

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
6 Months Ended September 30, 2014

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: November 11, 2014 (plan)
Start of cash dividend payments: December 1, 2014 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 6 Months Ended September 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 6 months ended September 30, 2014	154,245	(4.9)	3,452	(72.2)	(2,079)	—
For 6 months ended September 30, 2013	162,209	18.8	12,398	57.1	11,348	192.9

(Note) Comprehensive income

For 6 months ended September 30, 2014 : ¥(1,269) million (—%)

For 6 months ended September 30, 2013 : ¥28,687 million (—%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 6 months ended September 30, 2014	(8.52)	—
For 6 months ended September 30, 2013	46.76	46.38

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2014	551,204	343,565	61.5
March 31, 2014	542,936	348,270	63.2

(Reference) Shareholders' equity

September 30, 2014 : ¥339,014 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	—	20.00			
Year ending March 31, 2015 (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, 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
Entire – year	370,000	(2.1)	18,000	(53.3)	4,000	(87.0)	16.40

(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: 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)
 - September 30, 2014 : 266,229,476
 - March 31, 2014 : 266,229,476
 2. Number of treasury stock at the end of the period
 - September 30, 2014 : 21,920,137
 - March 31, 2014 : 22,627,725
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 6 months ended September 30, 2014: 243,938,019
 - For 6 months ended September 30, 2013: 242,681,907

(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 half of the fiscal year ending March 31, 2015, the Japanese economy continued a gradual recovery backed by improving corporate performances and employment through the effects of monetary and fiscal policies. However, uncertainty about the future remained amid concerns of sluggish consumer spending due to the impact of 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, replacement demand for new pachislot machines has been largely stable, 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 half of the fiscal year ending March 31, 2015 amounted to ¥154,245 million, a decrease of 4.9% for the same period in the previous fiscal year, and an operating income was ¥3,452 million, a decrease of 72.2% for the same period in the previous fiscal year; however, the Group posted a net loss of ¥2,079 million (net income of ¥11,348 million for the same period in the previous fiscal year) mainly due to the recording of provision for dismantling of fixed assets of ¥2,778 million for some part of the facilities in PHOENIX SEAGAIA RESORT which is operated by PHOENIX RESORT CO., LTD., a wholly owned subsidiary of the Company.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachislot machine business, although the Group launched “Pachislot Virtua Fighter” under the Taiyo Elec brand in the second quarter, overall sales of pachislot machines were 92 thousand units and fell short of results for the same period in the previous fiscal year.

In the pachinko machine business, thanks to solid performance by “Dejihane CR Hokuto No Ken 5 Jibo” under the Sammy brand in the second quarter, overall sales of pachinko machines exceeded results for the same period in the previous fiscal year, reaching 86 thousand units.

As a result, net sales in this segment were ¥60,727 million (a decrease of 14.9% for the same period in the previous fiscal year) and operating income was ¥7,391 million (a decrease of 51.3% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, there were sales of CVT KITS for “StarHorse3 Season III CHASE THE WIND,” sales of CVT KITS and expendables such as cards for “SENGOKU-TAISEN” as well as distribution revenue from revenue sharing titles such as “BORDER BREAK Series” and “SEGA NETWORK MAHJONG MJ5 Evolution.” As a result, net sales in this segment were ¥20,387 million (an increase of 2.6% for the same period in the previous fiscal year) and operating income was ¥145 million (operating loss of ¥8 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 98.7% 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 second quarter, the Group closed 3 amusement centers in the domestic market. Consequently, the Group operated a total of 198 amusement centers at the end of the period.

As a result, net sales in this segment were ¥20,834 million (a decrease of 5.2% for the same period in the previous fiscal year) and operating loss was ¥224 million (operating income of ¥273 million for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, the Group launched titles such as “Persona 4 The ULTIMAX ULTRA SUPLEX HOLD” in the packaged game software field. Total volume of packaged software sales were 4,100 thousand copies, which includes 1,420 thousand copies in the U.S., 1,960 thousand copies in Europe, and 710 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 such as, “Puyopuyo!! Quest” and “CHAIN CHRONICLE – Kizuna no Shintairiku.” 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 September 30, 2014 was 139 (including 74 Pay-to-play types and 65 Free-to-play types).

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

In the animated films division, distribution revenue from theater film “Detective Conan: Dimensional Sniper” and license revenue and revenue from merchandise sales from the TV series “Yowamushi Pedal” were favorable.

As a result, net sales in this segment were ¥48,631 million (an increase of 10.3% for the same period in the previous fiscal year) while operating income was ¥939 million (a decrease of 16.0% for the same period in the previous fiscal year) because of an increase in advertising expenses.

(2) Forecast of Consolidated Operating Results

Adjustments have been made to the forecast of consolidated operating results for the full year announced on May 9, 2014.

For details, please refer to “Notice of First-Half Consolidated Operating Results Forecast Differences with its Results, Full-Year Consolidated Operating Results Forecast Adjustment and Status of the Group Structure Reform activities,” announced on October 31, 2014.

(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 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 for the first half of the fiscal year ending March 31, 2015 are insignificant.

CONSOLIDATED FINANCIAL STATEMENTS

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

(Unit : Millions of yen)

	Prior year (As of March 31, 2014)	Current period (As of September 30, 2014)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	101,220	92,648
Notes and accounts receivable – trade	48,108	36,823
Allowance for doubtful accounts	(323)	(360)
Short-term investment securities	107,713	124,312
Merchandise and finished goods	6,130	7,224
Work in process	13,610	17,238
Raw materials and supplies	16,189	18,037
Other	25,824	28,675
Total current assets	318,475	324,599
Noncurrent assets		
Property, plant and equipment		
Land	39,029	39,583
Other, net	63,133	66,753
Total property, plant and equipment	102,162	106,336
Intangible assets		
Goodwill	18,915	16,599
Other	12,879	13,238
Total intangible assets	31,795	29,837
Investments and other assets		
Investment securities	60,825	58,794
Other	30,483	32,409
Allowance for doubtful accounts	(805)	(772)
Total investments and other assets	90,503	90,431
Total noncurrent assets	224,461	226,604
Total assets	542,936	551,204

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

(Unit : Millions of yen)

	Prior year (As of March 31, 2014)	Current period (As of September 30, 2014)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	37,292	34,871
Short - term loans payable	12,918	12,913
Income taxes payable	6,288	1,587
Provision	4,782	5,066
Asset retirement obligations	325	282
Other	29,461	27,005
Total current liabilities	91,069	81,726
Noncurrent liabilities		
Bonds payable	37,800	57,000
Long - term loans payable	35,198	38,988
Net defined benefit liability	6,053	4,641
Provision for directors' retirement benefits	146	134
Asset retirement obligations	2,165	2,194
Provision for dismantling of fixed assets	—	3,395
Other	22,232	19,557
Total noncurrent liabilities	103,596	125,912
Total liabilities	194,666	207,638
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,312	119,276
Retained earnings	219,684	213,212
Treasury stock	(37,971)	(36,785)
Total shareholders' equity	330,977	325,656
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,804	15,280
Deferred gains or losses on hedges	0	18
Revaluation reserve for land	(4,705)	(4,705)
Foreign currency translation adjustment	(2,281)	15
Remeasurements of defined benefit plans	2,504	2,748
Total accumulated other comprehensive income	12,322	13,357
Subscription rights to shares	1,078	929
Minority interests	3,892	3,621
Total net assets	348,270	343,565
Total liabilities and net assets	542,936	551,204

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED SEPTEMBER 30, 2013 AND 2014

(Unit : Millions of yen)

	Prior period From April 1, 2013 To September 30, 2013	Current period From April 1, 2014 To September 30, 2014
	Amount	Amount
Net sales	162,209	154,245
Cost of sales	97,311	93,154
Gross profit	64,897	61,091
Selling, general and administrative expenses	52,499	57,638
Operating income	12,398	3,452
Other income (expenses) :		
Interest income	183	134
Dividends income	467	570
Equity in earnings of affiliates	—	123
Foreign exchange gains	886	—
Gain on investments in partnership	887	147
Interest expenses	(420)	(427)
Equity in losses of affiliates	(131)	—
Bond issuance cost	(64)	(155)
Foreign exchange losses	—	(259)
Commission fee	(28)	(130)
Gain on sales of noncurrent assets	3,576	2
Gain on sales of investment securities	255	186
Gain on reversal of subscription rights to shares	0	105
Loss on sales of noncurrent assets	(2)	(68)
Impairment loss	(225)	(294)
Loss on valuation of investment securities	(16)	—
Loss on sales of shares of subsidiaries and associates	—	(255)
Cost of corrective measures	(347)	—
Provision for dismantling of fixed assets	—	(2,778)
Other income	521	487
Other expenses	(449)	(745)
Subtotal	5,093	(3,356)
Income before income taxes and minority interests	17,491	95
Income taxes-current	6,068	2,339
Total income taxes	6,068	2,339
Income (loss) before minority interests	11,423	(2,243)
Minority interests in income (loss)	75	(163)
Net income (loss)	11,348	(2,079)
Minority interests in income (loss)	75	(163)
Income (loss) before minority interests	11,423	(2,243)
Other comprehensive income		
Valuation difference on available-for-sale securities	15,293	(1,527)
Deferred gains or losses on hedges	11	17
Foreign currency translation adjustment	2,072	2,217
Remeasurements of defined benefit plans	—	243
Share of other comprehensive income of associates accounted for using equity method	(114)	22
Total other comprehensive income	17,263	973
Comprehensive income	28,687	(1,269)
(Breakdown)		
Comprehensive income attributable to owners of the parent	28,447	(1,044)
Comprehensive income attributable to minority interests	239	(224)

SEGMENT INFORMATION

1. Prior period (From April 1, 2013 to September 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	71,240	18,025	21,963	43,843	155,073	7,135	162,209
(2) Inter-segment sales and transfers	97	1,850	8	251	2,207	329	2,537
Total	71,338	19,875	21,971	44,095	157,280	7,465	164,746
Segment income (loss)	15,176	(8)	273	1,118	16,559	(496)	16,062

(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 6 months ended September 30, 2013 (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	16,559
Segment loss in Other	(496)
Elimination of inter segment transactions	74
General corporate expenses (note)	(3,738)
Operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2013	12,398

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

2. Current period (From April 1, 2014 to September 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	60,679	18,094	20,825	48,231	147,831	6,413	154,245
(2) Inter-segment sales and transfers	48	2,292	8	399	2,748	370	3,119
Total	60,727	20,387	20,834	48,631	150,580	6,784	157,364
Segment income (loss)	7,391	145	(224)	939	8,251	(1,006)	7,244

(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 6 months ended September 30, 2014 (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	8,251
Segment loss in Other	(1,006)
Elimination of inter segment transactions	14
General corporate expenses (note)	(3,806)
Operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2014	3,452

(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 half of the fiscal year ending March 31, 2015 is insignificant.