

November 10, 2004

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
6 Months Ended September 30, 2004

Name of the Company : SEGA SAMMY HOLDINGS INC.(Portion of Sammy Corporation)
Code number : 6460
 (URL <http://www.segasammy.co.jp>)
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Date of the Board of Directors meeting for the 6 months closing November 10, 2004

I. RESULTS OF CONSOLIDATED OPERATIONS FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2004

(1) RESULTS OF CONSOLIDATED OPERATIONS

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 6 months ended September 30, 2004	198,269	(155.0)	69,867	(204.6)	40,450	(303.2)
For 6 months ended September 30, 2003	77,756	(7.5)	22,935	(16.7)	10,031	(7.4)
For Year ended March 31, 2004	251,226	(51.5)	71,676	(38.6)	32,196	(39.6)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 6 months ended September 30, 2004	493.21	476.52
For 6 months ended September 30, 2003	201.43	199.32
For Year ended March 31, 2004	424.68	417.97

Equity earnings from affiliates for 6 months ended September 30, 2004
 Equity earnings from affiliates for 6 months ended September 30, 2003
 Equity earnings from affiliates for year ended March 31,2004

Millions of Yen
 1,440

5
 1,835

Number of shares

Weighted average number of shares outstanding

For 6 months ended September 30, 2004

82,014,278

For 6 months ended September 30, 2003

49,799,498

For year ended March 31, 2004

74,782,783

There was no significant change in the accounting policy between the periods presented.

Percentages for net sales, operating income and net income represent change from the prior period.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2004	316,663	158,572	50.1	1,873.09
September 30, 2003	159,858	77,246	48.3	1,561.64
March 31, 2004	299,272	112,987	37.8	1,390.74

(Note) The total numbers of shares outstanding

	Number of shares
For 6 months ended September 30, 2004	84,658,380
For 6 months ended September 30, 2003	49,465,286
For year ended March 31, 2004	80,927,879

(3) CONSOLIDATED CASH FLOWS

	Net cash provided by operating activities	Net cash used in Investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at the year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For 6 months ended September 30, 2004	46,853	(15,990)	1,987	99,803
For 6 months ended September 30, 2003	2,457	(4,552)	12,371	36,777
For Year ended March 31, 2004	36,581	(57,368)	61,128	66,838

(4) Scope of consolidation and equity method application

The Company consolidated all of 22 subsidiaries and applied the equity method to 2 affiliated companies.

(5) Change in scope of consolidation and equity method application

Starting from this fiscal year, XYZ CINEMA CO., LTD. was newly consolidated as a subsidiary.

II. PROJECTION FOR FISCAL YEAR 2004 (APRIL 1, 2004 ~ MARCH 31, 2005)

	Net sales	Operating income	Net income
Entire-year	Millions of Yen 328,000	Millions of Yen 89,000	Millions of Yen 51,000

(Reference) Projected net income per share for the entire-year is ¥ 598.15

Note :

The management of the Company is required to disclose the information about Projection of results for fiscal year ended March 2005 in accordance with the regulation of Tokyo Stock Exchange.

Above estimate is made based on the information available at the date of announcement of this flash report and there may be a case that above estimate would differ from actual amount due to various reasons.

1. Description of Sammy Group

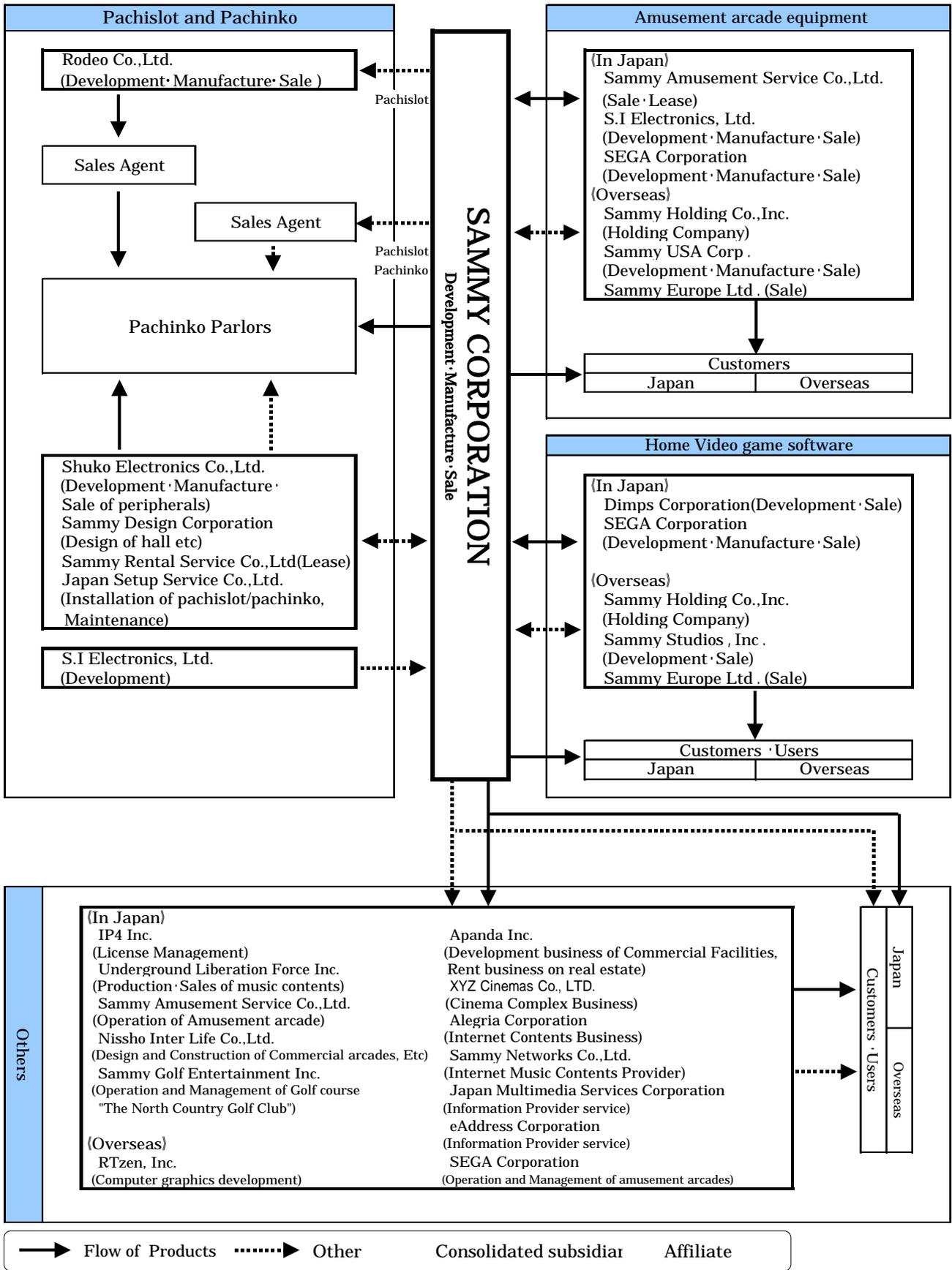
The group consists of the Company and its 23 subsidiaries and 4 affiliate, and is primarily engaged in business to develop, manufacture and sell pachinko and pachislot machines, amusement arcade equipment and home video game software. Our lines of business by segment are as follows:

Segment	Business contents	Names of company	
Pachinko and Pachislot Business	Manufacture and sale of Pachinko/Pachislot machines and those attachments and accessories Maintenance and manufacture of peripherals Design of parlor and etc.	Sammy Corporation RODEO Co.,Ltd. Shuko Electronics Co.,Ltd. Sammy Design Corporation Japan Setup Service Co.,Ltd.(Note 1) Sammy Rental Services Co.,Ltd.(Note 2) SI Electronics, Ltd.	
Game machines used in amusement arcades	Development and sale of the amusement arcades machines. Lease and maintenance of the above	In Japan	Sammy Corporation Sammy Amusement Service Co.,Ltd. SI Electronics, Ltd. SEGA Corporation. (Note 1)
		Overseas	Sammy Holding Co .,Inc. Sammy USA Corporation Sammy Europe Ltd.
Home video game Software	Development and sale of home video game software	In Japan	Sammy Corporation Dimps Corporation SEGA Corporation(Note 1)
		Overseas	Sammy Holding Co .,Inc. Sammy Studios, Inc. Sammy Europe Ltd.
Others(Note 4)	Management of amusement arcades Produce and sell music CD Development of computer Graphics License Management Internet Music Contents provider Development business of Commercial facilities Rent business on real estate Design & Construction of Commercial Building , Information provider service	In Japan	Sammy Corporation Sammy Amusement Service Co.,Ltd. Underground Liberation Force Inc. Alegria Corporation IP4 Inc. Sammy Networks Co.,Ltd. Apanda Inc. Nissho Inter Life Co.,Ltd. Japan Multimedia Services Corporation eAddress Corporation Sammy Golf Entertainment Inc. SEGA Corporation(Note 1) XYZ Cinemas Co., Ltd.(Note 3)
		Overseas	RTzen Inc.

(Note)

1. Japan Setup Service Co., Ltd and Sega corporation are affiliated companies.
2. MAXBET Co.,Ltd. changed the corporate name to Sammy Rental Service Co., Ltd. on April 28, 2004.
3. XYZ Cinemas Co., Ltd. became a subsidiary through initial start up investment by Apanda Inc.
4. Besides there is a non-consolidated subsidiary and 2 affiliates which are not applied for equity method.

The following is a chart of business transaction flow:



2. Management Policies

(1) Basic Management Policies

On October 1, 2004, the SEGA and Sammy Groups established SEGA SAMMY HOLDINGS INC. as their parent company. This move was taken to integrate the respective management resources of both companies by realization of the efficiency of synergies and to maximize the value of the enterprise. Guided by “Enterprising Spirit,” the core philosophy of operating company Sammy Corporation, as well as the Sammy brand statement, “Entertainment Culture Creator, Bound by an Adventurous Spirit, With Original Entertainment for People the World Over,” the Sammy Group is working to improve performance so as to meet the expectations and repay the trust shown by its shareholders and other stakeholders.

(2) Basic Policy Concerning Distribution of Earnings

Sammy Corporation gives priority to returning earnings to shareholders. The Company’s basic policy is to pay an appropriate dividend that is commensurate with its earnings.

The Company plans to pay an interim dividend of ¥40 per share to shareholders of record as of September 30, 2004. Furthermore, SEGA SAMMY HOLDINGS, Sammy’s new parent company established via share swap, plans to pay a year-end dividend in the same amount.

(3) Medium- to Long-Term Strategies and Other Issues

Following the business integration with SEGA CORPORATION, the Sammy Group will oversee pachislot and pachinko-related business operations. Going forward, Sammy will broaden the scope of its pachislot and pachinko machine-centered operations. Specifically, the Company will continue the quest for growth to uphold its position—both in pachislot and pachinko machines—as one of the industry’s leading manufacturers, with the goal of expanding revenues and earnings. To achieve this, Sammy will extend its reach to the secondary development of its pachislot and pachinko machines, as well as to peripherals and amusement facilities. The Company will also offer a wider menu of services to please users and business clients alike.

In the pachislot and pachinko machine industry, regulatory revisions came into effect in July 2004. These revisions primarily toughen basic measures for preventing improper use and impose controls on the gaming nature of machines. In the wake of these changes, more weight than ever will be given to game play and entertainment value as vital elements differentiating pachislot and pachinko machines in the marketplace. This is likely to bring technological disparities among industry manufacturers to the fore.

In this climate, Sammy, as an industry leader, is placing greater emphasis on the entertainment value of its products. In doing so, the Company is striving to improve R&D capabilities even further, and to bring to life some of its most innovative ideas yet.

In pachislot machines, the history-making success of *Hokuto No Ken (Fist of the North Star)* is proof that even post regulatory revisions, the Sammy Group’s advanced technology development capabilities will enable it to effectively launch the same compelling, highly rated products it has long been known for. By bolstering planning and marketing capabilities, and through the vigorous adoption of competitive visual imaging technologies, Sammy is further strengthening the brand equity it has built to date and retaining its position as the industry’s leading manufacturer in terms of annual unit sales volume.

For pachinko machines, the aforementioned revisions have eliminated gaming machine classifications and prompted other changes that will spur greater variation in machine development. Products incorporating innovative concepts are expected to find acceptance in the market. Since May 2004, the Sammy Group has increased the number of researchers on staff and taken other actions to enhance its R&D framework. Sammy views recent regulatory revisions as a golden opportunity to launch products imbued with innovative concepts that only Sammy can deliver. The aim is to capture a leading market share for Sammy among pachinko machine manufacturers.

Sammy is offering a comprehensive range of services in sectors beyond manufactured pachinko and pachislot machines. Aside from the manufacture and sale of peripheral devices for pachislot and pachinko machines, the focus of one of these services is amusement hall design and presentation.

Concerning synergies with the SEGA Group, both SEGA and Sammy are generating new businesses by organically merging the expertise each has cultivated over the years. One mode for achieving this is to incorporate business strategy, profitability and cost management perspectives in the reallocation of R&D personnel. By having the right people in the right location, both companies are optimally utilizing their most talented human resources. SEGA and Sammy are also sharing more intellectual property, characters and content to strengthen their respective product capabilities and services for all ages and customer profiles. The lump-sum purchase of copyrights and components, meanwhile, is resulting in lower costs. And in the course of building unbeatable brand equity, the sales capabilities of both companies are being boosted by the mutual, global-scale benefits of an integrated sales and distribution network.

(4) Basic Stance on Corporate Governance and Progress on Related Measures

(Basic stance on corporate governance)

The Sammy Group places the highest priority on efforts to ensure sound corporate management, progressive improvements in efficiency and transparent corporate activities.

(Progress on corporate governance measures)

The managerial and administrative organization of the Sammy Group related to management decision-making, business execution and monitoring, and other aspects of the Group's corporate governance structure,

Is as follows.

- Sammy employs the corporate auditor system, and all three corporate auditors are from outside the company.
- Sammy utilizes the corporate executive officer system to achieve accurate and swift decision-making, and to clarify authority and accountability.
- In addition to monthly meetings, the Board of Directors and corporate executive officers each hold meetings to share information between directors and officers and to foster the extensive debate required to build consensus.
- Sammy has established an Audit Office as an internal audit division. Two members of this four-person team are certified internal auditors. The Audit Office carries out internal audits, including of the Group companies.
- Sammy has compiled a Compliance Manual and is conducting related training to ensure a high level of compliance awareness among executives and employees.
- Independent auditors AZSA & Co. not only audit Sammy's results at the close of each business term, but offer valuable advice from an auditing standpoint regarding monthly financial reports and other corporate reports. As the need arises, Sammy also seeks the advice of attorneys and other professionals during the course of normal management and business activities

Conflicts of interest (personal, financial, transactional, etc.) between Sammy and its outside directors and corporate auditors

Sammy presently has no outside directors. With regard to the three outside corporate auditors, there are no transactions or conflicts of interest with the Company, including transactions or conflicts of interest pertaining to relatives of the corporate auditors or companies with whom they are affiliated.

Progress on corporate governance measures during the most recent fiscal year

Sammy continued to enhance the functions of its internal Group management system during the six-month period under review. This included clarifying aspects of the administrative system governing Group companies and greater support for the functioning of the Board of Directors. In parallel, corporate auditors at Group companies meet to exchange information and views on achieving the best auditing possible. Sammy also holds regular conferences attended by representatives and CFOs from Group companies overseas to ensure the consistency of management policies and to maintain the cohesiveness of the Group.

(5) Other Key Management Issues

Currently, the following lawsuits have been filed against Sammy in relation to certain pachislot machines manufactured and distributed by the Company, claiming infringement of certain patent rights. While the Sammy Group believes and is insisting that none of the cases being litigated infringes any patent rights, the outcome of such litigation may affect its operating results.

The right in question in case "2." below is the same as the one in case "1." below. The Japan Patent Office made a judgment that such patent right was invalid and the documented invalidation judgment was sent on December 25, 2002. Correspondingly, Aruze Corp. ("Aruze") filed a claim with the Tokyo High Court on January 27, 2003 insisting that such judgment be revoked and the case has currently been on trial. In the case of "3." below, Sammy

confirmed the delivery of a decision from the Japan Patent Office dated November 17, 2003 invalidating the infringement claim brought by Aruze. Subsequently, Aruze filed an appeal with the Tokyo High Court on December 25, 2003 to revoke this decision. A decision on this matter is still pending. And Sammy confirmed the delivery of a decision from the Japan Patent Office dated June 5, 2003 invalidating the utility model right in question in case “4.” On July 10, 2003, Abilit Corporation (the former Takasago Electric Industry Co., Ltd.) filed an appeal with the Tokyo High Court to revoke this decision. This appeal was rejected by the Tokyo High Court in a ruling dated October 19, 2004.

1. The claim for damages of ¥10,066 million made by Aruze Corp. (“Aruze”)
On March 19, 2002, the Tokyo District Court ordered Sammy to pay Aruze ¥7,416 million. On the same day, Sammy appealed to the Tokyo High Court and the case is still before the courts.
2. The claim for damages of ¥1,430 million made by Aruze
The case was filed with the Tokyo District Court on March 26, 2001, and the case is still before the courts.
3. The claim for damages of ¥5,145 million made by Aruze
The case was filed with the Tokyo District Court on May 31, 2002, and the case is still before the courts.
4. The claim for damages of ¥11,424 million made by Abilit Corporation
The case was filed with the Osaka District Court on July 18, 2002, and the case is still before the courts.

3. Operating Results and Financial Position

(1) Overview

Spurred by growth in China and other Asian economies, Japan saw positive economic signs emerge during the six-month period ended September 30, 2004. Bright spots included improvements in employment and consumer spending, with Japan's manufacturing sector staging the most pronounced recovery in corporate performance. This upturn outweighed the presence of sharply higher oil prices and other trends fueling global economic uncertainty.

The pachislot and pachinko industry has seen the number of users decline year-on-year from a peak in 1995. Nevertheless, the reinvigoration of the entire market continued apace during the first half of the year as hit machine variations were launched and pachinko hall owners showed renewed interest in capital spending. Regulatory revisions designed to toughen controls imposed on the gaming nature of machines and to prevent improper use also came into force from July 2004. These revisions further energized the drive toward sounder practices within the industry.

In the amusement arcade industry, recovery was underpinned by the appearance of a host of highly popular network-enabled games machines. Utilizing existing telecommunications connections, these multiplayer games allow players to compete from across Japan. Arcade machines targeting families and women also emerged, and industry players made steady inroads into high-growth Asian markets.

In the home videogame software industry, the market's plateau in Japan remains unchanged. Although the past few years have seen competition to develop new technologies intensify between rival software makers, an apparent backlash is also building against the increasing complexity and difficulty of games. That said, the back-to-back announcements of several new portable game consoles and other encouraging signs have begun to surface.

In this operating environment, the Sammy Group oversaw the record-breaking success of the pachislot machine, *Hokuto No Ken*, in its core pachinko and pachislot business. This major hit allowed Sammy both to retain a solid position as the industry's top pachislot machine manufacturer. It also generated synergies, a Sammy Group strength, by enabling the secondary development of this content in amusement arcade equipment, home videogame software and other business areas.

The Company opened *Sammy Ebisu Plaza* as the Group's first comprehensive entertainment complex in Dotonbori, Osaka, in July 2004. The opening drew substantial newspaper and television coverage, and marked the starting point in the facilities management operations that Sammy will undertake going forward.

In other news, Sammy NetWorks Co., Ltd., a Group company involved in the planning, development and online distribution of content for mobile phones, was listed on the Mothers section of the Tokyo Stock Exchange in September 2004. The company has since continued to post strong fiscal performance. Moreover, Sammy NetWorks' listing allowed the Sammy Group to post gain from issuance of investee stock of ¥2,240 million as an extraordinary gain.

From the foregoing, the Sammy Group posted dramatic year-on-year improvements in top- and bottom-line performances. During the six months under review, consolidated net sales climbed 155.0% to ¥198,269 million. Consolidated operating income for the same period surged 204.7% to ¥69,867 million, while consolidated net income skyrocketed 303.2% to ¥40,450 million.

An overview of operations by business segment is as follows.

Pachislot and Pachinko Machines

In pachislot machines, the popularity of *Hokuto No Ken* was unchanged in the first half, selling 318,000 units despite having debuted in the previous fiscal year. This mega-hit machine continues to break its own history-making industry record, with a cumulative total of 578,000 units sold to date. *Hokuto No Ken* continues to spark interest for two reasons. First is the unit itself, which is available in an array of different panels featuring characters from the *Hokuto No Ken* franchise. Second is the staggered market release of these varied designs. Under the RODEO brand, the Group launched the sale of *Gamera High Grade Vision*, a machine equipped with a 20-inch "Doughnut Vision" LCD, along with *Umematsu Paradise*, a machine with an innovative cabinet that effectively incorporates curves into its design. Together these factors resulted in 424,000 pachislot machines sold overall during the first half of the year, up sharply from the 243,000 units sold a year earlier, and surpassing initial interim forecasts of 380,000 units sold.

In pachinko machines, Sammy continued to reap the benefits of efforts begun in the previous year to develop new machine varieties built on innovative concepts and technologies. The capacity to supply the market with a steady line of hit pachinko machines, such as *CR Popeye* and *CR Linda No Do Ni Mo Tomaranai*, made it possible for the Sammy Group to release five new pachinko series in the first half of the year alone. The result was 122,000 pachinko machines sold overall, a substantial increase from the 30,000 units sold in the same period a year earlier. Growth of this kind is helping Sammy to garner the market's trust as a pachinko manufacturer.

In peripheral devices for pachislot and pachinko machines, a category that includes pachinko ball exchangers, token exchangers and other products, Sammy focused on laying the foundation for new business growth by bolstering marketing capabilities through an in-group alliance.

The above items led to sharply higher revenues and earnings for this business segment. Sales climbed 148.0% year on year to ¥173, 125 million, and operating income jumped 169.9% to ¥77,705 million.

(Main Pachislot and Pachinko Machines and Units Sold)

Pachislot Machines

Variety	Brand	Units Sold
<i>Hokuto No Ken</i>	Sammy	318,000
<i>Umematsu Paradise</i>	Rodeo	35,000
<i>Gamera High Grade Vision</i>	Rodeo	30,000
<i>Daruma Neko</i>	OEM	34,000
Others		4,000
Total		424,000

Pachinko Machines

Variety	Units Sold
<i>CR Popeye</i> series	41,000
<i>CR Linda No Do Ni Mo Tomaranai</i> series	25,000
<i>CR Mermaid Zabuun</i> series	20,000
<i>CR The Rescue Dog</i> series	20,000
Others	14,000
Total	122,000

Amusement Arcade Equipment

Continuing on from the previous business term, Sammy sold a variety of token-based game machines for amusement arcades, with sales up 73.3% overall from the same period a year ago to ¥5,681 million. Sammy also launched new software in multiple genres to promote the uptake of *ATOMIS WAVE*, an innovative arcade game platform first sold in the previous fiscal year. However, higher R&D expenses for developing compatible software for the platform's *AW NET* network gaming system caused an operating loss of ¥1,999 million.

Home Videogame Software

This segment oversaw a record number of software shipments for the Sammy Group during the first half. One title, *Jissen Pachislot Hissho Ho! Hokuto No Ken*, which faithfully recreates the game play of the *Hokuto No Ken* pachislot machine, sold more than 870,000 copies, driving segment sales 83.1% higher overall to ¥3,494 million. This strong performance, however, was unable to cover R&D expenses for the development of software for overseas markets, resulting in an operating loss of ¥2,014 million.

Other Businesses

The Company opened a new commercial entertainment complex called *Sammy Ebisu Plaza* in July 2004. Located in Osaka's Dotonbori entertainment district, this complex combines a food court, karaoke rooms, a sports gym, and an amusement arcade directly operated by the Sammy Group with other shops and facilities. One of the floors in the plaza, called *Dotonbori Gokuraku Shotengai*, is a retro-designed food theme park that has attracted large numbers of visitors.

In the area of content for mobile phones, in addition to *Sammy 777 Town*, a pachislot site for mobiles, Sammy witnessed a sharp increase in both subscribers and sales for its high-quality ringtone sites. Furthermore, Nissho Inter Life Co., Ltd., which joined the Sammy Group as a consolidated subsidiary in the second half of the previous year, also contributed to Group performance.

The above culminated in sales of ¥15,968 million, up 477.3% year on year. Operating income, meanwhile, was ¥497 million, despite a charge of ¥114 million for the amortization of goodwill.

(2) Financial Position

Total assets as of September 30, 2004, were ¥316,663 million, an increase of ¥17,390 million from a year earlier. Shareholders' equity was up ¥45,585 million at ¥158,572 million, driving the equity ratio 12.3 percentage points higher to 50.1%. The increases were primarily the result of an increase in retained earnings due to sharply higher net income for the first half of the year. Another contributor was the exercise of share subscription rights from the conversion of convertible bonds into shares. Sammy remained on a sound financial footing with a current ratio of 223.9%, a significant improvement from the year-ago period end.

Cash and cash equivalents as of September 30, 2004, were ¥99,803 million, up ¥32,964 million from a year earlier.

Operating activities provided net cash of ¥46,853 million, ¥44,396 million than a year ago. This was mainly attributable to increase of income before income taxes of ¥48,076 million, and to the collection of accounts receivable outstanding from the previous term. These accounts were pushed higher by a build up in sales near the previous fiscal year-end.

Investing activities used net cash of ¥15,990 million, ¥11,437 million more than a year earlier. This was principally the result of the purchase of property, plant and equipment accompanying the development of commercial facilities, and the purchase of investment securities.

Financing activities provided net cash of ¥1,987 million, ¥10,384 million less than a year ago. The main reason for this decline was the absence of ¥15,000 million in proceeds from the issuance of bonds posted in the previous year. This came despite the posting of proceeds from shares issued following the stock market listing of a Group subsidiary, and a sharp rise in new share rights exercised due to the conversion of convertible bonds into shares.

(3) Full-Year Outlook

Regulatory revisions in the pachislot and pachinko industry that came into force from July 2004 should spur the arrival of new pachislot and pachinko machine in the second half of the year. Support for the new machines will likely span the range of light to heavy pachislot and pachinko users. Particularly in pachinko machines, manufacturers are expected to roll out their most innovative machine variations to date.

In the amusement arcade industry, the introduction of a greater range of network-enabled arcade machines should continue apace. Meanwhile, the shift from stand-alone arcades to arcades paired with malls, cinemas and other commercial complexes appears likely to become the dominant trend in terms of amusement facilities.

The home videogame software industry should see a steady supply of software as the latest hardware, namely portable game consoles, debut on the market.

In this projected business environment, Sammy, guided by the motto "If it's new, it's from Sammy," will strive to repeatedly launch new pachislot and pachinko machines incorporating new concepts and technologies.

Regarding pachislot machines, in addition to continued sales of *Hokuto No Ken*, the arrival of RODEO brand machines and new OEM machines from a business alliance with IGT Japan K.K. should result in about 200,000 units sold in the second half, with a projected about 620,000 units sold for the full year.

In pachinko machines, the launch of highly innovative machine varieties is projected to result in the sale of about 190,000 units in the second half, with about 310,000 units sold for full year.

In amusement arcade equipment, Sammy will enhance *ATOMIS WAVE*'s network gaming system as it strives to promote the spread of this platform into global markets.

In home videogame software, Sammy will maintain its focus on the development of prominent software titles, particularly the *Jissen Pachislot Hissho Ho!* game series.

From October 1, 2004, Sammy will continue its push to reduce costs through group purchasing under the SEGA SAMMY HOLDINGS framework. The Company also intends to pursue synergies with the SEGA Group by taking mutual advantage of SEGA and Sammy management resources, as well as their global development, sales and distribution networks.

In light of the above forecasts, Sammy Corporation is projecting consolidated net sales of ¥328,000 million (up 30.6% year on year), consolidated ordinary income of ¥89,000 million (up 24.2%) and consolidated net income of ¥51,000 million (up 58.4%) for the fiscal year ending March 31, 2005.

[Caution with Regard to Forward-Looking Statements]

Statements in this earnings report regarding market forecasts and the Company's results projections reflect the opinions of the management based on the best information currently available. As such, these statements involve risks and uncertainties, both known and unknown, that may have an impact on the Company's results. Readers are therefore cautioned that changes in any number of such factors could cause actual results to differ materially from such statements.

4. CONSOLIDATED FINANCIAL STATEMENTS

SAMMY CORPORATION

CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003 AND MARCH 31, 2004

(Unit : Millions of Yen)

	Current period (As of September 30, 2004)		Prior period (As of September 30, 2003)		Prior year (As of March 31, 2004)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(A s s e t s)		%		%		%
Current Assets						
Cash and deposits	2	99,888	36,802		66,863	
Notes receivable and accounts receivable-trade	2	69,136	44,716		94,119	
Allowance for doubtful accounts		(256)	(418)		(651)	
Inventories		23,814	21,123		19,812	
Other current assets		18,097	13,936		19,938	
Total current assets		210,681	116,160	72.7	200,081	66.9
Non-current assets						
Property and equipment	1.2	31,185	19,091	11.9	22,999	7.7
Intangible assets						
Good will		865	1,838		1,384	
Other		2,527	1,606		2,342	
		3,393	3,445	2.2	3,727	1.2
Investments and other assets						
Investment securities	5	62,683	16,925		64,497	
Other		9,810	4,413		8,872	
Allowance for doubtful accounts		(1,090)	(177)		(905)	
Total investments and other assets		71,403	21,161	13.2	72,464	24.2
Total non-current assets		105,982	43,698	27.3	99,191	33.1
Total assets		316,663	159,858	100.0	299,272	100.0

SAMMY CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003 AND MARCH 31, 2004

(Unit : Millions of Yen)

	Current period (As of September 30, 2004)		Prior period (As of September 30, 2003)		Prior year (As of March 31, 2004)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(Liabilities)		%		%		%
Current liabilities						
Short-term bank loans	2	5,118	6,801		6,362	
Notes and accounts payable	2	43,013	24,514		55,885	
Income taxes payable		30,232	13,830		30,691	
Accrued employees' bonus		1,870	1,195		1,403	
Others	2	13,879	9,174		18,699	
Total current liabilities		94,113	55,517	34.8	113,042	37.8
Non-current liabilities						
Bond		46,023	15,200		55,395	
Long-term debt	2	2,396	1,728		3,114	
Retirement benefits for employees		1,273	899		1,131	
Retirement benefits for directors and corporate auditors		1,023	787		988	
Other non-current liabilities		5,941	7,019		7,730	
Total non-current liabilities		56,658	25,635	16.0	68,360	22.8
Total liabilities		150,771	81,152	50.8	181,403	60.6
(Minority interest)						
Minority interest		7,319	1,458	0.9	4,882	1.6
(Shareholders' equity)						
Common stock		18,221	8,474	5.3	15,374	5.1
Capital surplus		21,037	9,468	5.9	16,364	5.5
Retained earnings		111,989	66,184	41.4	86,378	28.9
Net unrealized holding gains on securities		7,298	8,707	5.4	10,352	3.5
Foreign currency translation adjustments		25	(29)	0.0	32	0.0
Treasury stock		(0)	(15,559)	(9.7)	(15,515)	(5.2)
Total shareholders' equity		158,572	77,246	48.3	112,987	37.8
Total liabilities and Shareholders' equity		316,663	159,858	100.0	299,272	100.0

SAMMY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2004 AND FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2003 AND YEAR ENDED MARCH 31, 2004

(Unit : Millions of Yen)

	Current period (From April 1, 2004 to September 30, 2004)		Prior period (From April 1, 2003 to September 30, 2003)		Prior year (From April 1, 2003 to March 31, 2004)	
	Amount	Percentage	Amount	Amount	Amount	Percentage
	Net sales	198,269	100.0	77,756	100.0	251,226
Cost of sales	88,707	44.7	34,316	44.1	123,738	49.3
Gross profit	109,561	55.3	43,440	55.9	127,488	50.7
Selling, general and administrative expenses	39,694	20.0	20,504	26.4	55,811	22.2
Operating income	69,867	35.2	22,935	29.5	71,676	28.5
Other income (expenses)						
Interest and Dividend income	160		94		235	
Gain on investment on silent ownership	-		-		-	
Equity earnings (loss) from affiliate	(1,440)		5		(1,835)	
Interest expenses	(141)		(94)		(298)	
Gain (Loss) on disposal of property and equipment	(105)		(99)		(237)	
Gain (Loss) on sale of property and equipment-net	4		3		5	
Exchange gain	98		(99)		(229)	
Cost of restructuring for subsidiaries	-		-		-	
Others	(889)		(464)		(1,376)	
Gain by change of ratio of shareholding	2,803		-		-	
	489	0.2	(655)	(0.8)	(3,737)	(1.5)
Income before income taxes and minority interests	70,356	35.5	22,280	28.7	67,938	27.0
Income taxes – current	29,259	14.8	13,432	17.3	42,369	16.9
– deferred	368	0.2	(1,390)	(1.8)	(6,989)	(2.8)
Total income taxes	29,627	14.9	12,041	15.5	35,379	14.1
Net income before minority interests	40,729	20.5	10,238	13.2	32,559	12.9
Minority interests	278	0.1	207	0.3	363	0.1
Net income	40,450	20.4	10,031	12.9	32,196	12.8

SAMMY CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2004 AND FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2003 AND YEAR ENDED MARCH 31, 2004

(Unit : Millions of Yen)

	Current period	Prior period	Prior year
	(From April 1, 2004 to September 30, 2004)	(From April 1, 2003 to September 30, 2003)	(From April 1, 2003 to March 31, 2004)
	Amount	Amount	Amount
Capital Surplus			
Beginning balance	16,364	9,011	9,011
Increase			
Issuing of new shares by capital increase	2,847	456	7,352
Gain of disposal of treasury stock	1,826	-	-
Capital surplus to be carried forward	21,037	9,468	16,364
Retained earnings			
Beginning balance	86,378	60,023	60,023
Increase			
Net income	40,450	10,031	32,196
Decrease			
1. Dividends	4,046	3,507	5,486
2. Bonuses to directors and corporate auditors	437	333	333
3. Loss of disposal of treasury stock		28	21
4. Cancellation of treasury stock	10,355		
Retained earnings to be carried forward	111,989	66,184	86,378

SAMMY CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2004 AND FOR THE 6 MONTHS ENDED SEPTEMBER 30, 2003 AND YEAR ENDED MARCH 31, 2004

(Unit : Millions of Yen)

	Current period (From April 1, 2004 to September 30, 2004)	Prior period (From April 1, 2003 to September 30, 2003)	Prior year (From April 1, 2003 to March 31, 2004)
	Amount	Amount	Amount
Cash flows from operating activities:			
Income before income taxes and minority interests	70,356	22,280	67,938
Depreciation and amortization	1,815	1,543	3,715
Amortization of good will	337	502	720
Loss on disposal of property plant and equipment etc.	101	96	232
Loss on sales and devaluation of investment securities	246	-	123
Gain from issuance of investee stock	(2,803)	(6)	(5)
Equity in losses of affiliates	1,440	(5)	1,835
Others	(1)	(226)	303
Changes in assets and liabilities:			
Decrease(Increase) in notes and accounts receivable	24,635	(14,573)	(58,305)
Increase in inventories	(3,986)	(4,670)	(1,618)
Increase(Decrease) in notes and accounts payable	(11,854)	9,290	36,623
Increase in other assets	(194)	(452)	(1,632)
Increase (Decrease) in other liabilities	(3,097)	2,183	12,121
Sub-total	76,995	15,962	62,053
Interest and dividends received	146	(18)	17
Payment of interest	(169)	(26)	35
Payment of income taxes	(30,118)	(13,461)	(25,524)
Net cash provided by operating activities	46,853	2,457	36,581
Cash flows from investing activities:			
Payment for purchase of property, plant and equipment	(9,875)	(4,195)	(8,200)
Proceeds from sales of property, plant and equipment	172	116	235
Payment for purchase of intangible assets	(481)	(388)	(877)
Payment for acquisition of shares of subsidiaries and affiliated companies	(210)	-	(45,442)
Proceeds from sales of investment securities	4,944	-	116
Payment for purchase of investment securities	(9,325)	(152)	(1,119)
Increase(Decrease) in cash and cash equivalents due to acquisition of consolidated subsidiaries	-	(82)	313
Decrease in loans receivable – net	(365)	100	902
Decrease in time deposit – net	(60)	-	(3,000)
Decrease (Increase) in other investments - net	(788)	49	(296)
Net cash used in investing activities	(15,990)	(4,552)	(57,368)

	Current period	Prior period	Prior year
	(From April 1, 2004 to September 30, 2004)	(From April 1, 2003 to September 30, 2003)	(From April 1, 2002 to March 31, 2003)
	Amount	Amount	Amount
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	986	150	2,150
Payments of long-term debt	(1,050)	(360)	(1,151)
Increase (Decrease) in short-term bank loans	(1,907)	2,951	(920)
Proceeds from issuance of bonds	193	15,000	54,456
Payment of redemption of bonds	(90)	-	(75)
Payments for acquisition of treasury stock	(193)	(3,398)	(3,466)
Proceeds from exercise of stock acquisition right	3,370	908	14,823
Subsidiaries shares issued to minority shareholders	4,831	35	210
Cash dividends paid	(4,046)	(3,507)	(5,486)
Others	(105)	593	589
Net cash provided by financing activities	1,987	12,371	61,128
Effect of exchange rate changes on cash and cash equivalents	114	(65)	(70)
Net increase in cash and cash equivalents	32,964	10,209	40,270
Cash and cash equivalents at beginning of period/year	66,838	26,567	26,567
Cash and cash equivalents at end of period/year	99,803	36,777	66,838

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of consolidation

(1) The consolidated financial statements include the accounts of the Company and all of its 22 subsidiaries. 22 subsidiaries are as follows:

Sammy Amusement Service Co., Ltd., Sammy Rental Services Co., Ltd., Underground Liberation Force Inc., RODEO Co., Ltd., Dimps Corporation, SI Electronics, Ltd. Shuko Electronics Co., Ltd., Sammy Design Corporation, Alegria Corporation, IP4 Inc., Sammy Networks Co., Ltd., Apanda Inc., Sammy Holding Co., Inc., Sammy USA Corporation, Sammy Europe Ltd., Sammy Studios Inc., RTzen Inc. Nissho Inter Life Co., Ltd., Japan Multimedia Services Corporation, eAddress Corporation, Sammy Golf Entertainment, XYZ Cinemas Co., Ltd.

MAXBET Co., Ltd. changed the corporate name to Sammy Rental Service Co., Ltd. on April 28, 2004.

XYZ Cinemas Co., Ltd. became a consolidated subsidiary through initial startup investment by Apanda Inc.

(2) Non-consolidated subsidiary 1 company

Sammy NetWorks Beijing Co., Ltd

Although one subsidiary was added through initial startup investment during the interim period under review, the scale of the company is small in terms of its total assets, net sales and interim net income (equity portion) and retained earnings (equity portion). Because of its negligible impact on the consolidated interim financial statements, the company was excluded from the scope of consolidation.

2. Affiliated company

Japan Setup Services Co., Ltd. and SEGA CORPORATION are equity-method affiliates. Goodwill for SEGA CORPORATION will be amortized by the straight-line method over the estimated number of years for which the benefits of this goodwill are expected to emerge.

The equity method has not been applied to one non-consolidated subsidiary and two affiliates because of their minimal impact on interim net income and retained earnings and because their operations are not vital to Sammy Group operations.

3. Fiscal year end of consolidated subsidiaries

Fiscal year end of Nissho Inter Life is November 20 and execution of making consolidated financial statement is used the date of provisional settlement of account practiced on September 20, 2004. Only the necessary consolidated adjustments of the important transactions in the period between September 21 and September 31 were made.

Fiscal year end of another consolidated subsidiaries except Nissho Inter Life is the same as that of parent company.

4. Method and basis of Accounting standards

(1) Valuation for important assets

Securities that have quoted market prices are stated at the market value. The difference between acquisition cost and market value is accounted for as net unrealized holding gains on securities in Shareholders' equity.

Other securities are carried at moving average cost.

Inventories are stated at cost determined by the average method.

(2) Depreciation method of property and equipment

Tangible assets

Depreciation is computed primarily using the declining-balance method .

In addition, buildings acquired after April 1, 1998 are depreciated using the straight-line method .

Service life for primary assets is as follows:

Building/Structure : 2-50 years

Tools/Furniture : 2-20 years

Rental equipment for Amusement arcade : 2-3 years

Intangible assets

Depreciation is computed using the straight-line method. We adopt the straight-line method over the useful life of 5 years for Software for internal use.

Advance payment

Depreciation is computed using the straight-line method.

(3) Accounting for deferred assets

Stock issuance costs are expensed as incurred.

Bond issuance costs are expensed as incurred.

(4)Basis of recording allowances

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover possible losses by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

Allowance of bonus

An amount sufficient to cover is recorded based on the estimated amounts of bonus payment reserve.

Severance and retirement allowance for employees

The liability for the employees' severance and retirement benefits is recorded on the amount recognized as accrual in the end of September 2004 based on the estimated amounts of benefit obligation and plan assets at the end of the year.

Severance and retirement allowance for directors and corporate auditors

The liability for the directors' and corporate auditors' severance and retirement benefits is recorded based on the amount required in accordance with the Company's policy.

(5)Accounting for lease transactions

Finance leases, which do not transfer ownership to lessees, are accounted for in the same manner as operating leases.

(6)Accounting for significant hedge

The Company has employed certain interest swaps to hedge its exposure to movements in the interest rates for its borrowings. As a matter of policy, the Company does not engage in speculative transactions. These swaps have been accounted for using the simplified method permissible.

(7)Accounting method of consumption taxes

Consumption taxes paid and received are recorded as suspense payments and suspense receipts during the year. The net payable resulting from offsetting the two accounts is recorded as consumption tax payable at year-end.

5.Scope of financial funds in the statement of cash flow

Financial funds (cash and cash equivalent) in the statement of cash flow consist of cash and deposits in bank which are readily available for withdrawal, and short-term investments with maturities of 3 months or less, which are readily convertible to cash and have negligible risk of changes in value.

CHANGE OF PRESENTATION

(Consolidated interim cash flow)

From the interim period under review, cash inflows from the exercise of stock acquisition rights (stock options) are shown as "Proceeds from exercise of stock acquisition rights" together with income from the granting of treasury stock. Previously, such cash inflows were included in "Proceeds from sale of common stock" under cash flows from financing activities.

Proceeds from the issuance of common stock were ¥198 million for the interim period.

SUPPLEMENTAL INFORMATION

(Presentation of the pro forma standard tax portion of enterprise tax in the statements of income)

Of the value-added input and capital input portions of enterprise tax amounting to ¥403 million for the interim period under review based on Practical Guidance Report No. 12, "Treatment of the Pro Forma Standard Tax Portion of Corporate Tax in the Statements of Income," announced by the Accounting Standards Board of Japan on February 13, 2004, ¥3 million was booked under cost of sales and ¥399 million under selling, general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Current period (As of September30, 2004)	Prior period (As of September30, 2003)	Prior year (As of March31, 2004)
<p>1. Accumulated depreciation for property and Equipment ¥9,235 million</p> <p>2. Assets mortgaged Assets mortgaged for accounts payable of ¥2 million, short term loan of ¥759 million, payable others of ¥1 million and long term debt of ¥838 million are as follows; Call deposits ¥20 million Notes receivable ¥1,266 million Building/Structure ¥615 million Land ¥1,139 million</p> <p>Total ¥3,040 million</p>	<p>1. Accumulated depreciation for property and Equipment ¥6,607 million</p> <p>2. Assets mortgaged Assets mortgaged for accounts payable of ¥161 million, short term loan of ¥69 million and payable others of ¥2 million are as follows; Call deposits ¥20 million <u>Land ¥65 million</u> Total ¥85 million</p>	<p>1. Accumulated depreciation for property and Equipment ¥8,220 million</p> <p>2. Assets mortgaged Assets mortgaged for accounts payable of ¥2 million, short term loan of ¥662 million, long term debt of ¥526 million and payable others of ¥1 million are as follows; Call deposits ¥20 million Building/Structure ¥632 million <u>Land ¥1,139 million</u> Total ¥1,791 million</p>
<p>3. Liabilities for guarantees ¥153 million is secured as guarantee for lease agreement with Electronic approval system council.</p> <p>4. Accounting for consumption taxes Consumption taxed paid and received are netted and recorded as other liabilities in current liabilities at the period-end.</p> <p>5. Security loaned with ¥834 million is included in Investment securities.</p>	<p>3. Liabilities for guarantees _____</p> <p>4. Accounting for consumption taxes Same as the left</p> <p>_____</p>	<p>3. Liabilities for guarantees _____</p> <p>4. Accounting for consumption taxes _____</p> <p>5. Security loaned with ¥1,261 million is included in Investment securities.</p>

CONSOLIDATED STATEMENT OF INCOME

Current period (From April 1, 2004, to September 30, 2004)	Prior period (From April 1, 2003, to September 30, 2003)	Prior year (From April 1, 2003, to March 31, 2004)
Summary of selling, general and administrative expenses is as follows (Millions of Yen)	Summary of selling, general and administrative expenses is as follows (Millions of Yen)	Summary of selling, general and administrative expenses is as follows (Millions of Yen)
Selling expenses	Selling expenses	Selling expenses
Sales agent fee 13,791	Sales agent fee 3,662	Sales agent fee 17,789
Advertisement 2,108	Advertisement 1,975	Advertisement 4,454
<u>Others</u> 1,814	<u>Others</u> 913	<u>Others</u> 2,677
Total 17,714	Total 6,551	Total 24,920
Personnel expenses	Personnel expenses	Personnel expenses
Allowance for Bonus 1,029	Allowance for Bonus 708	Allowance for Bonus 854
Retirement allowance for Directors and corporate auditors 50	Retirement allowance for Directors and corporate auditors 20	Retirement allowance for Directors and corporate auditors 82
Retirement allowance for employees 123	Retirement allowance for employees 94	Retirement allowance for employees 222
Salary, allowance for employees 2,985	Salary, allowance for employees 2,025	Salary, allowance for employees 4,419
Remuneration for director 463	Remuneration for director 354	Remuneration for director 716
<u>Others</u> 1,872	<u>Others</u> 623	<u>Others</u> 2,195
Total 6,523	Total 3,826	Total 8,491
General expenses	General expenses	General expenses
Research & Development 8,260	Research & Development 5,511	Research & Development 12,375
Allowance of doubtful accounts -	Allowance of doubtful accounts -	Allowance of doubtful accounts 158
Rent 901	Rent 804	Rent 1,795
Commission 1,842	Commission 942	Commission 1,977
Depreciation 397	Depreciation 215	Depreciation 872
Amortization of goodwill 337	Amortization of goodwill 502	Amortization of goodwill 720
<u>Others</u> 3,717	<u>Others</u> 2,148	<u>Others</u> 4,499
Total 15,456	Total 10,126	Total 22,398

CONSOLIDATED STATEMENT OF CASH FLOW

Current period (From April 1, 2004, to September 30, 2004)	Prior period (From April 1, 2003, to September 30, 2003)	Prior year (From April 1, 2003, to March 31, 2004)
Reconciliation between balance of cash and cash equivalent at period-end and cash and bank deposits shown in the balance sheet: <div style="text-align: right; margin-right: 20px;">Millions of Yen</div> Cash and bank deposits 99,888 <hr style="width: 20%; margin-left: 0;"/> Sub-total 99,888 Time deposit whose maturity date is over 3months (85) <hr style="width: 20%; margin-left: 0;"/> Cash and cash equivalent 99,803	Reconciliation between balance of cash and cash equivalent at period-end and cash and bank deposits shown in the balance sheet: <div style="text-align: right; margin-right: 20px;">Millions of Yen</div> Cash and bank deposits 36,802 <hr style="width: 20%; margin-left: 0;"/> Sub-total 36,802 Time deposit whose maturity date is over 3months (25) <hr style="width: 20%; margin-left: 0;"/> Cash and cash equivalent 36,777	Reconciliation between balance of cash and cash equivalent at year-end and cash and bank deposits shown in the balance sheet: <div style="text-align: right; margin-right: 20px;">Millions of Yen</div> Cash and bank deposits 66,863 <hr style="width: 20%; margin-left: 0;"/> Sub-total 66,863 Time deposit whose maturity date is over 3months (25) <hr style="width: 20%; margin-left: 0;"/> Cash and cash equivalent 66,838

SEGMENT INFORMATION

A. Operations by product

Current period (From April 1, 2004 to September 30,2004)

(Millions of yen)

	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales -							
(1) Outside customers	173,125	5,681	3,494	15,968	198,269	-	198,269
(2) Inter segment	9	43	164	293	510	(510)	-
Total	173,134	5,725	3,658	16,261	198,779	(510)	198,269
Cost and expenses	95,429	7,724	5,672	15,764	124,590	3,811	128,402
Operating income (loss)	77,705	(1,999)	(2,014)	497	74,188	(4,321)	69,867

(Note) 1. The Company has 4 operating segments based on its management control structure, and nature of products and market.

2. Main products and line of business by segment

(1) Pachinko and pachislot ... Manufacture and sell Pachinko and pachislot machines and design parlors

(2) Amusement equipment ... Manufacture, sell and rent game machines used in an amusement arcades

(3) Home video game software ... Develop and sell home video game software

(4) Others ... Operation of amusement arcades Management of amusement arcades Produce and sell music CD, Development of computer graphics, License Management, Internet Music Contents provider, Development business of Commercial facilities and Rent business on real estate

3. General corporate expenses of ¥ 4,336 million, which mainly consist of expenses incurred by the parent company's administrative department, are included in "Corporate and eliminations."

Prior period (From April 1, 2003 to September 30,2003)

(Millions of yen)

	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales -							
(1) Outside customers	69,803	3,278	1,908	2,766	77,756	--	77,756
(2) Inter segment	10	2	145	38	197	(197)	--
Total	69,814	3,281	2,054	2,804	77,954	(197)	77,756
Cost and expenses	41,028	4,082	3,958	3,053	52,122	2,698	54,821
Operating income (loss)	28,786	(801)	(1,904)	(249)	25,831	(2,896)	22,935

(Note) 1. The Company has 4 operating segments based on its management control structure, and nature of products and market.

2. Main products and line of business by segment

(1) Pachinko and pachislot ... Manufacture and sell Pachinko and pachislot machines and design parlors

(2) Amusement equipment ... Manufacture, sell and rent game machines used in an amusement arcades

(3) Home video game software ... Develop and sell home video game software

(4) Others ... Operation of amusement arcades Management of amusement arcades Produce and sell music CD, Development of computer graphics, License Management, Internet Music Contents provider, Development business of Commercial facilities and Rent business on real estate

3. General corporate expenses of ¥ 2,896 million, which mainly consist of expenses incurred by the parent company's administrative department, are included in "Corporate and eliminations."

Prior fiscal year (From April 1, 2003 to March 31, 2004)

(Unit : Millions of yen)

	Pachinko Pachislot	Amusement arcade equipment	Home video game software	Others	Total	Corporate and elimination	Consolidated
Net sales -							
(1) Outside customers	226,624	7,779	4,864	11,958	251,226		251,226
(2) Inter segment	70	2	321	65	460	(460)	
Total	226,695	7,782	5,185	12,023	251,687	(460)	251,226
Cost and expenses	142,097	9,433	10,234	12,475	174,240	5,309	179,550
Operating income (loss)	84,597	(1,651)	(5,048)	(451)	77,447	(5,770)	71,676

(Note) 1. The Company has 4 operating segments based on its management control structure, and nature of products and market.

2. Main products and line of business by segment

(1) Pachinko and pachislot ... Manufacture and sell Pachinko and pachislot machines and design parlors

(2) Amusement equipment ... Manufacture, sell and rent game machines used in an amusement arcades

(3) Home video game software ... Develop and sell home video game software

(4) Others ... Operation of amusement arcades Management of amusement arcades Produce and sell music CD, Development of computer graphics, License Management, Internet Music Contents provider, Development business of Commercial facilities and Rent business on real estate

3. General corporate expenses of ¥ 5,770 million, which mainly consist of expenses incurred by the parent company's administrative department, are included in "Corporate and eliminations."

B . Geographical segment information

Geographical segment information was not presented as the sales and assets of consolidated domestic subsidiaries for the 6 months ended September 30, 2004 and 2003 and the year ended March 31, 2004 exceed 90% of consolidated net sales and assets.

C . Overseas sales

The overseas sales of the Company and its consolidated subsidiaries for the 6 months ended September 30, 2004 and 2003 and the year ended March 31, 2004 were less than 10% of consolidated net sales.

LEASE TRANSACTIONS

Current period (From April 1, 2004 to September 30, 2004)	Prior period (From April 1, 2003 to September 30, 2003)	Prior year (From April 1, 2003 to March 31, 2004)																																																												
A summary of finance leases which do not transfer ownership to lessee:	A summary of finance leases which do not transfer ownership to lessee:	A summary of finance leases which do not transfer ownership to lessee:																																																												
1. Acquisition cost, accumulated depreciation, period-end book value of the leased items	1. Acquisition cost, accumulated depreciation, period-end book value of the leased items	1. Acquisition cost, accumulated depreciation, year-end book value of the leased items																																																												
(Millions of Yen)	(Millions of Yen)	(Millions of Yen)																																																												
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FAIR VALUE OF MARKETABLE SECURITIES

Current period (From April 1, 2004 to September 30, 2004)

. Marketable securities with quoted market prices

(Unit : Millions of Yen)

Security type	Current period (As of September 30, 2004)		
	Acquisition cost	Balance Sheet Amount	Valuation gain/loss
Securities whose market value exceeds the Balance sheet amount:			
Stocks	6,469	18,044	11,574
Total	6,469	18,044	11,574

(Note) Investment securities with quoted market prices of ¥155 million was devaluated in the end of September 2004.

. Other securities

(Unit : Millions of Yen)

	Balance Sheet Amount
Unlisted stocks (excluding over the counter securities)	1,323
Unlisted convertible bond to share	0
Unlisted stocks of subsidiary's and affiliated company (excluding over the counter securities)	112
Total	1,436

(Note) Investment securities without quoted market prices of ¥113 million was devaluated in the end of September 2004.

Prior period (From April 1, 2003 to September 30, 2003)

. Marketable securities with quoted market prices

(Unit : Millions of Yen)

Security type	Current period (As of September 30, 2003)		
	Acquisition Cost	Balance Sheet Amount	Valuation gain/loss
Securities whose market value exceeds the Balance sheet amount:			
Stocks	1,408	16,085	14,676
Total	1,408	16,085	14,676

. Other securities

(Unit : Millions of Yen)

	Balance Sheet Amount
Unlisted stocks (excluding over the counter securities)	708
Unlisted convertible bond to share	100
Unlisted stocks of affiliated company (excluding over the counter securities)	31
Total	839

Prior fiscal year (From April 1, 2003 to March 31, 2004)

. Marketable securities with quoted market prices

(Unit : Millions of Yen)

Security type	Current year (As of March 31, 2004)		
	Acquisition cost	Balance Sheet Amount	Valuation gain/loss
Securities whose market value exceeds the Balance sheet amount:			
Stocks	1,534	19,056	17,522
Total	1,534	19,056	17,522

. Other securities

(Unit : Millions of Yen)

	Balance Sheet Amount
Unlisted stocks (excluding over the counter securities)	1,263
Unlisted convertible bond to share	100
Unlisted stocks of affiliated company (excluding over the counter securities)	47
Total	1,410

Derivative transaction

The Company omits the information regarding fair value of derivative instruments because of applying hedge accounting for 6 months ended September 30, 2004, for 6 months ended September 30, 2003 and for year ended March 31, 2004

Per share data

Current period (From April 1, 2004 to September 30, 2004)	Prior period (From April 1, 2003 to September 30, 2003)	Prior year (From April 1, 2003 to March 31, 2004)
Equity per share ¥ 1,837.09 Net income per share ¥ 493.21 Net income per share (diluted) ¥ 476.52	Equity per share ¥ 1,561.64 Net income per share ¥ 201.43 Net income per share (diluted) ¥ 199.32	Equity per share ¥ 1,390.74 Net income per share ¥ 424.68 Net income per share (diluted) ¥ 417.97
The company conducted a 1.5-for-1 stock split on February 27, 2004. Per share data for the interim period would have been as follows if such share split up was executed at the beginning of the previous period;		The company conducted a 1.5-for-1 stock split on February 27, 2004. Per share data for the prior year would have been as follows if such share split up was executed at the beginning of the previous period;
Equity per share ¥1,041.09 Net income per share ¥ 134.29 Net income per share (diluted) ¥ 132.88		Equity per share ¥ 865.93 Net income per share ¥ 291.19 Net income per share (diluted) ¥ 290.28

(Note) Equity per share and net income per share (diluted) are computed as follows:

	Current period (From April 1, 2004 to September 30, 2004)	Prior period (From April 1, 2003 to September 30, 2003)	Prior year (From April 1, 2003 to March 31, 2004)
Equity per share			
Net income	40,450	10,031	32,196
Amount which does not belong to common shareholders (million)	-	-	437
(of which, bonus to directors) (million)	-	-	437
Net income for common stock (million)	40,450	10,031	31,758
Average numbers of shares issued and outstanding during fiscal year (Thousand)	82,014	49,799	74,782
	-		
Net income per share (diluted)	-		
Adjustment to net income (million)	-	-	-
Increase of common stock (Thousand)	2,872	525	1,201
(of which, preemptive rights on common stock)(Thousand)	2,872	525	1,201
Description and number of common stock equivalents which were not included in the computation of net income per share (diluted) as they were anti-dilutive	_____	Stock option (common stock) 336,000 approved by General Meeting on June 22, 2001 Stock option (common stock) 328,000 approved by General Meeting on June 21, 2002 Stock option (common stock) 407,000 approved by General Meeting on June 26, 2003	Stock option (common stock) 489,000 approved by General Meeting on June 22, 2001 Stock option (common stock) 487,500 approved by General Meeting on June 21, 2002 The first Yen denominated convertible bond-type bonds with stock acquisition rights (commonStock) 10,449,320 approved by Corporate resolution on February 12, 2004

SUBSEQUENT EVENT

Sammy Corporation became a wholly owned subsidiary of SEGA SAMMY HOLDINGS INC., established jointly with SEGA CORPORATION through a share swap on October 1, 2004.

5.PRODUCTION BY PRODUCT LINE

(1)Results of production

(Unit : Millions of Yen)

	Current period (From April 1, 2004 to September 30, 2004)	Prior period (From April 1, 2003 to September 30, 2003)	Prior year (From April 1, 2003 to March 31, 2004)
	Amount	Amount	Amount
Pachislot and Pachinko	166,602	72,329	219,256
Amusement equipment	5,058	3,046	5,457
Total	171,660	75,376	224,713

(Note) Amounts indicated above are calculated based on sales price and do not include related consumption tax.

(2)Sales order backlog

The Company produces Pachislot and Pachinko machines based upon trends of sales order backlog because of short production time. However, as these products have a shorter life cycle with significant shipments required in their initial stage, the initial production is carried out by anticipating initial orders and the quantity of such initial production accounts for majority of total sales quantity. On the other hand, amusement equipment is produced by anticipating orders due to long production time required. For these reasons, the information as to sales order backlog is not considered reflective of the Company's operations and therefore not presented.

(3)Sales by product line

See Segment information.