

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
9 Months Ended December 31, 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: February 13, 2015 (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, 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 9 months ended December 31, 2014	267,512	(12.0)	16,264	(65.1)	(24)	—
For 9 months ended December 31, 2013	303,961	46.8	46,574	558.4	44,329	—

(Note) Comprehensive income

For 9 months ended December 31, 2014 : ¥6,953 million ((85.1)%)

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

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2014	(0.10)	—
For 9 months ended December 31, 2013	182.53	181.00

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2014	565,891	346,681	60.3
March 31, 2014	542,936	348,270	63.2

(Reference) Shareholders' equity

December 31, 2014 : ¥341,179 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	352,500	(6.7)	16,000	(58.5)	(13,000)	—	(53.25)

(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)
 - December 31, 2014 : 266,229,476
 - March 31, 2014 : 266,229,476
 2. Number of treasury stock at the end of the period
 - December 31, 2014 : 21,915,584
 - March 31, 2014 : 22,627,725
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 9 months ended December 31, 2014: 244,061,673
 - For 9 months ended December 31, 2013: 242,859,159

(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, 2015, the Japanese economy continued a gradual recovery as a whole backed by such developments as improving corporate performances and employment through the effects of monetary and fiscal policies. However, the economy remained in the condition requiring further time for full recovery due to concerns for low consumer confidence led by the impact of the increase in the consumption tax rate and other factors to continue to suppress consumption, and fear for slowdown in overseas economies mainly in the emerging countries.

In this climate, with regard to the pachislot and pachinko industry, a change in application of the model test procedure of pachislot machines in Security Communications Association conducting model test for the pachislot and pachinko machines led to a decrease in the number of sales in new titles across the market, resulting in a year-on-year decrease in replacement for new pachislot machines. On the other hand, replacement for new pachinko machines remained relatively strong backed by a slight expansion in demand mainly for mainstay products. 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, 2015 amounted to ¥267,512 million, a decrease of 12.0% for the same period in the previous fiscal year. The Group posted an operating income of ¥16,264 million, a decrease of 65.1% for the same period in the previous fiscal year. The Group recorded a net loss of ¥24 million (net income of ¥44,329 million for the same period in the previous fiscal year) because the Group revised estimated effective tax rate by taking into account future earnings forecast and future taxable income which resulted in increase in income taxes, in addition to the factors including losses such as provision for dismantling of fixed assets and loss on the discontinuance of independent film production.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachislot machine business, although the Group launched “Salaryman Kintaro” under the RODEO brand in the third quarter, overall sales of pachislot machines for the first three quarters of the fiscal year were 130 thousand units and fell short of results for the same period in the previous fiscal year, due to a year-on-year decrease in the number of launched new titles.

In the pachinko machine business, thanks to solid performance by the fiscal year’s major title “CR Hokuto No Ken 6 series” under the Sammy brand surpassing 132 thousand units in sales in the third quarter, overall sales of pachinko machines for the first three quarters of the fiscal year exceeded results for the same period in the previous fiscal year, reaching 225 thousand units.

As a result, net sales in this segment were ¥115,404 million (a decrease of 28.0% for the same period in the previous fiscal year) and operating income was ¥20,699 million (a decrease of 58.6% 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 “WORLD CLUB Champion Football” and “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 ¥32,930 million (an increase of 4.3% for the same period in the previous fiscal year) and operating income was ¥474 million (operating loss of ¥275 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

100.1% 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 third quarter, the Group opened 1 new amusement center and closed 1 amusement center 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 ¥30,980 million (a decrease of 4.4% for the same period in the previous fiscal year) and operating loss was ¥542 million (operating loss of ¥55 million for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, the Group launched titles such as “Alien: Isolation” and “Football Manager 2015” in the packaged game software field. Total volume of packaged software sales were 8,900 thousand copies, which includes 3,540 thousand copies in the U.S., 3,950 thousand copies in Europe, and 1,400 thousand copies in Japan.

On the other hand, in the field of digital game software for mobile phones, smartphones, and PC downloading, the entire field of digital game software remained strong, backed by favorable results in the existing titles including “Ange Vierge” and “SAKATSUKU Shoot !,” in addition to the online RPG “PHANTASY STAR ONLINE 2,” and the major titles including “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 December 31, 2014 was 132 (including 73 Pay-to-play types and 59 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, license revenue and revenue from merchandise sales from the TV series “Yowamushi Pedal” were favorable.

As a result, net sales in this segment were ¥82,779 million (an increase of 13.5% for the same period in the previous fiscal year) while operating income was ¥2,299 million (a decrease of 17.3% for the same period in the previous fiscal year) because of an increase in advertising expenses in addition to sluggish performance in the packaged game software field and the toy sales division, despite the solid results in the field of digital game software.

(2) Forecast of Consolidated Operating Results

Adjustments have been made to the forecast of consolidated operating results for the full year announced on October 31, 2014.

For details, please refer to “Notice of Adjustment of Full-Year Consolidated Operating Results Forecast in Line with Implementation of the Group Structure Reform,” announced on February 12, 2015.

(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 three quarters of the fiscal year ending March 31, 2015.

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 three quarters of the fiscal year ending March 31, 2015, while effects on operating income and income before income taxes and minority interests for the first three quarters of the fiscal year ending March 31, 2015 are insignificant.

CONSOLIDATED FINANCIAL STATEMENTS

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

(Unit : Millions of yen)

	Prior year (As of March 31, 2014)	Current period (As of December 31, 2014)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	101,220	104,620
Notes and accounts receivable – trade	48,108	53,680
Allowance for doubtful accounts	(323)	(475)
Short-term investment securities	107,713	110,215
Merchandise and finished goods	6,130	7,324
Work in process	13,610	12,787
Raw materials and supplies	16,189	15,359
Other	25,824	28,109
Total current assets	318,475	331,622
Noncurrent assets		
Property, plant and equipment		
Land	39,029	40,013
Other, net	63,133	66,043
Total property, plant and equipment	102,162	106,056
Intangible assets		
Goodwill	18,915	15,837
Other	12,879	14,058
Total intangible assets	31,795	29,895
Investments and other assets		
Investment securities	60,825	66,077
Other	30,483	33,015
Allowance for doubtful accounts	(805)	(776)
Total investments and other assets	90,503	98,315
Total noncurrent assets	224,461	234,268
Total assets	542,936	565,891

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

(Unit : Millions of yen)

	Prior year (As of March 31, 2014)	Current period (As of December 31, 2014)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	37,292	37,022
Short - term loans payable	12,918	12,913
Income taxes payable	6,288	6,304
Provision	4,782	3,607
Asset retirement obligations	325	296
Other	29,461	33,797
Total current liabilities	91,069	93,942
Noncurrent liabilities		
Bonds payable	37,800	57,000
Long - term loans payable	35,198	37,854
Net defined benefit liability	6,053	4,460
Provision for directors' retirement benefits	146	117
Asset retirement obligations	2,165	2,209
Provision for dismantling of fixed assets	—	3,395
Other	22,232	20,229
Total noncurrent liabilities	103,596	125,266
Total liabilities	194,666	219,209
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,312	119,278
Retained earnings	219,684	210,158
Treasury stock	(37,971)	(36,777)
Total shareholders' equity	330,977	322,612
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,804	16,823
Deferred gains or losses on hedges	0	5
Revaluation reserve for land	(4,705)	(4,736)
Foreign currency translation adjustment	(2,281)	3,781
Remeasurements of defined benefit plans	2,504	2,693
Total accumulated other comprehensive income	12,322	18,567
Subscription rights to shares	1,078	926
Minority interests	3,892	4,575
Total net assets	348,270	346,681
Total liabilities and net assets	542,936	565,891

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED DECEMBER 31, 2013 AND 2014

(Unit : Millions of yen)

	Prior period From April 1, 2013 To December 31, 2013	Current period From April 1, 2014 To December 31, 2014
	Amount	Amount
Net sales	303,961	267,512
Cost of sales	175,683	164,096
Gross profit	128,278	103,416
Selling, general and administrative expenses	81,703	87,152
Operating income	46,574	16,264
Other income (expenses) :		
Interest income	246	207
Dividends income	914	981
Equity in earnings of affiliates	—	92
Foreign exchange gains	1,254	—
Gain on investments in partnership	932	278
Interest expenses	(634)	(673)
Equity in losses of affiliates	(94)	—
Bond issuance cost	(64)	(155)
Foreign exchange losses	—	(474)
Commission fee	(44)	(143)
Gain on sales of noncurrent assets	3,576	112
Gain on sales of investment securities	11,969	187
Gain on reversal of subscription rights to shares	0	107
Compensation income for expropriation	—	277
Loss on sales of noncurrent assets	(7)	(79)
Impairment loss	(268)	(294)
Loss on valuation of investment securities	(41)	(99)
Loss on sales of shares of subsidiaries and associates	—	(255)
Loss on liquidation of subsidiaries and affiliates	(396)	—
Cost of corrective measures	(347)	—
Provision for dismantling of fixed assets	—	(2,778)
Loss on the discontinuance of independent film production	—	(1,826)
Early extra retirement payments	—	(91)
Other income	768	798
Other expenses	(694)	(925)
Subtotal	17,067	(4,755)
Income before income taxes and minority interests	63,641	11,508
Income taxes-current	18,644	10,848
Total income taxes	18,644	10,848
Income before minority interests	44,996	660
Minority interests in income	666	685
Net income (loss)	44,329	(24)

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED DECEMBER 31, 2013 AND 2014

(Unit : Millions of yen)

	Prior period From April 1, 2013 To December 31, 2013	Current period From April 1, 2014 To December 31, 2014
	Amount	Amount
Minority interests in income	666	685
Income before minority interests	44,996	660
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,269)	14
Deferred gains or losses on hedges	10	4
Revaluation reserve for land	—	(30)
Foreign currency translation adjustment	5,216	5,588
Remeasurements of defined benefit plans	—	188
Share of other comprehensive income of associates accounted for using equity method	607	527
Total other comprehensive income	1,566	6,292
Comprehensive income	46,562	6,953
(Breakdown)		
Comprehensive income attributable to owners of the parent	45,730	6,219
Comprehensive income attributable to minority interests	831	733

SEGMENT INFORMATION

1. Prior 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.

2. Current period (From April 1, 2014 to December 31, 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	115,346	28,901	30,971	82,195	257,415	10,096	267,512
(2) Inter-segment sales and transfers	57	4,028	9	583	4,679	549	5,229
Total	115,404	32,930	30,980	82,779	262,094	10,646	272,741
Segment income (loss)	20,699	474	(542)	2,299	22,930	(1,489)	21,441

(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, 2014 (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	22,930
Segment loss in Other	(1,489)
Elimination of inter segment transactions	38
General corporate expenses (note)	(5,215)
Operating income in the consolidated statement of income and comprehensive income for the 9 months ended December 31, 2014	16,264

(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 from the beginning of the first quarter of the fiscal year ending March 31, 2015. 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 three quarters of the fiscal year ending March 31, 2015 is insignificant.