, and accordingly, the Group intends to concentrate its management resources in this field going forward. In light of the above circumstances, the Group will carefully examine its forecast of consolidated operating results for the year ending March 31, 2014 and a modified forecast will be released promptly if adjustment is needed.

(3) Other

(Significant changes in subsidiaries during period)

SEGA SAMMY BUSAN INC. became the Company’s consolidated subsidiaries because of its establishment in the first quarter.

Sega Sammy Resort Limited Liability Partnership was excluded from the scope of consolidation in the second quarter because of its completion of liquidation.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND MARCH 31, 2013

(Unit : Millions of yen)

	Prior year (As of March 31, 2013)	Current period (As of December 31, 2013)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	176,540	139,222
Notes and accounts receivable – trade	63,886	84,658
Allowance for doubtful accounts	(386)	(305)
Short-term investment securities	4,260	57,566
Merchandise and finished goods	5,931	6,814
Work in process	12,773	15,748
Raw materials and supplies	23,850	14,890
Other	31,713	23,485
Total current assets	318,570	342,080
Noncurrent assets		
Property, plant and equipment		
Land	27,229	38,543
Other, net	59,830	62,747
Total property, plant and equipment	87,060	101,291
Intangible assets		
Goodwill	10,206	20,265
Other	12,706	12,534
Total intangible assets	22,913	32,800
Investments and other assets		
Investment securities	72,797	67,678
Other	28,159	32,352
Allowance for doubtful accounts	(997)	(683)
Total investments and other assets	99,960	99,347
Total noncurrent assets	209,933	233,439
Total assets	528,504	575,520

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND MARCH 31, 2013

(Unit : Millions of yen)

	Prior year (As of March 31, 2013)	Current period (As of December 31, 2013)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	50,142	43,095
Short - term loans payable	12,867	12,870
Income taxes payable	1,494	15,167
Provision	5,455	3,326
Asset retirement obligations	229	288
Other	33,448	32,560
Total current liabilities	103,637	107,307
Noncurrent liabilities		
Bonds payable	29,500	38,650
Long - term loans payable	44,926	39,136
Provision for retirement benefits	9,277	9,029
Provision for directors' retirement benefits	138	134
Asset retirement obligations	2,165	2,305
Other	18,823	20,189
Total noncurrent liabilities	104,831	109,446
Total liabilities	208,469	216,753
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,335	119,321
Retained earnings	198,924	233,292
Treasury stock	(40,540)	(38,174)
Total shareholders' equity	307,673	344,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,385	23,117
Deferred gains or losses on hedges	—	9
Revaluation reserve for land	(4,705)	(4,705)
Foreign currency translation adjustment	(14,601)	(8,941)
Total accumulated other comprehensive income	8,078	9,479
Subscription rights to shares	1,146	1,014
Minority interests	3,136	3,879
Total net assets	320,034	358,766
Total liabilities and net assets	528,504	575,520

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED DECEMBER 31, 2012 AND 2013

(Unit : Millions of yen)

	Prior period From April 1, 2012 To December 31, 2012	Current period From April 1, 2013 To December 31, 2013
	Amount	Amount
Net sales	207,004	303,961
Cost of sales	128,197	175,683
Gross profit	78,806	128,278
Selling, general and administrative expenses	71,732	81,703
Operating income	7,074	46,574
Other income (expenses) :		
Interest income	375	246
Dividends income	751	914
Equity in earnings of affiliates	38	—
Gain on valuation of derivatives	292	—
Foreign exchange gains	953	1,254
Gain on investments in partnership	74	932
Interest expenses	(646)	(634)
Equity in losses of affiliates	—	(94)
Bond issuance cost	(141)	(64)
Commission fee	(44)	(44)
Gain on sales of noncurrent assets	341	3,576
Gain on sales of investment securities	1,891	11,969
Loss on sales of noncurrent assets	(2)	(7)
Impairment loss	(2,070)	(268)
Loss on valuation of investment securities	(27)	(41)
Loss on liquidation of subsidiaries and affiliates	(1,787)	(396)
Cost of corrective measures	—	(347)
Other income	668	768
Other expenses	(912)	(694)
Subtotal	(243)	17,067
Income before income taxes and minority interests	6,830	63,641
Income taxes-current	3,560	18,644
Total income taxes	3,560	18,644
Income before minority interests	3,270	44,996
Minority interests in income	202	666
Net income	3,067	44,329
Minority interests in income	202	666
Income before minority interests	3,270	44,996
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,662)	(4,269)
Deferred gains or losses on hedges	5	10
Foreign currency translation adjustment	2,613	5,216
Share of other comprehensive income of associates accounted for using equity method	64	607
Total other comprehensive income	(978)	1,566
Comprehensive income	2,291	46,562
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,099	45,730
Comprehensive income attributable to minority interests	192	831

SEGMENT INFORMATION

1. Prior 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 the resort complex business 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 (loss)	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 consists of Group management expenses incurred by the holding company.

2. Current period (From April 1, 2013 to December 31, 2013)

(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	160,224	28,007	32,405	72,394	293,032	10,928	303,961
(2) Inter-segment sales and transfers	139	3,565	9	539	4,254	498	4,753
Total	160,364	31,573	32,415	72,934	297,287	11,427	308,715
Segment income (loss)	50,045	(275)	(55)	2,781	52,496	(790)	51,705

(Note) "Other" is the business segment not included in the reporting segments, but includes the resort complex business 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, 2013 (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	52,496
Segment loss in Other	(790)
Elimination of inter segment transactions	72
General corporate expenses (note)	(5,203)
Operating income in the consolidated statement of income and comprehensive income for the 9 months ended December 31, 2013	46,574

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