

# FunBiz

Vol. 2

CONSOLIDATED INTERIM REPORT (April 1, 2005 – September 30, 2005)

SEGA SAMMY

Even More  
Exciting



**In the current fiscal year, the SEGA SAMMY Group has initiated full-fledged business offensives in each of its operational areas. Aiming to become the world's number one comprehensive entertainment company, we will strive to achieve further growth.**



# To Our Shareholders



**Hajime Satomi**

Chairman and CEO,  
SEGA SAMMY HOLDINGS INC.

I am pleased to present the results for the interim period of SEGA SAMMY HOLDINGS' second fiscal year.

In the six months following the October 2004 merger that formed the SEGA SAMMY Group, we moved forward with preparations for full-fledged growth. Following the implementation of a series of initiatives that reinforced its foundation, the Group began to mount a full-scale business offensive in each of its fields of business in the fiscal year beginning April 2005.

In the interim period under review, all operating segments recorded favorable performances, and as a result consolidated net sales surpassed initial forecasts, reaching ¥248.5 billion. In pachislot machines, the percentage of sales contributed by high-profit-margin Sammy-brand machines increased, and in pachinko machines, the number of units sold rose and units sold directly by Sammy accounted for a larger share of sales, leading to a decline in SG&A expenses. Also, in amusement machine sales, high-value-added products recorded increased sales, and profit margins rose. As a result, ordinary income and net income both substantially exceeded initial plans, with ordinary income reaching ¥49.4 billion and net income ¥24.9 billion.

Currently, the entertainment industry is marked by a growing reliance on alliances as a means of corporate survival. In this environment, the SEGA SAMMY Group has completed the integration of its management resources ahead of other companies in the industry. At the same time, we have established a competitive edge based on a balanced operational portfolio and a solid cash-generating framework. While

leveraging this competitive edge, we will utilize operational tie-ups and M&A activities to bolster operations that need to be reinforced and will further strengthen competitive operations with measures targeting the establishment of a dominant market presence. In this way, we will strive to establish a solid position as a comprehensive entertainment company. Moreover, we will not simply pursue sales and profits; we will endeavor to fulfill our corporate social responsibilities and to make an ongoing contribution to society. In addition, we will continually work to further bolster our corporate governance.

On November 18, 2005, SEGA SAMMY HOLDINGS implemented a 2-for-1 stock split to facilitate investment in the Company, increase the liquidity of its shares, and expand its shareholder base. In addition, in consideration of our favorable performance, we announced our intention to raise the year-end dividend for the fiscal year ending March 2006 by ¥10 on a pre-split basis. Full-year dividends are now expected to be ¥30 above our initial forecast on a pre-split basis. In the future, we will continue working to aggressively provide a return to shareholders in line with our profits.

I would like to ask for your continued support of the SEGA SAMMY Group as we continue striving to achieve our vision.

December 2005

**Hajime Satomi**

Chairman and CEO,  
SEGA SAMMY HOLDINGS INC.

# SEGA SAMMY: Even More Exciting

Following the formation of the SEGA SAMMY Group on October 1, 2004, through the merger of SEGA and Sammy, the Group implemented a variety of initiatives to establish a strong operational system. We completed the reorganization by April 1, 2005, and in the current fiscal year we began full-fledged business offensives in each of our operational areas. In this section, we will explain how the Group's operational development capabilities have been strengthened and how we will work to make entertainment even more exciting in the years ahead.

## Measures Implemented after the Merger

### Operational Restructuring and Reorganization

- ① Building an efficient operational system through concentration on the core operations of each Group company
  - Sammy's amusement-related operations transferred to SEGA
  - To create synergies among Group companies, certain Sammy and SEGA subsidiaries and affiliates converted into direct subsidiaries and affiliates of the holding company
- ② Implementing selection and concentration of management resources
  - Sammy's and SEGA's overseas game software development subsidiaries sold off
  - Game software development capabilities bolstered (The Creative Assembly Ltd., which has leading titles and development capabilities and solid results overseas, made into a subsidiary)
  - Operational platform developed for Sammy's provision of one-stop pachinko hall services (H-I System Corporation, which is in charge of hall computers and award POS (Point of Sales) system related operations, converted into a subsidiary)
- ③ Reorganizing to enhance management efficiency
  - SEGA reorganized and divisional tie-ups bolstered
  - Human resources optimally reallocated

### Establishment of a Long-Term, Stable Growth Foundation

- ① Bolstering corporate governance and compliance systems
  - Advisory committee established
- ② Strengthening Group cash flow management
  - Financial subsidiary SEGA SAMMY ASSET MANAGEMENT INC. established

### Reinforced Growth Foundation through Post-Merger Measures

- Organizational strength
- Development strength
- Product strengths
- Growth potential in Japan and overseas
- Financial base

## Pachislot and Pachinko Businesses: Even More Exciting

The July 2004 enforcement of revisions to the Entertainment Establishments Control Law of Japan will curb the excessive gambling characteristics of pachislot and pachinko machines while facilitating the development of machines with new entertainment value and specifications. In this setting, the success of pachislot and pachinko machine manufacturers will be determined by their creativity and development capabilities. Sammy, guided by its development vision of "Sammy... the wellspring of new ideas," has continually created machines with new functions and entertainment value. There are many examples of how Sammy's development vision has been given concrete form.

The *CR Mojuuoh* and *CR Hokuto No Ken* offerings have reinforced Sammy's reputation as a maker of pachinko machines. And our leading name in pachislot machines was further strengthened with *Hokuto No Ken*, the highest-selling machine in history. For Sammy, the regulatory revisions are an opportunity. And SEGA serves as an exceptionally strong partner backing up Sammy's product strengths. SEGA's visual display technologies and superior content with Sammy's advanced development capabilities and creativity make a formidable combination that will continue to drive progress in the markets for pachislot and pachinko machines.

### Sammy's advanced development capabilities and creativity



*ALADDIN 2 Evolution*  
pachislot machine  
© Sammy



*Hokuto No Ken* pachislot machine  
© Buronson • Tetsuo Hara/NSP 1983  
© Sammy



*CR Hokuto No Ken* pachinko machine  
© Buronson • Tetsuo Hara/NSP 1983  
© Sammy



SEGA's visual display technologies and superior content



Regulatory revisions that facilitate the development of machines  
with wide-ranging entertainment value



Provision of  
the best pachislot and  
pachinko machines  
ever made

## Amusement Machine Sales Business and Amusement Center Operations: Even More Exciting

In the Amusement Machine Sales Business, SEGA had established a solid presence in high-end products, while Sammy had built a strong position in children's games. As a result of the merger, these strengths have been combined, and the Company has a broad product lineup that can meet the needs of a wide range of customers, from adults to children and from regular players to casual customers. Moreover, the cash generated by the SEGA SAMMY Group dramatically increases the potential of operational development in the Amusement Machine Sales Business and Amusement Center Operations.

Since the merger, both of these operations have been consolidated under SEGA's management, and fundamental restructuring measures

have been implemented, centered on steps to bolster synergies among them. As spelled out in the Group vision, the SEGA SAMMY Group aims to "provide entertainment to people around the world," and it serves markets with diverse needs. Meeting these types of needs with a high degree of precision is the most important goal of these restructuring measures.

Network-compatible amusement machines may well significantly change entertainment. And in children's card games, where SEGA succeeded in creating a new market, we have the potential to create yet another new market. In the future, as these markets steadily become more and more entertaining, the SEGA SAMMY Group will continue to provide entertainment products that are even more exciting.

### step ① Resulting from the merger

Enhance lineup of products that all customers can enjoy

Use abundant cash flow to strengthen operational development capabilities

### step ② Resulting from post-merger initiatives

Amusement Machine Sales Business

Amusement Center Operations



Real-time card battle game  
*Sangokushi Taisen*  
© SEGA, 2005

Bolster tie-ups through restructuring



TOKYO JOYPOLIS

Develop amusement machines that meet the needs of players around the world

## Consumer Business: Even More Exciting

In anticipation of the launch of next-generation consoles, the field of home videogame software has rapidly become the focus of intense attention.

Next-generation consoles will offer dramatic advances in image processing technology and drastically change the very concept of games for the home. At the same time, development will entail substantial expenses for game software development companies, and the ability to compete will be limited to those companies with substantial capital resources. Backed by the resources of the SEGA SAMMY Group, SEGA is one of those companies. At E3 (Electronic Entertainment Expo), the world's largest trade fair for game software, in May 2005 and again at the Tokyo Game Show 2005 in September, we were able to mesmerize large numbers of attendees with our high-level graphics technologies compatible with next-generation consoles. The launch of these next-generation consoles will provide an opportunity for SEGA to showcase its advanced capabilities.

On September 22, 2005, SEGA announced the establishment of a department dedicated to computer graphics development. The SEGA

SAMMY Group, which is developing operations in a wide range of entertainment fields, is encountering demand for computer graphics in a variety of fronts. In the future, this department will lead our in-house computer graphics development as we work to accumulate know-how, bolster the development of software for next-generation consoles, and build a system that can respond to growth in development demand within the Group. We will work to cultivate new sources of revenues, such as computer graphics content business, including movies, and the provision of computer graphics development services to other companies.

In addition to home videogame software, we are also making progress in other fields. Throughout our Consumer Business, which includes online games, games for mobile telephones provided by subsidiary Sammy NetWorks Co., Ltd., and toys overseen by subsidiary SEGA TOYS, Ltd., we are working to create a series of new entertainment products by effectively utilizing the Group's abundant management resources. Check out how SEGA SAMMY is making entertainment even more exciting.



# SEGA SAMMY Topics

## SEGA Exhibits 12 Titles at E3, Wins Numerous Awards

In May 2005, E3 (Electronic Entertainment Expo), the world's largest trade fair for game software, was held in Los Angeles, California. SEGA exhibited 12 titles, principally titles that the Company plans to launch in North America and Europe in 2005 and 2006. They drew considerable attention and were nominated for and earned numerous awards. The titles for next-generation consoles showcased SEGA's technical capabilities by taking full advantage of the capabilities of the dramatically improved next-generation consoles. The Group believes that the launch of the next-generation consoles will provide SEGA with an excellent opportunity to demonstrate its technical superiority.



Full Auto (Xbox 360)  
© SEGA, 2005



Shadow the Hedgehog  
© SEGA, 2005



Spartan: Total Warrior (PS2, Xbox, GC)  
© SEGA, 2005



© Sammy

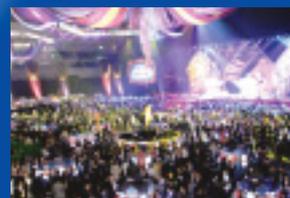
## World's Best Entertainment: Sammy's 30th Anniversary – ALADDIN World Premiere

To celebrate the 30th anniversary of its establishment and the launch of the latest addition to its flagship *ALADDIN* series, Sammy sponsored the *ALADDIN* World Premiere at the Yokohama Arena. With an industry-record attendance of more than 15,000 people, this event, an industry-first in introducing thousands of typical customers to a new product, created a sensation.

The day included many highlights, such as a one-day-only show, with planning and production overseen by a team of some of the world's top producers – including Sylvia Hase, who has directed and produced shows ranging from the Grammy Awards to popular Las Vegas shows. *ALADDIN's* Lamp, the premiere show, featured a magnificent cast from around the world and entertained the many attendees with a performance that brought to life the secret, mysterious world setting of Sammy's *ALADDIN* series of pachislot machines. The show was held in conjunction with the announcement of the new *ALADDIN 2 Evolution* pachislot machine, and many players were able to experience the advanced new *ALADDIN*. In addition, attendees were able to enjoy related products, such as home videogame software, applications for mobile telephones, and original goods. The SEGA SAMMY Group focused its comprehensive abilities on enabling attendees to enjoy the world of *ALADDIN*.



© Sammy



© Sammy



© Sammy

## SEGA SAMMY Baseball Team Established in Amateur Baseball League

SEGA SAMMY HOLDINGS decided to establish an amateur baseball team, the SEGA SAMMY Baseball Team. Mr. Kenta Aoshima, a former player in the professional and amateur leagues who has been active as a sports journalist since his retirement, will serve as manager of the team. Preparations are already under way targeting participation in tournaments sponsored by the Japan Amateur Baseball Association, such as the Intercity Baseball Tournament and a major invitational tournament. In addition to baseball, the Group's corporate teams include a women's track team and a snowboarding team. The women's track team secured the right to compete in a major marathon held on December 18, despite the fact that it will be its first appearance as a team. We also sponsor a men's golf tournament. In these ways, as a comprehensive entertainment company, we are aggressively supporting sports that help people to realize dreams and excitement.



## SEGA SAMMY HOLDINGS Implements Stock Split (delivery without compensation)

At the SEGA SAMMY HOLDINGS board of directors' meeting held on August 31, 2005, the board decided to implement a stock split (delivery without compensation) with a record date of September 30, 2005, and an effective date of November 18, 2005. The objective of the 2-for-1 stock split was to facilitate investment in the Company's shares and thereby increase liquidity and expand the base of investors. In addition, in consideration of the favorable results in the period under review, we announced a revision of our year-end dividend forecast. Calculated on a pre-split basis, we decided to raise the year-end dividend for the fiscal year ending March 2006 by ¥10 on a pre-split basis, which puts full-year dividends at ¥30 above our initial forecast on a pre-split basis.

Procedures for transactions in the Company's stock in amounts less than whole trading units are explained on pages 18 and 19.

## TMS Entertainment Becomes Consolidated Subsidiary

As of October 7, 2005, the Company had acquired more than half of the shares of TMS Entertainment Ltd. (Nagoya Stock Exchange, Second Section, Securities Code: 3585), making it into a subsidiary.

TMS Entertainment is principally active in the planning, production, and sales of animated films. In working with the SEGA SAMMY Group, TMS Entertainment has been responsible for the production of such films as *Sonic X*, broadcast from April 2003 by the TV TOKYO Group; *MUSHIKING: The King of Beetles*, *The Legend of the People of the Forest*, currently being broadcast by the TV TOKYO Group; and a theatrical version of *MUSHIKING: The King of Beetles*, *The Road to the Greatest Champion*, which will be in theaters this winter. We made TMS Entertainment a subsidiary in order to create synergies among our operations and to bolster development in the global market by utilizing in our existing Group businesses the valuable content that we acquired in the visual businesses as well as using the content created in existing businesses in the visual business.



© SEGA

## in focus

Operational synergies that are driving the growth of the SEGA SAMMY Group



# MUSHIKING: The King of Beetles

**Why has *MUSHIKING* been so successful?**

**The key is the insect theme**

In the past, commercial game machines typically used imaginary creatures as the main characters. With *MUSHIKING*, however, we drew the main theme of insects from the natural world. Because children the world over have a fascination with insects, *MUSHIKING*'s insect theme became a key point in its success in attracting a wide range of fans. In addition, the game includes educational elements, so parents can relax and let their children play, or enjoy the game along with their children, another factor behind *MUSHIKING*'s success.

*MUSHIKING: The King of Beetles*, a children's trading card game, has become an explosive hit, especially among elementary school boys. Even now, about three years after its debut, its popularity shows no signs of flagging. In this section, we will introduce the secret of its success and use *MUSHIKING* as an example of the operational synergies that are driving the growth of the SEGA SAMMY Group.

**Combination of cards and insects drives popularity**

A single play of *MUSHIKING: The King of Beetles* costs ¥100, and players get a card for each game played. In addition to the enjoyment of collecting cards, of which there are more than 800 varieties, the strategic aspects and depth of the game, in which skillful combinations of cards can strengthen insects, have been key factors in the game's ongoing popularity. Also, *MUSHIKING*'s use of the widely known rock-paper-scissors game for its basic rules enables *MUSHIKING* to be readily enjoyed by customers of all ages, from children to adults, and has contributed to the expansion of the customer base.



*MUSHIKING:*  
*The King of Beetles*  
© SEGA, 2003

## The SEGA SAMMY Group is expanding the world of *MUSHIKING*.



*DinosaurKing*  
© SEGA, 2005

*Oshare Majo Love and Berry*  
© SEGA, 2004

### Opening up new markets through horizontal development

The SEGA SAMMY Group is striving to realize synergy-driven growth in all of its operations by effectively utilizing its management resources, such as human resources, intellectual property, technologies, capital, content, and information. As one facet of those efforts, *Oshare Majo Love and Berry*, which resulted from the horizontal development of the *MUSHIKING* business model, has succeeded in attracting girls, which had been a customer segment considered difficult to attract to amusement centers, and the number of installed units has steadily increased. In addition, in mid-September 2005, beginning with eight facilities around the country managed by SEGA, we began the deployment of *DinosaurKing*, a children's trading card game, and we are moving ahead with installations, principally in family amusement centers. Through *DinosaurKing*, SEGA is aiming to foster interest in natural science among children while facilitating communication among family members. In the future, we will continue to implement this type of horizontal development and open up new fields.

### Diverse development targeting a series of successes

In toy operations, the development of *MUSHIKING*-related goods and toys is driving growth in sales. And in the Consumer Business, we began sales of software for portable game consoles using the same content. Diverse development targeting a series of successes is expanding to a wide range of entertainment fields. One example is the April 2005 start of the broadcast by the TV TOKYO Group of *MUSHIKING: The King of Beetles*, *The Legend of the People of the Forest*, which was produced by SEGA SAMMY Group company TMS Entertainment Ltd.\*

\*As a result of stock acquisitions made by October 7, 2005, the Company's share of voting rights in TMS Entertainment (including indirect holdings) exceeded 50%, and TMS Entertainment became the Company's subsidiary.

### *MUSHIKING* jumps into the global market

With a commitment to moving forward in a range of business fields, the SEGA SAMMY Group is bolstering and expanding its operations in children's card games. These initiatives include the periodic introduction of new versions, the implementation of a variety of campaigns, and the sponsorship of tournaments and other events.

Currently, the popularity of *MUSHIKING* is spreading from Asia around the world. The SEGA SAMMY Group will use the *MUSHIKING* business model to achieve its goals of providing entertainment to people around the world and becoming the world's number one comprehensive entertainment company.

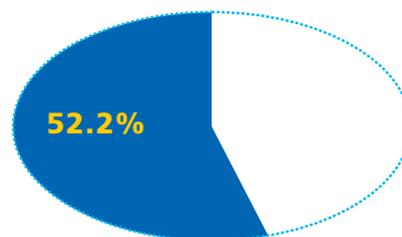


*MUSHIKING* goods  
© SEGA, 2003

TV animation *MUSHIKING: The King of Beetles*,  
*The Legend of the People of the Forest*  
© *MUSHIKING* Project/TV TOKYO

# overview of Pachislot and Pachinko Businesses operations

Composition of Net Sales



In the Pachislot and Pachinko Businesses, it has been about a year since the enforcement of revisions to the Entertainment Establishments Control Law of Japan. These revisions, which marked a major turning point for the industry, have led manufacturers to step up the pace of new machine development.

In the pachislot business, the RODEO brand was supported by favorable growth in sales of the *Onimusha 3* model, which was launched in the previous year and sold 51 thousand units in the interim period, for a cumulative total of 120 thousand units sold. In addition, based on the *Umimonogatari* series of pachinko machines from Sanyo Bussan Co., Ltd., Sammy developed and manufactured the *Pachislot Umimonogatari* machine (sold by Sanyo Hanbai Co., Ltd.), which recorded sales of 63 thousand units in the interim period. *Ultraman Club ST*, the successor to the *Ultraman Club 3* that became a huge hit after its launch in 1998,

sold 57 thousand units. Overall, sales of pachislot machines in the interim period totaled 255 thousand units.

In the pachinko business, *CR Hokuto No Ken*, which faithfully incorporates the playability of the *Hokuto No Ken* pachislot machine that has become the biggest hit in the history of the pachislot industry, has turned in performance fully worthy of its rave advance reviews, selling 178 thousand units in the interim period, the highest level of sales in Sammy's history.



*Ultraman Club ST* pachislot machine  
© TSUBURAYA PROD. © Sammy

Overall, sales of pachinko machines totaled 223 thousand units, making a significant contribution to the Group's performance.

In the peripheral equipment business, which includes the marketing of pachinko ball and token dispensing machines and other equipment, and the pachinko hall design business, we continued working to enhance our operational foundation. We took steps to bolster our marketing capabilities by adding marketing bases, and in the pachinko hall computers and award POS systems related business we made H-I System Corporation a subsidiary, thereby bolstering our new product development capabilities. As a result of these measures, the Pachislot and Pachinko Businesses segment recorded net sales of ¥129.8 billion and operating income of ¥46.4 billion.

## Unit Sales of Major Pachislot Machines

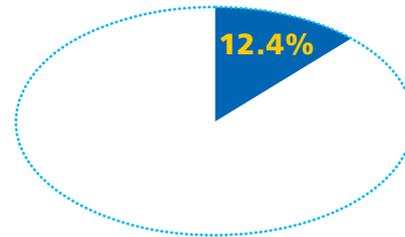
Name	Unit Sales (thousands)
<i>Pachislot Umimonogatari</i>	63
<i>Ultraman Club ST</i>	57
<i>Onimusha 3</i>	51
Unit supply	75
Others	7
<b>Total</b>	<b>255</b>

## Unit Sales of Major Pachinko Machines

Name	Unit Sales (thousands)
<i>CR Hokuto No Ken</i> series	178
<i>CR Choro Q</i> series	29
<i>CR Azumi</i> series	9
<i>CR Premium Dynamite</i> series	6
<b>Total</b>	<b>223</b>

# overview of Amusement Machine Sales Business operations

Composition of Net Sales



UFO Catcher 7  
© SEGA Corporation

In the amusement machine sales industry, large videogame machines utilizing card systems recorded sales gains, and infrastructure improvements supported further enhancement of network compatible game machines. In addition, prize machines and other family-oriented game machines continued to reinforce their market position.

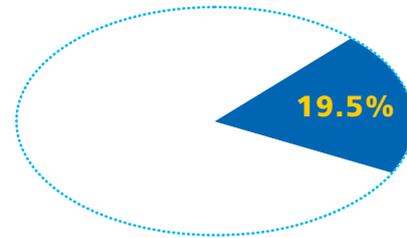
In the Amusement Machine Sales Business, sales of prize machines, such as *UFO Catcher*, were flat, but the network-compatible *Sangokushi Taisen* trading card game, which was introduced in the previous term, recorded another strong performance. In addition, high-value-added products recorded favorable sales, such as the latest entry in the *Star Horse* series – *Star Horse 2 New Generation* – which showcases significant advances in a range of areas and received a design award in fiscal 2005, ending March 2006. Domestic performance was strong, and the segment recorded sales of ¥30.8 billion and operating income of ¥4.5 billion.



Star Horse 2 New Generation  
© SEGA Corporation, 2005

# overview of Amusement Center Operations operations

Composition of Net Sales



SEGA ARENA SOGA



MUSHIKING WORLD PLUS SOGA

The amusement center industry was marked by trends toward larger, multifaceted facilities and toward the location of amusement centers in heavily trafficked shopping malls, which, as family-oriented community spaces, are gaining popularity with a broad range of age groups. Moreover, trading card based game machines that enable children to compete with one another are driving the market.

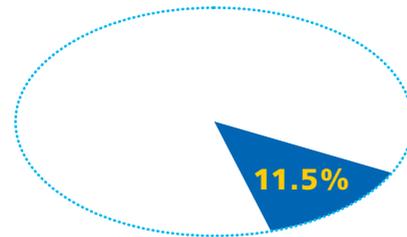
In Amusement Center Operations, *MUSHIKING: The King of Beetles* has built substantial popularity, and the number of installed units and card sales recorded favorable growth. *Oshare Majo Love and Berry*, which opened up a new genre for girls, garnered popularity, and the number of installed units recorded significant growth. These card games did well at events that were held throughout the country, principally during vacation periods in May and in the summer.

In the interim period, we opened 6 new amusement centers, including *Festival Walk Soga*, and closed 32, for a total of 451 at the end of the interim period.

The segment recorded net sales of ¥48.5 billion and operating income of ¥4.3 billion.

# overview of Consumer Business operations

Composition of Net Sales



SAKURA TAISEN V  
© SEGA, 2005 © RED, 2005



Game software for GBA  
*MUSHIKING: The King of Beetles,*  
*The Road to the Greatest Champion*  
© SEGA, 2003

In the interim period, the home videogame software industry saw continued reorganization, including mergers of large companies. Against this background, the market was driven by sales of software for new models of portable game consoles that were launched at the end of the previous year. In the market for home videogame consoles, competition in the development of products that will drive market expansion is intensifying, and a number of next-generation consoles that far surpass the capabilities of previous models have either been announced or launched. The launch of next-generation consoles is expected to lead to expanded demand in the software industry. On the other hand, increasingly powerful hardware will drive up software R&D expenses, further dramatizing the differences in development capabilities among companies.

In sales of home videogame software, the GBA version of *MUSHIKING: The King of Beetles, The Road to the Greatest Champion* exceeded planned levels. We launched *SAKURA TAISEN V*, the latest entry in the *SAKURA TAISEN* adventure game series, which has recorded cumulative sales of 3.5 million units since its launch in 1996, and *Let's Make a Professional Baseball Team*, the latest entry in the *Let's Make* series. Sales in the interim period reached 1.54 million units in Japan and Asia, 1.01 million in the U.S., and 1.93 million in Europe.

We also recorded strong results in the toy and mobile telephone content business. The Consumer Business segment posted net sales of ¥28.5 billion. Nonetheless, these results were not sufficient to offset the R&D expenses needed to create videogame software for next-generation consoles, and the segment's operating loss was ¥4.3 billion.

## Other Operations

In other operations, principally the planning, design, and management of commercial facilities and the sale of commercial karaoke products, net sales were ¥10.7 billion and operating loss was ¥0.4 billion.

# CONSOLIDATED BALANCE SHEET

As of September 30, 2005

¥ Million

Item	Amount
<b>Assets</b>	
<b>Current assets</b>	<b>¥294,690</b>
Cash and deposits	138,401
Notes and accounts receivable – trade	87,982
Securities	499
Inventories	29,314
Others	39,578
Allowance for doubtful accounts – current	(1,086)
<b>Fixed assets</b>	<b>167,055</b>
<b>Tangible fixed assets</b>	<b>78,843</b>
Buildings and structures	29,333
Others	49,510
<b>Intangible fixed assets</b>	<b>13,060</b>
Goodwill	5,567
Others	7,493
<b>Investments and other assets</b>	<b>75,151</b>
Investment securities	45,441
Others	38,287
Allowance for doubtful accounts non-current	(8,578)
<b>Total assets</b>	<b>¥461,746</b>

Item	Amount
<b>Liabilities</b>	
<b>Current liabilities</b>	<b>¥122,392</b>
Notes and accounts payable – trade	57,088
Short-term bank loans and current portion of long-term debt	8,480
Income taxes payable	25,462
Accrued employees' bonuses	1,677
Others	29,684
<b>Non-current liabilities</b>	<b>51,919</b>
Bonds payable	24,620
Corporate bond with stock acquisition rights	2,132
Long-term debt, less current portion	8,191
Severance and retirement allowance	6,611
Retirement benefits for directors and corporate auditors	1,115
Others	9,248
<b>Total liabilities</b>	<b>174,312</b>
<b>Minority interests</b>	
Minority interests	11,715
<b>Shareholders' equity</b>	
Common stock	28,886
Capital surplus	170,000
Retained earnings	158,728
Adjustment on revaluation of land	(6,541)
Net unrealized holding gains on securities	7,352
Foreign currency translation adjustments	(9,218)
Treasury stock	(73,490)
<b>Total shareholders' equity</b>	<b>275,718</b>
<b>Total liabilities, minority interest, and shareholders' equity</b>	<b>¥461,746</b>

\*¥=JPY

## CONSOLIDATED STATEMENT OF INCOME

From April 1, 2005 to September 30, 2005

¥ Million

Item	Amount
Net sales	¥248,563
Cost of sales	149,848
Gross profit	98,714
Selling, general and administrative expenses	48,820
Operating income	49,894
Non-operating income	1,313
Non-operating expenses	1,803
Ordinary income	49,404
Extraordinary income	1,679
Extraordinary expenses	1,436
Income before income taxes and minority interests	49,647
Income taxes – current	27,115
Income taxes – deferred	(3,019)
Minority interests	595
Net income	¥ 24,954

## CONSOLIDATED STATEMENT OF CASH FLOW

From April 1, 2005 to September 30, 2005

¥ Million

Item	Amount
Net cash provided by operating activities	¥ 22,117
Net cash used in investing activities	(26,780)
Net cash used in financing activities	(9,778)
Effect of exchange rate changes on cash and cash equivalents	273
Net increase in cash and cash equivalents	(14,167)
Cash and cash equivalents at beginning of period	151,253
Net increase in cash and cash equivalents due to change in scope of consolidation	462
Net increase in cash and cash equivalents due to merger	323
Cash and cash equivalents at end of the period	¥137,871

# NON-CONSOLIDATED BALANCE SHEET

As of September 30, 2005

¥ Million

Item	Amount
<b>Assets</b>	
<b>Current assets</b>	<b>¥ 20,034</b>
Cash and deposits	1,565
Short-term loan receivable	4,603
Income taxes refunds receivable	13,501
Others	363
<b>Fixed assets</b>	<b>293,668</b>
Tangible fixed assets	575
Intangible fixed assets	44
<b>Investments and other assets</b>	<b>293,048</b>
Investment in affiliates	287,263
Others	5,784
<b>Total assets</b>	<b>¥313,703</b>

Item	Amount
<b>Liabilities</b>	
<b>Current liabilities</b>	<b>¥ 5,927</b>
Short-term bank loans and current portion of long-term debt	5,500
Reserves	103
Others	323
<b>Non-current liabilities</b>	<b>2,177</b>
Corporate bond with stock acquisition rights	2,132
Reserves	44
<b>Total liabilities</b>	<b>8,104</b>
<b>Shareholders' equity</b>	
Common stock	28,886
<b>Capital surplus</b>	<b>286,119</b>
Additional paid-in capital	28,880
Capital surplus – others	257,239
<b>Retained earnings</b>	<b>67,463</b>
Unappropriated retained earnings	67,463
<b>Treasury stock</b>	<b>(76,871)</b>
<b>Total shareholders' equity</b>	<b>305,598</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥313,703</b>

# NON-CONSOLIDATED STATEMENT OF INCOME

From April 1, 2005 to September 30, 2005

¥ Million

Item	Amount
Operating revenue	¥69,856
Operating expenses	2,550
Operating income	67,305
Non-operating income	31
Non-operating expenses	433
Ordinary income	66,902
Extraordinary expenses	0
Income before income taxes	66,902
Income taxes – current	1
Income taxes – deferred	87
Net income	66,813
Unappropriated retained earnings arising from corporate spin-off	12,857
Cancellation of subsidiaries stocks	12,207
Unappropriated retained earnings	¥67,463

## PROCEDURES FOR TRANSACTIONS IN ODD LOTS OF STOCK

# purchase

### Request for additional purchase

#### Increase to a whole trading unit\* (100 shares)

◀ If holdings are less

First, confirm whether or not you are using the system for deposit and transfer of securities, and then complete the following procedures for an additional purchase.

\*A trading unit is the minimum number of shares for trading.  
Voting rights are allocated to shareholders in accordance with whole trading units.

1

Shareholders using the system for deposit and transfer of securities

Please consult with your securities company

2

Shareholders not using the system for deposit and transfer of securities

Obtain a request for additional purchase Ask Mitsubishi UFJ Trust and Banking Corporation for a "request for additional purchase of odd-lot stock."

Procedures to be completed at a counter or by mail After filling in the required information on the "request for additional purchase of odd-lot stock," present the form at the counter or by mail and pay the "estimated amount."

#### What is the "estimated amount"?

Estimated amount = (the number of additional shares you want to purchase) × (the previous day's closing price on the Tokyo Stock Exchange) × 1.3  
Note: Amounts less than ¥1,000 are rounded up.

In anticipation of price fluctuations, a higher amount should be paid. The difference between the estimated amount and the actual cost of the additional purchase will be settled later.

Payment settlement and share transfer After confirmation of the price and the cost of the additional purchase, the difference between the estimated amount and the actual cost of the additional purchase will be settled. Subsequently, the shares will be sent by delivery-certified mail.

# sell

## Request for redemption

than 100 shares (odd lot) ▶

### Sell shares and receive cash

First, confirm whether or not you are using the system for deposit and transfer of securities, and then complete the following procedures for redemption.

<p><b>1</b></p> <p><b>Shareholders using the system for deposit and transfer of securities</b></p> <p>▼</p> <p>Please consult with your securities company</p>	<p><b>2</b></p> <p><b>Shareholders not using the system for deposit and transfer of securities</b></p> <p>▼</p> <p><b>Obtain a request for redemption</b>      Ask Mitsubishi UFJ Trust and Banking Corporation for a "request for redemption of odd-lot stock."</p> <p>▼</p> <p><b>Procedures to be completed at a counter or by mail</b>      After filling in the required information on the "request for redemption of odd-lot stock," present the form at the counter or by mail.</p> <p>▼</p> <p><b>Receipt of payment for redemption</b>      After confirmation of the price and the payment for redemption, payment will be made in accordance with the method specified in the "request for redemption of odd-lot stock."</p>
--	--

### Requests for forms

Requests for stock-related forms (change of address, seal, name, etc.; instructions for payment of dividends; request for additional purchase and redemption of odd-lot stock; transfer, etc.) are accepted 24 hours a day over the telephone or the Internet.

Toll-free: 0120-244-479 (Transfer Agency Department, Head Office, Mitsubishi UFJ Trust and Banking Corporation)

Toll-free: 0120-684-479 (Transfer Agency Department, Osaka Office, Mitsubishi UFJ Trust and Banking Corporation)

Internet: <http://www.tr.mufg.jp/daikou/>

Shareholders using the system for deposit and transfer of securities should consult with their securities company.

## CORPORATE DATA

### Company Name

SEGA SAMMY HOLDINGS INC.

### Head Office

Shiodome Sumitomo Building,  
1-9-2 Higashi Shimbashi, Minato-ku,  
Tokyo 105-0021, Japan

### URL

<http://www.segasammy.com>

### Established

October 1, 2004

### Capital

¥28.9 billion

### Common Stock

Authorized: 400,000,000 shares  
Issued: 141,188,929 shares

### Number of Employees

79

### Business Activities

Performs group management and related activities as the holding company for companies forming a comprehensive entertainment group.

### Directors and Corporate Auditors

#### Chairman and CEO

Hajime Satomi  
*Chairman and CEO,*  
*SEGA CORPORATION,*  
*and Chairman and CEO,*  
*Sammy Corporation*

#### Vice Chairman and Director

Hisao Oguchi  
*President and COO,*  
*SEGA CORPORATION*

#### Executive Vice President and Director

Keishi Nakayama  
*Director, Sammy Corporation*

#### Senior Managing Director

Keiichiro Hashimoto

#### Directors

Toru Katamoto  
*President and COO,*  
*Sammy Corporation*  
Hideki Okamura  
*Managing Director,*  
*SEGA CORPORATION*  
Yasuo Tazoe  
*Director, SEGA CORPORATION*

#### Standing Corporate Auditor

Kazutada Ieda

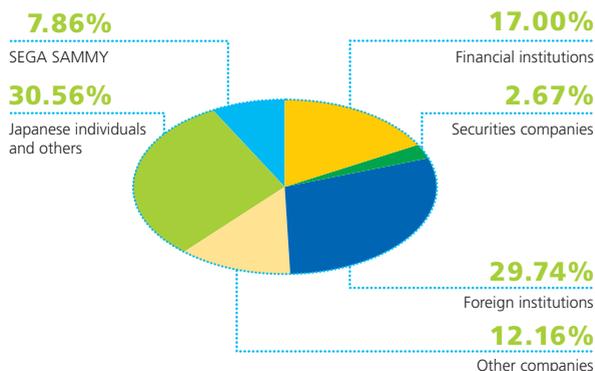
#### Corporate Auditors

Akio Kioi  
*Corporate Auditor,*  
*Sammy Corporation*  
Ryoichi Arai  
*Standing Corporate Auditor,*  
*SEGA CORPORATION*  
Toshio Hirakawa  
*Standing Corporate Auditor,*  
*Sammy Corporation*

## SHAREHOLDER INFORMATION

As of September 30, 2005

### Composition of Shareholders



### Principal Shareholders

Name	Number of Shares Held	Voting Rights (%)
Hajime Satomi	21,784,669	15.42
SEGA SAMMY HOLDINGS INC.	11,104,383	7.86
The Master Trust Bank of Japan, Ltd. (Trustee)	7,551,900	5.34
FSC Co., Ltd.	7,086,420	5.01
Japan Trustee Services Bank, Ltd. (Trustee)	5,860,800	4.15
State Street Bank and Trust Company	5,031,680	3.56
SEGA CORPORATION	4,516,995	3.19
SS PLANNING CORPORATION	3,000,000	2.12
Nikko Citigroup Securities, Inc.	2,696,132	1.90
Goldman Sachs International	2,564,847	1.81

#### Notes:

- In accordance with Article 241-3 of the Commercial Code, the shares of SEGA SAMMY HOLDINGS held by subsidiary SEGA CORPORATION do not have voting rights.
- The shares of SEGA SAMMY HOLDINGS for which SEGA CORPORATION is given as the shareholder of record include 140 shares that are not materially owned by SEGA CORPORATION.

## Our Web Site

The SEGA SAMMY HOLDINGS web site includes not only the latest SEGA SAMMY Group IR data and news releases but also a range of content designed to further your understanding of the Group's business as a whole. In addition, you can access up-to-date information on new products and other corporate developments by using the links to the web sites of Group companies. Please take a look at our web site, and feel free to send any e-mail inquiries to [ir@mail.segasammy.co.jp](mailto:ir@mail.segasammy.co.jp)

# www.segasammy.com



On our web site, you can register for our IR e-mail distribution service simply by providing your e-mail address.

In this interim report, forward-looking statements about financial performance and other events reflect management's current judgments, which are based on assumptions about the economic environment, business strategies, and other factors. Consequently, actual results may differ significantly from such forward-looking statements.

# FunBiz



## SHARE INFORMATION

### Stock Code

6460

### Unit of Trading

100 shares

### Fiscal Year-End

March 31

### Ordinary General Meeting of Shareholders

June

### Date of Record

March 31

(September 30 for interim dividends, if paid)

Advance, public notification given when required for other dividend payments.

### Method of Announcements

Internet

([www.segasammy.co.jp/english/index.html](http://www.segasammy.co.jp/english/index.html))

In the event that announcements cannot be provided through the Internet, they will be listed in the *Nihon Keizai Shimbun*.

### Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation  
1-4-5, Marunouchi, Chiyoda-ku,  
Tokyo 100-8212, Japan

### Administrative Office of Transfer Agent

Securities Agent Department,  
Mitsubishi UFJ Trust and Banking Corporation  
7-10-11, Higashisuna, Koto-ku,  
Tokyo 137-8081, Japan  
Telephone: +81-3-5683-5111

### Agency

Mitsubishi UFJ Trust and Banking Corporation  
branches in Japan

### American Depositary Receipts

Depository Bank:

The Bank of New York  
101 Barclay Street,

New York, N.Y. 10286 U.S.A.

Telephone: (212) 815-2042

U.S. Toll Free: 888-269-2377

(888-BNY-ADRS)

Symbol: SGAMY

CUSIP: 815794102

Exchange: OTC

Ratio: 4:1



# ALADDIN

www.segasammy.co.jp/english/index.html

© Sammy



**SEGA-SAMMY**  
H O L D I N G S

**SEGA SAMMY HOLDINGS INC.**

Shiodome Sumitomo Building,  
1-9-2 Higashi Shimbashi, Minato-ku,  
Tokyo 105-0021, Japan