

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**3 Months Ended June 30, 2014**

**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 8, 2014 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the 3 Months Ended June 30, 2014**

(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, 2014	88,366	(2.6)	9,307	(42.3)	5,520	(57.4)
For 3 months ended June 30, 2013	90,715	29.6	16,119	197.7	12,947	408.8

(Note) Comprehensive income

For 3 months ended June 30, 2014 : ¥1,902 million ((89.4)%)

For 3 months ended June 30, 2013 : ¥17,892 million (－%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2014	22.66	22.56
For 3 months ended June 30, 2013	53.40	52.97

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2014	535,859	346,135	63.7
March 31, 2014	542,936	348,270	63.2

(Reference) Shareholders' equity

June 30, 2014 : ¥341,377 million

March 31, 2014: ¥343,300 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, 2014	—	20.00	—	20.00	40.00
Year ending March 31, 2015	—				
Year ending March 31, 2015 (plan)		20.00	—	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, 2015

(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 2014	160,000	(1.4)	(8,000)	—	(7,000)	—	(28.74)
Entire – year	450,000	19.0	35,000	(9.2)	21,000	(31.6)	86.21

(Note) Revision of the forecast from latest announcement: 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: Yes
  2. Other changes: No
- (4) Number of shares outstanding (common stock)
  1. Number of shares outstanding at the end of the period (including treasury stock)
    - June 30, 2014 : 266,229,476
    - March 31, 2014 : 266,229,476
  2. Number of treasury stock at the end of the period
    - June 30, 2014 : 22,405,786
    - March 31, 2014: 22,627,725
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
    - For 3 months ended June 30, 2014: 243,662,458
    - For 3 months ended June 30, 2013: 242,462,678

(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 quarter of the fiscal year ending March 31, 2015, there were growing hopes that the Japanese economy would break out of deflation and experience economic recovery amid the trend toward rising stock prices backed by the effects of monetary and financial policies. However, uncertainty still prevailed partly due to the effects of a decline in demand in reaction to last-minute demand before the increase in the consumption tax rate.

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 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 quarter of the fiscal year ending March 31, 2015 amounted to ¥88,366 million, a decrease of 2.6% for the same period in the previous fiscal year. The Group posted an operating income of ¥9,307 million, a decrease of 42.3% for the same period in the previous fiscal year and net income of ¥5,520 million, a decrease of 57.4% for the same period in the previous fiscal year.

Result of each segment is as follows

#### **《Pachislot and Pachinko Machines》**

In the pachislot machine business, although the launch of major title “Pachislot SOUTEN-NO-KEN 2” under the Sammy brand and performance in this business was generally solid, overall sales of pachislot machines fell short of results for the same period in the previous fiscal year, reaching 82 thousand units.

In the pachinko machine business, thanks to solid performance by “Pachinko CR Bakemonogatari” under the Sammy brand, overall sales of pachinko machines exceeded results for the same period in the previous fiscal year, reaching 50 thousand units.

As a result, net sales in this segment were ¥47,476 million (a decrease of 8.5% for the same period in the previous fiscal year) and operating income was ¥12,911 million (a decrease of 31.0% for the same period in the previous fiscal year).

#### **《Amusement Machine Sales》**

In the amusement machine sales business, there were sales of CVT KITs and expendables such as cards for “WORLD CLUB Champion Football” series as well as distribution revenue from revenue sharing titles such as “BORDER BREAK” series and “SEGA NETWORK MAHJONG MJ5 Evolution.” However, as major titles were not launched during the first quarter, net sales in this segment were ¥8,242 million (an increase of 8.1% for the same period in the previous fiscal year) and operating loss was ¥669 million (operating loss of ¥438 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 and sales at existing amusement centers in Japan were 99.4% of the level compared to the same period of the previous fiscal year. However, the Group was affected by a decrease in sales due to the increase in the consumption tax rate.

In the first quarter, the Group opened 3 new amusement centers in the domestic market. Consequently, the Group operated a total of 201 amusement centers at the end of the period.

As a result, net sales in this segment were ¥9,623 million (a decrease of 4.0% for the same period in the previous fiscal year) and operating loss was ¥465 million (operating loss of ¥92 million for the same period in the previous fiscal year).

## 《Consumer Business》

In the consumer business, the Group launched titles such as “PERSONA Q SHADOW OF THE LABYRINTH” in the packaged game software field. Total volume of packaged software sales were 1,700 thousand copies, which includes 630 thousand copies in the U.S., 640 thousand copies in Europe, and 420 thousand copies in Japan and exceeded results for the same period in the previous fiscal year.

On the other hand, in the field of digital game software for mobile phones, smartphones, and PC downloading, performance remained solid for the online RPG “PHANTASY STAR ONLINE 2” as well as titles for smartphones, “Puyopuyo!! Quest” and “CHAIN CHRONICLE.” Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777TOWN for Android,” “777TOWN for iOS” and service for DeNA Co., Ltd.’s “Moba7” were enhanced.

Also, the number of titles distributed domestically in the field of digital game software as of June 30, 2014 was 134 (including 73 Pay-to-play types and 61 Free-to-play types).

In the toy sales division, the Group implemented the sale of mainstay products such as “Anpanman Series” and “Jewelpod Series.”

In the animated films division, distribution revenue from theater film “LUPIN THE 3rd VS DETECTIVE CONAN THE MOVIE,” which exceeded an audience of 3 million, and the TV series “Yowamushi Pedal” were favorable.

As a result, net sales in this segment were ¥21,402 million (an increase of 13.3% for the same period in the previous fiscal year) while operating loss was ¥282 million (operating income of ¥39 million for the same period in the previous fiscal year) because of an increase in advertising expenses.

## (2) Forecast of Consolidated Operating Results

During the first quarter of the fiscal year ending March 31, 2015, owing to factors such as the launch of mainstay products primarily in the pachislot machine business and strong sales of pachinko machines, operating income and net income exceeded the forecasted amount for the first half of the fiscal year ending March 31, 2015 announced on May 9, 2014.

Meanwhile, loss is expected in the second quarter because resolution was made at the board of directors’ meeting concerning some part of facilities in PHOENIX SEAGAIA RESORT which is operated by PHOENIX RESORT CO., LTD., wholly owned subsidiary of the Company, will not be utilized in the future. In addition to above, since it is necessary to discern the product sales schedule in the pachislot and pachinko machines business as well as services condition in the field of digital game software for the second quarter, no change has been made to the forecast of consolidated operating results for the first half of the fiscal year ending March 31, 2015 and for the full year announced on May 9, 2014.

A modified forecast for consolidated operating results will be released promptly if adjustment is needed.

## (3) Other

(Changes in accounting policies)

The “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan “ASBJ” Statement No. 26, issued on May 17, 2012; the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012; the “Guidance”) were adopted from this first quarter of the fiscal year ending March 31, 2015 for provisions set in the main clauses of Paragraph 35 of the Standard and Paragraph 67 of the Guidance. Accordingly, the calculation methods of retirement benefit obligations and service costs were reviewed, the method of attributing expected benefit to periods was changed from the straight-line basis to the benefit formula basis, and for the method of determining the discount rate, regarding the period of bonds used for the basis of determining the discount rate, it was changed from the method where the number of years approximate the expected average remaining working years of employees, to the method where a single weighted average discount rate reflecting the estimated period and amount of benefit payment is adopted.

The application of the Standard, etc. follow the transitional rules set in Paragraph 37 of the Standard, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first quarter.

As a result, net defined benefit liability and deferred tax assets decreased by ¥812 million and ¥101 million, respectively, and retained earnings increased by ¥711 million at the beginning of the first quarter, while effects on operating income and income before income taxes and minority interests are insignificant.

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2014 AND MARCH 31, 2014

(Unit : Millions of yen)

	Prior year (As of March 31, 2014)	Current period (As of June 30, 2014)
	Amount	Amount
( A s s e t s )		
Current Assets		
Cash and deposits	101,220	125,752
Notes and accounts receivable – trade	48,108	58,832
Allowance for doubtful accounts	(323)	(358)
Short-term investment securities	107,713	65,513
Merchandise and finished goods	6,130	6,781
Work in process	13,610	17,021
Raw materials and supplies	16,189	12,597
Other	25,824	28,602
Total current assets	318,475	314,743
Noncurrent assets		
Property, plant and equipment		
Land	39,029	39,144
Other, net	63,133	65,322
Total property, plant and equipment	102,162	104,467
Intangible assets		
Goodwill	18,915	17,435
Other	12,879	12,829
Total intangible assets	31,795	30,265
Investments and other assets		
Investment securities	60,825	55,284
Other	30,483	31,875
Allowance for doubtful accounts	(805)	(777)
Total investments and other assets	90,503	86,382
Total noncurrent assets	224,461	221,116
Total assets	542,936	535,859

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF JUNE 30, 2014 AND MARCH 31, 2014

(Unit : Millions of yen)

	Prior year (As of March 31, 2014)	Current period (As of June 30, 2014)
	Amount	Amount
( L i a b i l i t i e s )		
Current liabilities		
Notes and accounts payable - trade	37,292	32,883
Short - term loans payable	12,918	12,913
Income taxes payable	6,288	2,414
Provision	4,782	2,723
Asset retirement obligations	325	244
Other	29,461	29,640
Total current liabilities	91,069	80,819
Noncurrent liabilities		
Bonds payable	37,800	47,800
Long - term loans payable	35,198	34,060
Net defined benefit liability	6,053	5,289
Provision for directors' retirement benefits	146	127
Asset retirement obligations	2,165	2,197
Other	22,232	19,429
Total noncurrent liabilities	103,596	108,903
Total liabilities	194,666	189,723
( N e t a s s e t s )		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,312	119,302
Retained earnings	219,684	220,812
Treasury stock	(37,971)	(37,600)
Total shareholders' equity	330,977	332,467
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,804	13,552
Deferred gains or losses on hedges	0	(6)
Revaluation reserve for land	(4,705)	(4,705)
Foreign currency translation adjustment	(2,281)	(2,362)
Remeasurements of defined benefit plans	2,504	2,431
Total accumulated other comprehensive income	12,322	8,909
Subscription rights to shares	1,078	1,114
Minority interests	3,892	3,643
Total net assets	348,270	346,135
Total liabilities and net assets	542,936	535,859

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 3 MONTHS ENDED JUNE 30, 2013 AND 2014

(Unit : Millions of yen)

	Prior period From April 1, 2013 To June 30, 2013	Current period From April 1, 2014 To June 30, 2014
	Amount	Amount
Net sales	90,715	88,366
Cost of sales	48,770	50,496
Gross profit	41,945	37,870
Selling, general and administrative expenses	25,826	28,562
Operating income	16,119	9,307
Other income (expenses) :		
Interest income	85	73
Dividends income	467	567
Equity in earnings of affiliates	—	108
Foreign exchange gains	739	10
Gain on investments in partnership	49	40
Interest expenses	(205)	(208)
Equity in losses of affiliates	(38)	—
Loss on valuation of derivatives	(106)	—
Bond issuance cost	—	(55)
Gain on sales of noncurrent assets	3,076	—
Gain on sales of investment securities	254	128
Loss on sales of noncurrent assets	(2)	(67)
Loss on valuation of investment securities	(16)	—
Loss on sales of shares of subsidiaries and associates	—	(255)
Other income	211	349
Other expenses	(276)	(153)
Subtotal	4,238	538
Income before income taxes and minority interests	20,357	9,846
Income taxes-current	7,379	4,492
Total income taxes	7,379	4,492
Income before minority interests	12,977	5,354
Minority interests in income	30	(166)
Net income	12,947	5,520
Minority interests in income	30	(166)
Income before minority interests	12,977	5,354
Other comprehensive income		
Valuation difference on available-for-sale securities	3,774	(3,249)
Deferred gains or losses on hedges	25	(7)
Foreign currency translation adjustment	889	366
Remeasurements of defined benefit plans	—	(72)
Share of other comprehensive income of associates accounted for using equity method	225	(489)
Total other comprehensive income	4,914	(3,452)
Comprehensive income	17,892	1,902
(Breakdown)		
Comprehensive income attributable to owners of the parent	17,765	2,107
Comprehensive income attributable to minority interests	126	(205)

## SEGMENT INFORMATION

1. Prior period (From April 1, 2013 to June 30, 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	51,824	6,843	10,016	18,822	87,507	3,208	90,715
(2) Inter-segment sales and transfers	68	783	4	72	929	153	1,083
Total	51,892	7,627	10,020	18,895	88,436	3,362	91,799
Segment income (loss)	18,715	(438)	(92)	39	18,224	(425)	17,799

(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 first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	18,224
Segment income in Other	(425)
Elimination of inter segment transactions	54
General corporate expenses (note)	(1,734)
Operating income in the consolidated statement of income and comprehensive income for the first quarter of the fiscal year ended March 31, 2014	16,119

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

2. Current period (From April 1, 2014 to June 30, 2014)

(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	47,434	7,246	9,621	21,150	85,454	2,912	88,366
(2) Inter-segment sales and transfers	41	995	1	251	1,290	186	1,477
Total	47,476	8,242	9,623	21,402	86,745	3,098	89,843
Segment income (loss)	12,911	(669)	(465)	(282)	11,493	(618)	10,875

(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 first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	11,493
Segment income in Other	(618)
Elimination of inter segment transactions	34
General corporate expenses (note)	(1,602)
Operating income in the consolidated statement of income and comprehensive income for the first quarter of the fiscal year ending March 31, 2015	9,307

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

(3) Concerning changes in the reporting segment etc.

As stated in "Changes in accounting policies," the calculation methods of retirement benefit obligations and service costs were changed. Accordingly, the calculation methods of these in the business segment were changed in the same manner. Effects of the change on segment income for the first quarter of the fiscal year ending March 31, 2015 is insignificant.