SEGA SAMMY HOLDINGS

Business Report

Report and Reference for the Fifth Ordinary General Meeting of Shareholders

Contents

To Our Shareholders

I am pleased to have this opportunity to report the performance of SEGA SAMMY HOLDINGS in the fiscal year ended March 31, 2009.

In the fiscal year under review, our net sales were ¥429.1 billion, operating income was ¥8.3 billion, and ordinary income was ¥6.6 billion. The Pachislot and Pachinko Machine Business segment registered higher sales, but the Amusement Machine Sales Business segment and the Amusement Center Operations segment, which faced challenging operating environments, recorded declines in sales. Consequently, our consolidated net sales were down 6.5% year on year.

Due to the profit improvement measures that we began to implement in the fiscal year ended March 31, 2008, we returned to profitability at the operating income and ordinary income levels. However, our profitability remains low, and our results did not meet the level called for under the business plan announced at the beginning of the fiscal year.

Each segment faced a number of challenges in improving profits. In this setting, SEGA decided to close additional amusement centers with low potential and profitability, implemented an early retirement program, and, in the consumer business segment, halted development of certain titles with the objective of streamlining the title lineup. Meanwhile, with the aim of concentrating management resources on core businesses, Sammy decided to withdraw from the peripheral equipment business. In implementing these management initiatives, we recorded extraordinary losses totaling ¥30.2 billion, and our net loss was ¥22.8 billion. As in the fiscal year ended March 31, 2008, we recorded a net loss, and as a result we have not met the expectations of our shareholders. However, we would like to ask our shareholders for their understanding that the measures that we have implemented were necessary to ensure a recovery in the Group's profits in the future.

Next, for each segment, I will explain the results in the year under review and the initiatives that will be implemented in the year ahead.

In the Pachislot and Pachinko Machine Business segment, we recorded higher sales and profits. These results were attributable to the multiple pachinko machines that were developed under the new development system. These machines have been highly evaluated in the marketplace, and we have succeeded in increasing our share of pachinko machine installations. In the pachislot machine business, operating conditions remained difficult in the year under review, and unit sales declined year on year. However, we are working to develop and supply products differentiated under the partial amendment of Standards for Interpretation of Technical Specifications enforced in March 2008, and we will aim to increase the number of units sold in the fiscal year ending March 2010. In the Pachislot and Pachinko Machine Business segment, we will further reevaluate our pricing strategy and take steps to reduce costs, thereby increasing profitability.

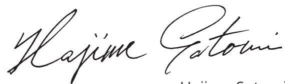
In the Amusement Machine Sales Business segment, we recorded declines in sales and profits in the year under review, due in part to our decision to stop sales of certain key product in consideration of the management environment in the amusement industry. In the fiscal year ending March 2010, we will respond to changes in the business environment by providing machines and business models that realize higher investment efficiency for operators while generating long-term, stable profits for the Group, which manufactures the equipment.

In the Amusement Center Operations segment, against a background of weak consumer spending, sales at existing centers were down year on year, and the number of centers declined accompanying the closures of centers with low potential and profitability. Consequently, we recorded lower sales and, as in the previous year, an operating loss. When we announced our results for the third quarter, we indicated that 110 centers were considered to have low potential and profitability. In the fiscal year ending March 2010, we will complete the additional closure or sale of those centers, pursue efficient operational administration, and implement continued measures to strengthen operations. In these ways, we will endeavor to improve profits.

In the Consumer Business segment, overseas, firm sales were recorded by key game software titles, and repeat sales of titles released in the previous year were strong. On the other hand, titles targeting the domestic year-end sales period recorded sluggish sales. As a result, sales were down year on year, but due to such factors as lower R&D expenses, the amount of the operating loss was smaller than in the previous year. In the future, we will work to build a robust operating structure with integrated manufacturing and marketing and strengthen cooperation among Japan, the United States, and Europe. At the same time, we will substantially streamline the number of titles. In this way, we will work to heighten efficiency and improve profitability.

For the near future, the course of the economic environment remains difficult to forecast, but we will aim to improve profits and to achieve continued Group development. The entire Group will work together to implement reforms. I would like to ask our stakeholders for their continued support as we take on the challenges that lie ahead.

May 2009



Hajime Satomi
Chairman of the Board and Chief Executive Officer

(Report and Reference for the Fifth Ordinary General Meeting of Shareholders)
From April 1, 2008 to March 31, 2009

1. Group's Current Condition

❶ Business Development and Results

In the fiscal year ended March 31, 2009, the Japanese economy deteriorated in real terms amid turmoil in world financial markets. Specific factors included downward pressure on corporate earnings due to sharp foreign exchange fluctuations, a worsening employment situation and depressed personal consumption. Accordingly, the economic outlook became increasingly uncertain.

In this environment, the momentum in the pachislot and pachinko industry to replace older pachinko machines with new models offering more diverse gameplay remained strong in the wake of the recent revisions to regulations pertaining to the Entertainment Establishments Control Law of Japan. Meanwhile, the partial amendment of the Standards for Interpretation of Technical Specifications led to progress in the replacement of older pachislot machines with models featuring new forms of gameplay. Full-scale market recovery failed to materialize, and the stepped-up development and delivery of innovative machines will be expected to stimulate the market in the future.

In the amusement machine and amusement center industry, conditions remained difficult due to sluggish personal consumption. The industry awaits the development and launch of new game machines that will support amusement center operators and lead the market by addressing the diversified needs of customers, including families and casual players.

In the home video game software industry, growth in demand for software has leveled off in Japan, due to widespread proliferation of the current generation of game platforms. Nevertheless, demand remains firm in Europe and North America.

In this business environment, the SEGA SAMMY Group implemented business structure reforms aimed at reinforcing the earnings foundations of its various fields of activity.

<Main Measures in the Fiscal Year Ended March 31, 2009>

① In the pachislot and pachinko market, the Group sought to maximize earnings by allocating increased managerial resources to the highly profitable Sammy brand. At the same time, the Group worked to build a stable title development system and boost brand appeal. To facilitate these endeavors, the Group terminated our capital alliance with GINZA CORPORATION.

② In another move to maximize earnings in the pachislot and pachinko market, the Group also concentrated managerial resources on our pachislot and pachinko machine businesses. To this end, the Group decided to sell our shares in Sammy Systems Corporation, which operates a pachislot and pachinko machine peripherals business, to Japan Cash Machine Co., Ltd.

③ In our domestic amusement center business, the Group decided to close 110 amusement centers deemed to have low profitability or future potential.

④ SEGA CORPORATION implemented an early retirement program with the aim of optimizing personnel numbers to suit its current level of earnings.

As a result, consolidated net sales for the year amounted to ¥429,194 million, down 6.5% from the previous fiscal year. Operating income totaled ¥8,363 million, compared with an operating loss of ¥5,829 million in the previous year. Due to factors including impairment loss, premium allowance of retirement, and a loss on valuation of investment securities, the Group recorded a net loss of ¥22,882 million, compared with a net loss of ¥52,470 million in the previous year.

Results by business segments were as follows.

Pachislot and Pachinko Machines

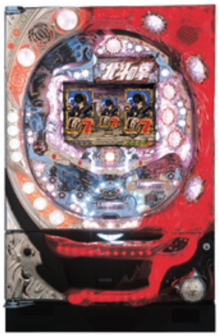
In the pachinko machine business, the Group launched "Pachinko CR Hokuto No Ken," under the Sammy brand. This was our major title for the year and the first since the Group adopted our new product development system. Thanks to a warm market response, the Group sold 213 thousand units of these machines during the period. Other titles created under the same system also performed well. Specifically, the Group sold 49 thousand units of "Degihane CR Hokuto No Ken Yuria," under the Sammy brand, 31 thousand units across all series of "CR Momotaro Dentetsu," under the GINZA brand, and 29 thousand units of "Pachinko CR Nogaremono Orin," under the Sammy brand. Accordingly, the Group sold a total of 391 thousand pachinko machine units during the year.

In the pachislot machine business, the Group launched a number of well-received models with improved gameplay, benefiting from a partial amendment of Standards for Interpretation of Technical Specifications. These included "Pachislot Hard Boiled" and "Pachislot Kaitou Tenshi Twin Angel 2," under the Sammy brand and "KAIDOU- MOKUSHIROKU KAIJI 2," under the RODEO brand. As a result of postponing the launch of the year's flagship titles until the next fiscal year in a bid to enhance gameplay, overall pachislot machine sales remained at 123 thousand units for the period.

As a result, the segment recorded sales of ¥162,490 million (an increase of 10.9% year on year) and operating income of ¥14,528 million (an increase of 72.1% year on year) for the year under review.

Main Pachinko Machines and Units Sold

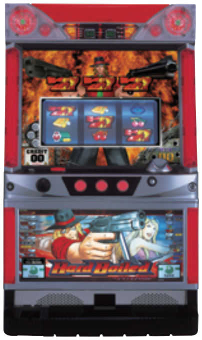
Model name	Brand	Units sold (Thousands)
Pachinko CR Hokuto No Ken	(Sammy)	213
Degihane CR Hokuto No Ken Yuria	(Sammy)	49
CR Momotaro Dentetsu	(GINZA)	31
Pachinko CR Nogaremono Orin	(Sammy)	29
CR SAMURAI CHAMPLOO	(Taiyo Elec)	18
Others		48
Total		**391**



"Pachinko CR Hokuto No Ken"
©1983 Buronson & Tetsuo Hara,
©2007 NSP, Approved No. SAE-307
©Sammy

Main Pachislot Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachislot Hard Boiled	(Sammy)	23
KAIDOU-MOKUSHIROKU KAIJI 2	(RODEO)	18
Pachislot Momotaro Dentetsu	(Sammy)	11
Pachislot THE BLUE HEARTS	(GINZA)	11
Pachislot Kaitou Tenshi Twin Angel 2	(Sammy)	5
Others		52
Total		**123**



"Pachislot Hard Boiled"
©Sammy

Amusement Machine Sales

In the amusement machine sales business, the Group reported healthy sales of major titles, including "WORLD CLUB Champion Football Intercontinental Clubs 2006-2007," a trading card game, and "GALILEO FACTORY," a large medal game. In light of harsh conditions in the amusement center industry, however, the Group suspended the development of a major title originally scheduled for release in the second half of the period.

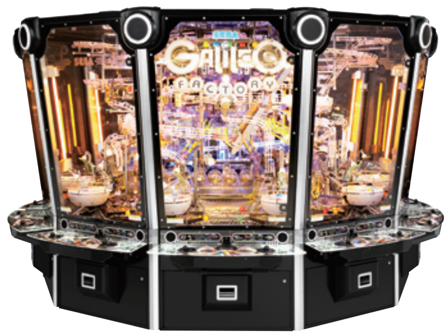
As a result, sales in this segment declined 13.2% year on year, to ¥65,430 million, and operating income declined 3.7% year on year, to ¥6,890 million.

Amusement Center Operations

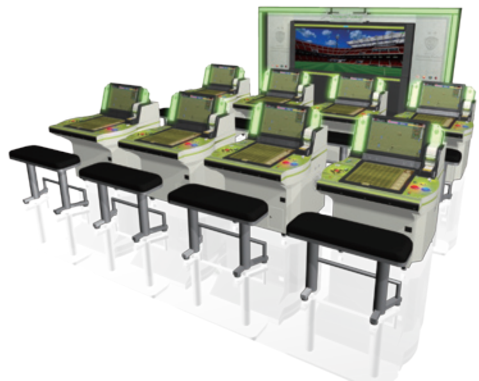
In the amusement center operations business, sales at existing SEGA amusement centers in Japan, particularly in suburban areas, were weakened by sluggish personal consumption, at 92.4% of the previous year's level.

Facing difficult business conditions, SEGA CORPORATION decided to close 110 domestic amusement centers with low profitability or future potential between January and September 2009. In the year under review, the Group closed 47 amusement centers and opened 6 new amusement centers. At fiscal year-end, therefore, the Group operated a total of 322 amusement centers.

As a result, the segment reported a 21.8% decline in sales year on year, to ¥71,330 million, and an operating loss of ¥7,520 million, compared with an operating loss of ¥9,807 million in the previous fiscal year.



"GALILEO FACTORY"
©SEGA



"WORLD CLUB Champion Football Intercontinental Clubs 2006-2007"
©SEGA
The game is made by Sega in association with Panini.
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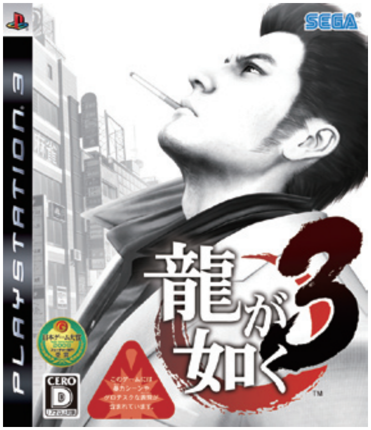
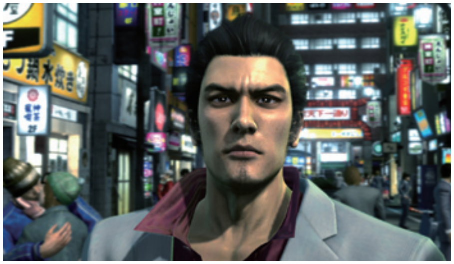
Consumer Business

In the consumer business, overseas home video game software sales were firm thanks to favorable year-end sales of titles such as "Sonic Unleashed" and "Football Manager 2009." Also popular were titles released in the previous year, such as "Mario & Sonic at the Olympic Games." In Japan, the Group reported strong sales of two titles "PHANTASY STAR PORTABLE" and "Ryu Ga Gotoku 3," the latest version of the popular series, but other titles performed weakly. For the year, the Group sold 12,490 thousand video game copies in the United States, 12,730 thousand copies in Europe and 4,230 thousand copies in Japan and other regions, for a total of 29,470 thousand copies.

In the toy sales division, sales were weak in Japan, but overseas sales were buoyant for "BAKUGAN," which was awarded Toy of the Year 2009 in the United States. In addition, the Group performed well in contents for mobile phones, mainly offering game software, such as "Pachinko CR Hokuto No Ken." Also, network delivery was increased, but sales from animated TV programs and videogram were weak in Japan.

As a result, this segment posted a 7.5% decline in sales year on year, to ¥131,664 million, and an operating loss of ¥941 million, compared with an operating loss of ¥5,989 million in the previous fiscal year.





"Ryu Ga Gotoku 3"
©SEGA

❷ Issues to be Addressed

In the pachislot and pachinko machine business, as market conditions undergo drastic changes in the pachislot machine business, the SEGA SAMMY Group will strive to provide the products that will lead the market by bringing together development expertise and increasing the sophistication of its technologies. At the same time, in the pachinko machine business, where market conditions are firm, the Group must seek to increase its market share by strengthening development capabilities and internal collaboration among Group companies.

In the amusement machine business, the Group will seek a broad range of users by providing various products from high value added products to the products for family users that meet user needs. The Group will seek to offer the products and business models that simultaneously enhance investment efficiency for operators and secure sources of long-term and stable earnings for the Group as an amusement machine manufacturer. In overseas markets, the Group must provide the products that meet local needs at competitive price.

In the amusement center operations business, the Group will continue closing or selling unprofitable amusement centers. It will be the Group's business challenge to recover the profits by seeking effective business operations and improving the operations of the amusement centers.

In the consumer business, the Group must boost the profitability by building a robust business structure integrating production through to sales in the home videogame software business, then strengthening ties among Japan, the United States and Europe as key regions while taking steps to enhance development efficiency by greatly narrowing the number of titles. In mobile phone contents, toy sales, video, and other businesses, the Group must reinforce these operations, mainly by listed subsidiaries.

❸ Fund Procurement, etc.

(1) Fund Procurement

The SEGA SAMMY Group implemented a cash management system in three of its companies: SEGA SAMMY HOLDINGS INC. ("the Company"), Sammy Corporation and SEGA CORPORATION. The purpose of the system is to ensure the most effective use of funds within the Group.

The Company concluded a commitment line contract aimed at securing medium- and long-term capital liquidity and otherwise providing a Group wide safety net. Because the contract period of the contract ended during the fiscal year under review, the Company renewed the contract. The Company formed a syndicate arrangement with seven financial institutions covering ¥42,000 million for a period of three years.

In the fiscal year under review, Sammy Corporation and SEGA CORPORATION raised funds through private placement bonds with a bank guarantee, with the aim of providing adequate working capital. For the fiscal year, Sammy Corporation raised ¥25,000 million, and SEGA CORPORATION raised ¥5,000 million.

(2) Capital Expenditures

The Group's capital expenditures totaled ¥26,610 million, including ¥4,516 million for increasing mold tools and other investments in the pachinko and pachislot business. In addition, there were ¥14,893 million in capital expenditures related to amusement centers operated by SEGA CORPORATION and other companies.

(3) Business Transfers, Absorption-type Demergers, and Incorporation-type Demergers

There is no applicable material information for the fiscal year under review.

(4) Business Transfer from Other Companies

There is no applicable material information for the fiscal year under review.

(5) Succession of Rights and Obligations Related to Businesses of Other Corporations, etc., through Absorption-type Mergers or Demergers

There is no applicable material information for the fiscal year under review.

(6) Acquisition or Disposition of Stocks and Other Interests or Share Subscription Rights, etc., of Other Companies

① On July 1, 2008, Sammy Corporation, a Company subsidiary, sold its shareholdings in SI ELECTRONICS LTD, which was thereby excluded from the Company's scope of consolidation.

② On March 31, 2009, Sammy Corporation, a Company subsidiary, sold its shareholdings in GINZA CORPORATION, which was thereby excluded from the Company's scope of consolidation.

❹ Assets and Profits and Losses for the Previous Three Fiscal Years

Item / Fiscal year		FY 2005 (From April 1, 2005 to March 31, 2006)	FY 2006 (From April 1, 2006 to March 31, 2007)	FY 2007 (From April 1, 2007 to March 31, 2008)	FY 2008 (From April 1, 2008 to March 31, 2009)
Net sales	(¥ million)	553,240	528,238	458,977	429,194
Ordinary income (loss)	(¥ million)	119,500	81,287	(8,224)	6,636
Net income (loss)	(¥ million)	66,221	43,456	(52,470)	(22,882)
Net income (loss) per share	(¥)	261.06	172.47	(208.26)	(90.83)
Total assets	(¥ million)	522,914	549,940	469,642	423,938
Net assets	(¥ million)	316,679	358,858	281,627	242,532

Notes:
1. Figures shown in millions of yen have been rounded down to the nearest million.
2. Net income (loss) per share is calculated based on the average number of shares outstanding during the period.
3. Pursuant to a resolution passed by the Board of Directors on August 31, 2005, the Company conducted a two-for-one stock split on November 18, 2005. Net income per share for fiscal year 2005 has been calculated assuming the stock split was conducted at the beginning of the fiscal year.
4. Effective as of fiscal year 2006, in order to evaluate the Company's net assets, the Company and its subsidiaries adopted the Accounting Standard Related to Indication of Net Assets on Balance Sheets (Financial Accounting Standard No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and the Implementation Guidance for the Accounting Standard, etc., Related to Indication of Net Assets on Balance Sheets (Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005).
5. Details for fiscal year 2008 are discussed in "❶ Business Development and Results."

❺ Major Business Segments

The business segments of the SEGA SAMMY Group are pachislot and pachinko machines, amusement machine sales, amusement center operations, consumer business and other businesses. The primary business activities are as follows.

Segment	Main business
Pachislot and Pachinko machines	Development, manufacture and sales of Pachinko and Pachislot machines. Development, manufacture, sales and maintenance of Pachislot and Pachinko peripherals. Design for parlors.
Amusement machine sales	Development, manufacture and sales of game machines used in amusement arcades.
Amusement center operations	Development, operation, rental and maintenance of amusement centers.
Consumer business	Development and sales of home video game software. Development, manufacture, and sales of toys. Planning and production of entertainment content through cellular phone, etc. Planning, production and sales of animated movies.
Others	Information provider services, etc.

❻ Major Business Locations of the Group

(1) The company: SEGA SAMMY HOLDINGS INC.

Head Office (Minato-ku, Tokyo)

(2) Office of the main subsidiaries

①Sammy Corporation
Head Office (Toshima-ku, Tokyo)
Kawagoe Factory (Kawagoe, Saitama)
Branches and Sales Offices (7 branches, 29 sales offices)

②SEGA CORPORATION
Tokyo Head Office (Ohta-ku, Tokyo)
Amusement Center Operating Locations: 274 locations

(3) Employees of the Group

Number of employees (change from end of previous year) 6,856 (809 down)

Note: The number of employees includes full-time staff and staff on loan, but not temporary employees.

❼ Material Parent Company and Subsidiaries

(1) Relationships with parent company

There is no pertinent matter.

(2) Relationships with subsidiaries

Company	Capital	Percentage ratio of issued shares	Main business
Sammy Corporation	¥18,221 million	100.0%	Development / manufacture / sales of pachislot and pachinko machines
SEGA CORPORATION	¥60,000 million	100.0%	Development / manufacture / sales of game machines used in amusement arcades Development / operations of amusement centers Development / sales of home videogame software
RODEO Co., Ltd.	¥100 million	65.0% (Note)	Development / manufacture / sales of pachislot machines
Sammy Systems Co., Ltd.	¥179 million	100.0% (Note)	Development / manufacture / sales of pachislot and pachinko peripherals
Sammy Rental Service Co., Ltd.	¥10 million	100.0% (Note)	Rental / maintenance of pachislot and pachinko machines
Sammy Design Co., Ltd.	¥40 million	100.0% (Note)	Planning / design / construction of pachinko parlors
TAIYO ELEC Co., Ltd.	¥5,125million	51.2% (Note)	Development / manufacture / sales of pachislot and pachinko machines
Sega Logistics Service Co., Ltd.	¥200 million	100.0% (Note)	Maintenance service, transportation, and warehouse business
Sega Amusements U.S.A., Inc.	US$3 million	100.0% (Note)	Import / manufacture / sales of amusement equipment
Sega Amusements Europe Ltd.	£26 million	100.0% (Note)	Import / manufacture / sales of amusement equipment
Sega Entertainment U.S.A., Inc.	US$0 million	100.0% (Note)	Operations of amusement centers
Sammy NetWorks Co., Ltd.	¥2,330 million	56.3%	Internet game and music contents provider
SEGA TOYS, LTD.	¥1,735 million	52.2%	Development / manufacture / sales of toys
TMS ENTERTAINMENT, LTD.	¥8,816 million	57.6%	Planning / production / sales and other activities involving animated movies
Sega of America, Inc.	US$110 million	100.0% (Note)	Development / management / sales of home video game software
Sega Publishing America, Inc.	US$41 million	100.0% (Note)	Sales of home video game software
Sega Europe Ltd.	£10 million	100.0% (Note)	Sales of home video game software
Sega Publishing Europe Limited	£0 million	100.0% (Note)	Sales of home video game software
SEGA SAMMY INVESTMENT & PARTNERS INC.	¥100 million	100.0%	Investment advisory and operation, management of investment partnerships, etc

Note: Percentage ratio of issued shares held includes indirectly owned shares.

⑧ Main Banks and Borrowings

(Unit: millions of yen)

Lenders	Balance of loans payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,500 million
Sumitomo Mitsui Banking Corporation	3,355 million
Aozora Bank, Ltd.	2,000 million
The Hokuriku Bank, Ltd.	2,000 million
Others	1,353 million
Total	12,208 million

⑨ Where the Articles of Incorporation Provide for the Board of Directors to Determine Distributions, etc., of Retained Earnings, Policy Regarding Exercise of Such Authority

SEGA SAMMY HOLDINGS gives priority to returning profits to shareholders. The Company's basic policy is to pay an appropriate dividend that is commensurate with earnings.

For the distribution of surplus, the Company paid second quarter and plans to pay year-end dividends of ¥15 per share, respectively, despite the net loss for the fiscal year ended March 31, 2009. This reflects the Group's policy of paying dividends to shareholders stably.

Furthermore, the Company's policy is to effectively use retained earnings to bolster its financial position and operating base as well as for investments in line with business expansion.

⑩ Other Significant Events of the Group

On December 27, 2005, Aruze Corporation filed a lawsuit against subsidiary Sammy Corporation, claiming financial damages of ¥21.0 billion and other sanctions for the alleged infringement of two Aruze patents, specifically patents No. 3069092 and No. 3708056, by Sammy in relation to the manufacture and sale of "Hokuto No Ken" pachislot machines. Subsequently, on May 22, 2007, the Tokyo District Court handed down its judgment to dismiss Aruze Corporation's claim. As Aruze Corporation was dissatisfied with this judgment, it filed an appeal with the Intellectual Property High Court on June 4, 2007, and that appeal is currently under examination.

Sammy Corporation has filed a demand for a trial for invalidation in relation to the rights applicable in this case.

With regard to Patent No. 3069092, the Japan Patent Office ruled that the patent was partially invalid on October 2, 2007, and a revocation of the trial decision had been under trial at the Intellectual Property High Court. However, as Aruze Corporation filed an application for a correction trial, the case was sent back to the appeal examiner (Japan Patent Office) on March 21, 2008. Subsequently, the Japan Patent Office, on November 19, 2008 (notice served on December 1), accepted the corrections and decided that the request for a ruling on the case was no longer valid. On December 11, 2008, Sammy Corporation filed a lawsuit in the Intellectual Property High Court seeking to rescind the Japan Patent Office's decision. The case is currently in litigation.

With regard to Patent No. 3708056, the Japan Patent Office issued notification on October 17, 2006 of its ruling to invalidate the patent, and a revocation of the trial decision had been under trial at the Intellectual Property High Court. However, as the court dismissed Aruze Corporation's claim for a revocation of the trial decision on November 14, 2007. Aruze Corporation filed a petition for a final appeal and acceptance of a final appeal with the Supreme Court on November 27, 2007. However, the court dismissed Aruze Corporation's final appeal on May 8, 2008, and the invalidation of the patent was confirmed.

Sammy Corporation believes that this case does not constitute an infringement of Aruze's patents, but the SEGA SAMMY Group's business results may still be affected depending on the outcome of the trial.

2. Shares Outstanding and Shareholders

1 Number of Shares Authorized for Issue

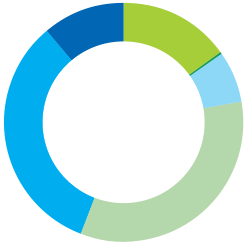
800,000,000 shares

2 Total Shares Issued and Outstanding

283,229,476 shares

3 Number of Shareholders

93,748



Composition of Shareholders	(%)
Financial institutions	15.00
Financial instruments firm	0.53
Other companies	6.86
Foreign institutions and individuals	33.68
Japanese individuals and others	32.87
SEGA SAMMY HOLDINGS INC.	11.05

4 Principal Shareholders (Top 10)

Name of shareholder	Investment in SEGA SAMMY HOLDINGS: Shares held	Investment in SEGA SAMMY HOLDINGS: Voting rights (%)
Hajime Satomi	43,569,338	17.44
SEGA SAMMY HOLDINGS INC.	31,305,733	—
Mellon Bank, NA Treaty Clients Omnibus	18,093,022	7.24
FSC Co., Ltd.	14,172,840	5.67
The Bank of New York Mellon as Depositary Bank for Depositary receipt holders	12,757,705	5.10
Japan Trustee Services Bank, Ltd. (Trustee 4G)	11,453,000	4.58
The Master Trust Bank of Japan, Ltd. (Trustee)	10,679,600	4.27
Japan Trustee Services Bank, Ltd. (Trustee)	9,079,700	3.63
State Street Bank and Trust Company	8,770,415	3.51
JPMorgan Chase Bank, N.A. 380084	2,897,300	1.16

3. Company's Share Subscription Rights

❶ Outline of Share Subscription Rights Issued to the Company's Directors and Corporate Auditors as Remuneration for Their Services as of the End of the Fiscal Year Under Review

Resolutions of the ordinary general meeting of shareholders	June 20, 2006
Number of individuals with rights Company directors	1 (Note 1)
Number of share subscription rights	150 (1 right allows for the purchase of 100 shares)
Class of shares for share subscription rights	Common stock
Number of shares for share subscription rights	15,000
Payment on exercise of share subscription rights	¥510
Capital contribution upon exercise of share subscription rights (per share)	¥4,235
Period for exercise of share subscription rights	August 15, 2008 – July 30, 2010
Terms and conditions for exercise of share subscription rights	(Note 2)
Matters concerning the transfer of share subscription rights	When transferring share subscription rights, approval must be obtained from the Board of Directors

Notes:

1. Three directors that retired at the Ordinary General Meeting of Shareholders on June 19, 2007, and June 18, 2008 were excluded from these rights.
2. Terms and conditions for exercise of share subscription rights are as follows:

① The grantee shall be Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company or any of its subsidiaries when he or she exercises the rights, unless he or she loses such position by law or under the Articles of Incorporation or regulations of the Company or any of its subsidiaries or either ② or ③ applies:

② Notwithstanding ① above, even in the event that the grantee loses his or her position as the Company's Director, Executive Officer, or employee, the grantee may exercise share subscription rights that are unexercised when such position is lost if any of a through c applies:

a. Where the loss of such position is due to expiration of the term of office or amendment of law;

b. Where the loss of such position is due to company regulations, including mandatory retirement or termination on account of business contraction, or where the grantee is transferred to a subsidiary of the Company at the Company's convenience;

c. Where, immediately after the loss of such position, the grantee becomes Director, Corporate Auditor, Executive Officer, Consultant, or Counsel of the Company, or Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of any of the Company's subsidiaries.

③ Notwithstanding ① above, even in the event that the grantee loses his or her position as Director, Executive Officer, or employee of any of the Company's subsidiaries, the grantee may exercise share subscription rights that are unexercised when such position is lost if any of a through c applies:

a. Where the loss of such position is due to expiration of the term of office or amendment of law;

b. Where the loss of such position is due to company regulations, including mandatory retirement or termination on account of business contraction, or where the grantee is transferred to the Company or another subsidiary of the Company at the Company's convenience;

c. Where, immediately after the loss of such position, the grantee becomes Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company or any of its subsidiaries.

④ No lien or any other disposition of share subscription rights is permitted.

⑤ Other terms and conditions regarding the exercising of share subscription rights will be set forth in the Share Subscription Rights Allotment Agreement to be entered into with the grantee.

❷ Outline of Share subscription rights Issued to Company Employees or Subsidiary Directors, Corporate Auditors, or Employees as Remuneration for Their Services During the Fiscal Year Under Review

There is no pertinent matter.

4. Company Directors and Corporate Auditors

1 Directors and Corporate Auditors

Title	Name	Responsibilities and representative positions at other companies
Chairman of the Board and Chief Executive Officer	Hajime Satomi	Chairman and CEO, Sammy Corporation Chairman and CEO, SEGA CORPORATION
Executive Vice President and Representative Director	Keishi Nakayama	President and COO, Sammy Corporation Executive for Group Executive Office, Group Communications Office, Corporate Strategy and External Affairs, Administrations Division, Group Internal Control & CSR Promotion Office, Internal Audit Office
Director	Okitane Usui	President and COO, SEGA CORPORATION
Director	Hisao Oguchi	
Director	Yuji Iwanaga	Attorney
Director	Takeshi Natsuno	
Standing Corporate Auditor	Kazutada Ieda	
Corporate Auditor	Toshio Hirakawa	Standing Corporate Auditor, Sammy Corporation
Corporate Auditor	Hisashi Miyazaki	Standing Corporate Auditor, SEGA CORPORATION
Corporate Auditor	Mineo Enomoto	Corporate Auditor, SEGA CORPORATION, Attorney

Notes:
1. Yuji Iwanaga and Takeshi Natsuno are outside director as stipulated in Article 2, Clause 15 of the Company Law.
2. Toshio Hirakawa and Mineo Enomoto are outside corporate auditor as stipulated in Article 2, Clause 16 of the Company Law.
3. Okitane Usui and Takeshi Natsuno were newly elected and assumed office as directors at the Ordinary General Meeting of Shareholders held on June 18, 2008.
4. The Company has adopted the executive officer system to speed up decision-making, strengthen oversight of business execution, and reinforce business execution functions. The Company has four executive officers: Hideo Yoshizawa, Division Manager of the Administrative Division; Koichi Fukazawa, Division Manager of the Corporate Strategy and External Affairs; Tetsushi Ikeda, Division Manager of the Group Internal Control & CSR Promotion Office; and Takatoshi Akiba, Division Manager of the Group Communications Office and Group Executive Office.

2 Total Remuneration, etc., to Directors and Corporate Auditors

Title	Number of individuals	Remuneration, etc.
Director	7	¥222 million
Corporate Auditor	2	¥20 million
Total	9	¥243 million

Notes:
1. Remuneration, etc., includes stock options in the amount of ¥2 million (¥2 million for Directors).
2. The remuneration limit for Directors is ¥600 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders on June 20, 2006.
3. The remuneration limit for Corporate Auditors is ¥50 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders of Sammy Corporation on June 25, 2004, and at the Ordinary General Meeting of Shareholders of SEGA CORPORATION on June 29, 2004.
4. The above includes the remuneration, etc., for two directors who retired from the position at the end of the Ordinary General Meeting of Shareholders on June 18, 2008.

❸ Additional Material Positions Held by Outside Directors and Corporate Officers

Title	Name	Company where additional position held	Additional position	Relationship
Outside Director	Yuji Iwanaga	–	–	–
Outside Director	Takeshi Natsuno	–	–	–
Outside Corporate Auditor	Toshio Hirakawa	Sammy Corporation	Outside Corporate Auditor	Company subsidiary
Outside Corporate Auditor	Mineo Enomoto	SEGA CORPORATION	Outside Corporate Auditor	Company subsidiary

Note: One of the relatives within the third degree of kinship of outside corporate auditor Mr. Enomoto serves as an employee of SEGA CORPORATION, a subsidiary of SEGA SAMMY HOLDINGS.

❹ Main Activities of Outside Directors and Corporate Auditors

Title	Name	Major activities
Outside Director	Yuji Iwanaga	He attended 13 Board of Directors meetings out of the 14 meetings held during the year (9 out of 10 regular meetings) and expressed his opinion on professional and managerial view points as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.
Outside Director	Takeshi Natsuno	He attended 10 Board of Directors meetings out of the 11 meetings held during the year (7 out of 8 regular meetings) and expressed his opinion on managerial view points. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.
Outside Corporate Auditor	Toshio Hirakawa	He attended 14 Board of Directors meetings out of the 14 meetings held during the year (all of the 10 regular meetings) and expressed his opinion on managerial view points. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 14 Corporate Auditors meetings out of 14 meetings held during the year exchanging opinions on auditing results and deliberating significant issues related to audits.
Outside Corporate Auditor	Mineo Enomoto	He attended 13 Board of Directors meetings out of the 14 meetings held during the year (all of the 10 regular meetings) and expressed his opinion on professional and managerial view points as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 14 Corporate Auditors meetings out of 14 meetings held during the year exchanging opinions on auditing results and deliberating significant issues related to audits.

Note: Attendances by outside director Mr. Natsuno since his appointment at the Annual General Meeting of Shareholders held in June 18, 2008.

❺ Liability Limitation Agreements for Outside Directors and Corporate Auditors

At the Second Ordinary General Meeting of Shareholders on June 20, 2006, the Company amended its Articles of Incorporation and established regulations regarding liability limitation agreements for Outside Corporate Auditors.

An outline of the contents of the liability limitation agreement that the Company has entered into with Outside Corporate Auditor Mineo Enomoto is as follows:

(Outline of Liability Limitation Agreement)

The liability to compensate for damages under Article 423, Section 1 of the Company Law will be limited to the minimum liability set forth by law in the absence of malicious intent or material negligence.

❻ Total Remuneration, etc., to Outside Directors and Corporate Auditors

	Number of individuals	Remuneration, etc.	Remuneration, etc., from subsidiary
Total remuneration, etc., to outside Directors and Corporate Auditors	5	¥45 million	¥11 million

Notes:
1. The above includes the remuneration, etc. for one director who retired from the position at the end of the Ordinary General Meeting of Shareholders on June 18, 2008.
2. Other than the above, as retirement benefits, ¥1 million was paid from a subsidiary to the director who retired in this fiscal year.

5. Independent Auditors

❶ Name

KPMG AZSA & Co.

❷ Liability Limitation Agreement with Independent Auditors

At the Second Ordinary General Meeting of Shareholders on June 20, 2006, the Company amended its articles of incorporation and established regulations regarding liability limitation agreements with independent auditors.

An outline of the content of the liability limitation agreement that the Company has entered into with KPMG AZSA & Co., the Company's independent auditors, is as follows:

(Outline of Content of Liability Limitation Agreement)
The liability to compensate for damages under Article 423, Section 1 of the Company Law will be limited to the minimum liability set forth in law, in the absence of malicious intent or material negligence.

❸ Remuneration, etc.

	Remuneration, etc
Remuneration, etc., related to the fiscal year under review	¥147 million
Total of cash and other profits that should be paid to independent auditors by the Company and its subsidiaries	¥387 million

Note: The Company's subsidiaries, Japan Multimedia Services Corporation and Sega Europe Ltd.is audited by auditors that differ from Company's.

❹ Policy Regarding Determination of Termination or Not Reappointing

The Company entrusts the Board of Corporate Auditors with the responsibility for deciding on the dismissal or non-reappointment of the independent auditors, and if any clause within Article 340, Section 1 of the Company Law is deemed to apply, the independent auditors will be dismissed in accordance with the Company's policy. The Board of Corporate Auditors also determines the reappointment or non-reappointment of the independent auditors upon consideration of the current status related to their performance, etc.

6. Outline of Resolutions Regarding Preparation of Internal Control System and so forth to Ensure Appropriate Business Execution

Based on the Company Law, the Company made the following resolutions regarding the "Basic Policy on Preparation of Internal Control System" and has worked to prepare this system.

(1) System to Ensure the Efficient Implementation of Directors' Duties and Compliance with Laws and the Articles of Incorporation

Establish Group CSR Charter and Group Code of Conduct, and Representative Directors will repeatedly communicate the spirit of such charter and code to employees in administrative posts, in order to thoroughly establish compliance with laws as a condition for all corporate activities. These efforts will reflect the Company's fundamental policy of fulfilling its social responsibility as a member of society and provide a basis for establishing a compliance system that comprises such a policy. In addition, in the interest of further strengthening corporate governance, the Board of Directors will make efforts to build an effective internal control system and to secure a system for compliance with laws and the Articles of Incorporation for the Company as a whole so that the Company's business execution is appropriate and sound. Also, the Board of Corporate Auditors will audit the effectiveness and functionality of this internal control system, and make efforts to identify and correct issues early through regular inspection.

(2) System Related to the Retention and Management of Information Related to the Implementation of Directors' Duties

Representative Directors will appoint the Director in charge of the Administrative Division as the person in charge of the entire Company with respect to preservation and management of information related to the execution of Directors' duties. Information related to the execution of Directors' duties will be recorded in writing or electronic media based on the Company regulations etc., and preserved and managed so that the Directors and Corporate Auditors are able to appropriately and accurately view such information and also so that such information is easy to search.

(3) Regulations and Other Systems Regarding Risk Management for Losses

With respect to risks related to the Company's business, each relevant division and department will analyze and identify anticipated risks and clarify the risk management system. The Internal Audit Department and Internal Control Department will audit each division's and department's risk management and report the results regularly to the management decision-making body and executive and supervisory management organization.

(4) System to Ensure that Directors' Duties are Implemented Efficiently

Adopt a corporate auditor system for efficient implementation of Directors' duties, as well as for Company Directors and Corporate Auditors to be well-informed about the Group's businesses and promptly and appropriately make decisions for the Group. The system should also enable appropriate and efficient implementation of duties under rules related to authorities and decision-making based on the Regulations of the Board of Directors, and so forth.

(5) System to Ensure Appropriate Compliance with Laws, and the Articles of Incorporation Concerning the Performance of Employees' Duties

① Grant the Group Internal Control & CSR Promotion Office, which governs the Company's and Group's CSR activities, compliance related governing functions. Establish Group CSR Charter and Group Code of Conduct as a code or standards of conduct so that executives and employees in administrative posts can act in compliance with the law, the Articles of Incorporation, Company regulations, and social norms. Make the foregoing known thoroughly inside the Company and promote compliance.

② Establish a "Hot Line" system that enables an employee to report in the interest of public good any violation of law, the Articles of Incorporation, Company regulations, or conduct in violation of social norms. Also establish a system that enables the person in charge promptly to report any material matters to the Board of Directors and Board of Corporate Auditors. Also, protect such an informant, and authorize the Company Compliance Department and so forth, and outside counsel as recipients of an informant's report outside the ordinary reporting line, as part of a system that maintains transparency and accurately addresses relevant issues.

(6) System to Ensure that the Businesses of the Group, Comprised of the Company, its Parent, and its Subsidiaries, are Executed Properly

Hold meetings for the Group's Directors and Group's Corporate Auditors, where various problems in the Group or governance matters with material risks are addressed. The Company's Internal Audit Department will conduct audits for the benefit of the Group as a whole, and efforts will be made to ensure to the extent possible that information is shared among members of the Group and businesses are properly executed.

(7) Matters Regarding Employees whom Corporate Auditors Request to Assist them in the Performance of their Duties

Establish a Corporate Auditor's Office as an organization that reports directly to the Board of Corporate Auditors and employees in such office will assist the Corporate Auditors' duties under their direction and order.

(8) Matters Related to the Independence of Corporate Auditors' Staff from Directors Described in the Previous Clause

① An employee who assists a Corporate Auditor's duties is a dedicated employee who is not directed or supervised by Directors.

② Appointment, termination, personnel transfer, evaluation, disciplinary action, revision of wages, and so forth, of or involving employees described in the previous section will require prior agreement of the Board of Corporate Auditors.

(9) System to Enable Directors or Employees to Report to Corporate Auditors, and other Systems Related to Reporting to Corporate Auditors

① Directors and employees must promptly report to the Board of Corporate Auditors material violations of the law or the Articles of Incorporation or illegal conduct related to performance of duties or risks of conspicuous harm to the Company that they learn.

② Directors and employees must report promptly to the Board of Corporate Auditors decisions that materially affect the Company's business or organization, results of internal audits, or results of evaluation of the internal control system associated with financial reports.

(10) Systems Established to Ensure the Efficacious Performance of Auditing Responsibilities by Corporate Auditors

① Representative Directors will regularly meet with Corporate Auditors, exchange opinions related to Company management, in addition to business reports, and otherwise communicate effectively with them.

② The Board of Directors will ensure Corporate Auditors' participation in important work-related meetings to ensure that the Company's business is executed properly.

③ The Board of Corporate Auditors will use attorneys, certified public accountants, and other outside advisors, as necessary for itself, and its opportunities to receive advice related to audit work will be guaranteed.

English translation of financial statements originally issued in the Japanese language.

Consolidated Balance Sheet (As of March 31, 2009)

(Unit: millions of yen)

Item	Amount
Assets	
Current assets	**286,740**
Cash and deposits	106,436
Notes and accounts receivable - trade	80,468
Short-term investment securities	26,798
Merchandise and finished goods	7,656
Work in process	2,914
Raw materials and supplies	30,971
Income taxes receivable	7,013
Deferred tax assets	3,382
Other	21,795
Allowance for doubtful accounts	(698)
Noncurrent assets	**137,197**
Property, plant and equipment	**65,116**
Buildings and structures, net	25,649
Amusement machines and facilities, net	10,944
Land	22,590
Construction in progress	494
Other, net	5,436
Intangible assets	**13,242**
Goodwill	6,949
Other	6,292
Investments and other assets	**58,838**
Investment securities	27,732
Long-term loans receivable	2,715
Lease and guarantee deposits	18,721
Deferred tax assets	6,470
Other	7,559
Allowance for doubtful accounts	(4,360)
Total assets	**423,938**

Item	Amount
Liabilities	
Current liabilities	**97,194**
Notes and accounts payable - trade	51,298
Short-term loans payable	5,467
Current portion of bonds	3,294
Income taxes payable	3,131
Accrued expenses	22,464
Provision for bonuses	2,295
Provision for directors' bonuses	473
Provision for point card certificates	136
Other	8,631
Noncurrent liabilities	**84,211**
Bonds payable	52,834
Long-term loans payable	6,740
Provision for retirement benefits	10,873
Provision for directors' retirement benefits	2,152
Deferred tax liabilities	233
Deferred tax liabilities for land revaluation	960
Other	10,415
Total liabilities	**181,405**
Net assets	
Shareholders' equity	**246,767**
Common stock	29,953
Capital surplus	171,082
Retained earnings	119,417
Treasury stock	(73,685)
Valuation and translation adjustments	**(24,451)**
Valuation difference on available-for-sale securities	(1,619)
Revaluation reserve for land	(5,966)
Foreign currency translation adjustment	(16,865)
Subscription rights to shares	**1,222**
Minority interests	**18,994**
Total net assets	**242,532**
Total liabilities and net assets	**423,938**

Note: Figures shown in millions of yen have been rounded down to the nearest million.

Consolidated Statement of Operations (From April 1, 2008 to March 31, 2009)

(Unit: millions of yen)

Item	Amount	
Net sales		**429,194**
Cost of sales		**310,101**
Gross profit		**119,092**
Selling, general and administrative expenses		110,728
Operating income		**8,363**
Non-operating income		
Interest income	681	
Dividends income	225	
Gain on investments in partnership	633	
Income from operation of lease asset	281	
Interest on refund	517	
Other	946	3,286
Non-operating expenses		
Interest expenses	900	
Equity in losses of affiliates	191	
Sales discounts	93	
Commission fee	338	
Provision of allowance for doubtful accounts	65	
Loss on investments in partnership	145	
Foreign exchange losses	1,060	
Loss on valuation of derivatives	511	
Loss from elimination of work in progress under development	789	
Other	916	5,013
Ordinary income		**6,636**
Extraordinary income		
Gain on sales of noncurrent assets	580	
Reversal of allowance for doubtful accounts	61	
Gain on sales of subsidiaries and affiliates' stocks	466	
Gain on sales of investment securities	3	
Gain on change in equity	2	
Gain on liquidation of subsidiaries and affiliates	94	
Reversal of recovery costs of video game arcades	583	
The settlement money for the cancellation of the stock transfer contract	240	
Reversal of cost of product recall	279	
Gain on outlawed debt	833	
Other	449	3,595
Extraordinary loss		
Loss on retirement of noncurrent assets	783	
Loss on sales of noncurrent assets	41	
Impairment loss	6,465	
Loss on valuation of investment securities	4,304	
Amortization of goodwill	2,434	
Premium allowance of retirement	4,423	
Loss on closing of stores	2,994	
Loss on cancellation of game contents under development	3,465	
Loss on business withdrawal	2,066	
Other	3,230	30,209
Loss before income taxes and minority interests		**19,976**
Income taxes-current	2,904	
Income taxes-deferred	(186)	
Refund of income taxes	(867)	1,850
Minority interests in income		**1,055**
Net loss		**22,882**

Note: Figures shown in millions of yen have been rounded down to the nearest million.

Consolidated Statement of Changes in Net Assets (From April 1, 2008 to March 31, 2009)

(Unit: millions of yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of March 31, 2008	29,953	171,092	150,888	(73,680)	278,253
Changes during the period					
Dividends from retained earnings			(7,558)		(7,558)
Net loss			(22,882)		(22,882)
Purchase of treasury stock				(21)	(21)
Disposal of treasury stock		(10)		16	6
Change in scope of consolidation			(16)		(16)
Reversal of revaluation reserve for land			(1,014)		(1,014)
Total changes during the period	—	(10)	(31,471)	(4)	(31,485)
Balances as of March 31, 2009	29,953	171,082	119,417	(73,685)	246,767

	Valuation and translation adjustments							
	Valuation difference on available - for - sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balances as of March 31, 2008	597	(2)	(6,980)	(12,347)	(18,733)	1,070	21,038	281,627
Changes during the period								
Dividends from retained earnings								(7,558)
Net loss								(22,882)
Purchase of treasury stock								(21)
Disposal of treasury stock								6
Change in scope of consolidation								(16)
Reversal of revaluation reserve for land			1,014		1,014			—
Net changes of items other than shareholders' equity	(2,217)	2		(4,517)	(6,732)	152	(2,043)	(8,623)
Total changes during the period	(2,217)	2	1,014	(4,517)	(5,717)	152	(2,043)	(39,094)
Balances as of March 31, 2009	(1,619)	—	(5,966)	(16,865)	(24,451)	1,222	18,994	242,532

Note: Figures shown in millions of yen have been rounded down to the nearest million.

Notes to Consolidated Financial Statements

❶ Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

Number of consolidated subsidiaries 68

For a complete list of major consolidated subsidiaries, refer to the section "1 Group's Current Condition" under "❼ Material Parent Company and Subsidiaries" of "(2) Relationships with subsidiaries."

Effective as of the fiscal year under review, the following became the Company's consolidated subsidiaries: AG SQUARE, LTD., which was newly established with the Company's investment; JOINT MASTER Co., Ltd. because of the increased importance of their business to the Group.

Effective as of the fiscal year under review, the following companies were excluded from the scope of consolidation: KEWL Co., Ltd., because of the decreased importance of its business to the Group; RECIPE Corporation and Sega Sammy Media Inc., due to mergers with consolidated subsidiaries; SI ELECTRONICS LTD., GINZA CORPORATION, and another company, because of the sale of the Company's shareholdings; and Sem Communications Pte.Ltd. and four other companies, due to corporate liquidation.

Number of non-consolidated subsidiaries 12

Main non-consolidated subsidiaries: United Source International Ltd., SEGA (Shanghai) Software Co., Ltd. etc.

All twelve non-consolidated subsidiaries are excluded from the scope of consolidation because the combined amounts in assets, net sales, net income, and retained earnings applicable to the equity interest of the Company are immaterial.

(2) Application of the Equity Method

Number of equity-method affiliates 10

Main equity-method affiliates: Nissho Inter Life Co., Ltd., CRI Middleware Co., Ltd., etc.

In addition, as a result of newly established with the Company's investment, Anpanman Digital, Limited Liability Partnership became an equity-method affiliate effective as of the fiscal year under review.

Number of non-consolidated subsidiaries and affiliates were not accounted for by the equity method 18

Eighteen non-consolidated subsidiaries and affiliates were not accounted for by the equity method, including Liverpool Co., Ltd. and Micott & Basara Inc., etc.

The equity method was not applied to other non-consolidated subsidiaries and affiliates because the combined amount of these companies in net income (loss) and retained earnings applicable to the equity interest of the Company are immaterial.

(3) Fiscal Year for Consolidated Subsidiaries

Consolidated subsidiaries whose fiscal year-ends differ from the consolidated balance sheet date are listed below. Necessary adjustments are made on consolidation for material transactions that occurred between the end of the fiscal years of these subsidiaries and the end of the consolidated balance sheet date.

Consolidated subsidiary	Fiscal year-end
Sega Amusements Taiwan Ltd.	December 31
Shanghai New World Sega Recreation Co., Ltd.	December 31
Sega Beijing Mobile Entertainment Co., Ltd.	December 31
Five investment in partnerships	December 31

(4) Accounting Standards

① Valuation standards and accounting treatment for important assets

a. Held-to-maturity debt securities are stated at amortized cost (the straight-line method).

b. Other marketable securities

Securities with fair market value are stated at fair market value. The difference between acquisition cost and market value is accounted for as net unrealized holding gains or losses on securities in net asset, with cost of sales determined by the moving average method.

c. Other securities without quoted market prices are carried at cost, which is determined by the moving-average method.

The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2-2 of the Financial Investment and Exchange Law of Japan, is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.

d. Derivatives

Derivatives are stated at fair market value.

e. Inventories

Inventories are stated at cost, cost being determined mainly by the gross-average method. (With regard to the amounts stated in the balance sheet, the method of book value devaluation based on decline in profitability is used.)

(Changes in significant accounting policies used in preparation of consolidated financial statements)

Effective the fiscal year under review, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued July 5, 2006) has been applied.

The adoption had a minor impact on the Consolidated Statement of Operations for the March 31, 2009.

② Method for depreciating and amortizing important assets

a. Property, plant and equipment (excluding lease assets):

Depreciation is computed primarily using the declining-balance method.

However, buildings (excluding attached equipment) acquired after April 1, 1998 are depreciated using the straight-line method.

Useful life for primary assets is as follows:

Building/Structure : 2-50 years

Amusement game machine : 2-5 years

Regarding buildings and structures built on land leased under term leasehold contracts, the straight-line method is used with the remaining lease period as the useful life and the residual value as zero.

Regarding property, plant and equipment acquired on or before March 31, 2007, the residual values are depreciated in accordance with the revised Corporation Tax Law. When the depreciated value of a property, plant and equipment reaches residual values in a certain fiscal year, the residual values of the asset is depreciated in an equal amount over five years from the next fiscal year.

(Additional information)

Revision of useful life of some machineries and equipments was made following the revision of the useful life defined under the revised Corporate Income Tax Law of Japan.

The adoption had minor impact on the Consolidated Statement of Operations for the March31, 2009.

b. Intangible assets (excluding lease assets):

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

c. Lease assets

Lease assets involving finance lease transactions under which the ownership of the lease assets is transferred to lessees:

The method to calculate depreciation expenses for such assets is the same as that applied to noncurrent assets owned by the Company.

Lease assets involving finance lease transactions under which the ownership of the leased assets is not transferred to lessees:

The method to calculate depreciation for such assets is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.

③ Accounting for deferred assets

Founding expense : All expenses are expensed when incurred.
Stock issue expense : All expenses are expensed when incurred.
Bond issue expense : All expenses are expensed when incurred.

④ Accounting for allowances and provisions

a. Allowance for doubtful accounts

A reserve for doubtful accounts is provided in an amount sufficient to cover possible losses estimated as a historical write-off ratio of bad debts for general receivables, with the addition of required amounts for doubtful accounts and bankrupt receivables based on a case-by-case assessment of the possibility of collection.

b. Provision for bonuses

Provision for bonuses are provided based on the estimated amount to be paid.

c. Provision for directors' bonuses

The estimated amount of bonuses for the fiscal year under review was recorded to meet the bonus payments to Directors and Corporate Auditors.

d. Provision for point card certificates

In order to prepare for expenses associated with the redemption of points earned by customers, an estimated amount related to future redemption has been posted in the fiscal year under review.

e. Provision for retirement benefits

The Company and its consolidated subsidiaries provide provision for retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service cost is charged to income when incurred except for SEGA CORPORATION and three other subsidiaries that recognize prior service cost as expenses using the straight-line method over ten years. Actuarial gains and losses are charged to income in the succeeding period except for SEGA CORPORATION and three other subsidiaries that recognize actual gains and losses as expenses using the straight-line method over ten years commencing from the succeeding period.

f. Provision for directors' retirement benefits

The Company and certain domestic consolidated subsidiaries provide provision for directors' retirement benefits to adequately cover payment of such benefits at the end of the applicable period in accordance with internal regulations.

⑤ Accounting for significant hedges

a. Hedge accounting

The Company adopts deferred hedge accounting. However, special treatment (under special treatment, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed) is used for qualifying interest rate swap transactions. Moreover, at certain consolidated subsidiaries, allocation hedge accounting is applied to qualifying foreign exchange forward contracts.

b. Hedging instruments and hedged items

Hedging instrument: Interest rate swaps, foreign currency forward contracts

Hedged item: Interest on debts, receivables and payables denominated in foreign currencies and advance payments.

c. Hedge policy

Derivative instruments are used to mitigate risks associated with foreign currency exchange and interest rate fluctuations.

As a rule, hedging is only used for items for which actual demand exists, and not for speculative purposes.

d. Evaluation of hedge effectiveness

Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations in the market for the hedged item relative to that for the hedging instrument. For interest rate swaps with special treatment, hedge effectiveness is not evaluated.

⑥ Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted using the net-of-tax method.

(5) Valuation of consolidated subsidiaries' assets and liabilities

The assets and liabilities of consolidated subsidiaries are evaluated using the fair value including the portion attributable to minority shareholders.

(6) Matters concerning the amortization of goodwill and negative goodwill

If the duration of the effect of goodwill can be rationally estimated, amortization has been based on the estimated number of years of duration, in other cases, amortization has been based on the five-year-period straight line method.

(7) Change in Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

Accounting Standard for Lease Transactions

Financial lease transactions which do not transfer ownership had conventionally been accounted for in a similar manner to the accounting treatment for rental transactions. However, effective from the fiscal year under review, the Company adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued by the Accounting Standards Board of Japan (ASBJ) on June 17, 1993 and lastly revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued by the Accounting Standards Board of Japan (ASBJ) on January 18, 1994 and lastly revised on March 30, 2007) to account for such transactions in a manner similar to the accounting treatment for ordinary sales and purchase transactions.

Finance lease transactions which commenced before the initial year of the adoption of the accounting standard and the guidance thereon by the Company and which do not transfer ownership continue to be accounted for in a similar manner to the accounting treatment for ordinary rental transactions. Certain consolidated subsidiaries changed accounting treatment to a manner similar to the accounting treatment for ordinary sale and purchase transaction.

The adoption had minor impact on the Consolidated Statement of Operations for the March 31, 2009.

(8) Changes in Presentation

(Consolidated Balance Sheet)

"Inventories" under "current assets" shown in the previous fiscal year's consolidated balance sheet, is separately itemized into three items in the consolidated balance sheet for the fiscal year under review; Merchandise and finished goods, Work in process, and Raw materials and supplies. The values of these items included in "inventories" under "current assets" for the previous fiscal year were ¥13,727 million, ¥3,181 million, and ¥34,526 million, respectively.

(Consolidated Statement of Operations)

① In the previous fiscal year's consolidated statement of operations, interest on refund was included in "other" under "non-operating income." However, its value has now exceeded 10% of total non-operating income, and it is therefore separately itemized in the consolidated statement of operations for the fiscal year under review. The value of interest on refund included in "other" under "non-operating income" for the previous fiscal year was ¥28 million.

② In the previous fiscal year's consolidated statement of operations, gain on sales of subsidiaries and affiliates' stocks was included in "other" under "extraordinary income." However, its value has now exceeded 10% of total extraordinary income, and it is therefore separately itemized in the consolidated statement of operations for the fiscal year under review. The value of gain on sales of subsidiaries and affiliates' stocks included in "other" under "extraordinary income" for the previous fiscal year was ¥386 million.

③ In the previous fiscal year's consolidated statement of operations, refund of income taxes was included in "income taxes-current." However, due to increasing of importance in value, it is therefore separately itemized in the consolidated statement of operations for the fiscal year under review. The value of refund of income taxes included in "income taxes-current" for the previous fiscal year was ¥0 million.

❷ Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment

¥116,988 million

(2) Assets pledged

Assets pledged		Covered for liabilities	
Time deposit	¥25 million	Accounts payable – trade	¥15 million
Notes receivable	¥341 million	Accrued expenses	¥0 million
Buildings / Structures	¥1,400 million	Short–term debt	¥1,455 million
Land	¥2,433 million	Long–term debt	¥2,500 million

(3) Guarantee of obligations

Guaranteed party	Details	Amount
Dimps Corporation	Guarantee of bank loan	¥133 million
Orix Premium Ltd.	Lease liabilities guarantee	¥100 million
Electronic Authentication System Association	Joint guarantee under lease agreement	¥0 million
GINZA CORPORATION	Guarantee of accounts receivable	¥2,285 million
Sega Shanghai & Co., Ltd.	Joint guarantee of bank borrowings	¥71 million

(4) Security loaned

Investment securities include ¥171 million in securities loaned.

(5) Revaluation of land

Consolidated subsidiary SEGA CORPORATION has revalued land for commercial use, pursuant to Japan's Law Concerning Revaluation of Land (Law No. 34, March 31, 1998) and Amendments to the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001). SEGA has recorded an item for the revaluation reserve for land under net assets.

Revaluation method

SEGA CORPORATION computed the value of land based on the methodology regarding rational adjustments to valuation of noncurrent assets stipulated in Article 2-3, and appraisals by licensed real estate appraisers prescribed in Article 2-5 of the Enforcement Ordinance No. 119 (March 31, 1998) pertaining to the Law Concerning Revaluation of Land.

Date of the revaluation March 31, 2002

(6) Outstanding balance of overdraft account: ¥6,844 million

Outstanding balance of commitment line: ¥44,000 million

❸ Notes to Consolidated Statement of Operations

(1) The book value devaluation of inventories held for normal sales purpose based on a decline in profitability.

Cost of sales	¥2,886 million

(2) R&D expenses included in general management expenses and this fiscal year's production expenses

¥59,676 million

(3) Breakdown of major extraordinary items

① Breakdown of gain on sales of noncurrent assets

Land	¥501 million
Tools, furniture and fixtures	¥9 million
Other Property, plant and equipment	¥69 million
Other intangible assets	¥0 million
Total	¥580 million

② Gain on outlawed debt

Gain on outlawed debt was recognized by being released from the debt booked as accrued expenses, due to being outlawed.

③ Breakdown of loss on retirement of noncurrent assets

Buildings / Structures	¥323 million
Tools, furniture and fixtures	¥342 million
Other Property, plant and equipment	¥103 million
Other intangible assets	¥13 million
Total	¥783 million

④ Breakdown of loss on sales of noncurrent assets

Buildings / Structures	¥34 million
Tools, furniture and fixtures	¥0 million
Other Property, plant and equipment	¥5 million
Other intangible assets	¥0 million
Total	¥41 million

⑤ Loss on closing of stores

Loss on closing of stores is the expenses recognized due to closing of amusement arcades such as restoration.

⑥ Loss on business withdrawal

Loss on business withdrawal is the expenses such as retirement benefits due to withdrawal from pachislot and pachinko peripherals business and devaluation loss on inventories.

⑦ Breakdown of impairment loss.

(Unit: millions of yen)

Use	Location	Type	Impairment loss
Amusement facilities	Shibuya-ku, Tokyo	Buildings / Structures	203
		Amusement game machines	48
		Other property, plant and equipment	2
	Kawagoe-shi, Saitama	Buildings / Structures	165
		Amusement game machines	63
		Other property, plant and equipment	2
	Chuo-ku, Saitama	Buildings / Structures	86
		Amusement game machines	51
		Other property, plant and equipment	5
	Higashi Osaka-shi, Osaka	Buildings / Structures	94
		Amusement game machines	41
		Other property, plant and equipment	2
	Tsuzuki-ku, Yokohama	Buildings / Structures	93
		Amusement game machines	32
		Other property, plant and equipment	4
	Kokurakita-ku, Kitakyusyu	Buildings / Structures	115
		Other property, plant and equipment	8
	Hachioji-shi, Tokyo	Buildings / Structures	82
		Amusement game machines	36
		Other property, plant and equipment	2
	Izumi-shi, Osaka	Buildings / Structures	75
		Amusement game machines	39
		Other property, plant and equipment	1
	U.S.A	Buildings / Structures	204
		Amusement game machines	54
		Other property, plant and equipment	23
		Other intangible assets	1
	Ogaki-shi, Gifu and 82 other locations	Buildings / Structures	1,023
		Amusement game machines	2,471
		Other property, plant and equipment	24
Assets for business, etc.	Midori-ku, Chiba and 15 other locations	Buildings / Structures	442
		Land	232
		Other property, plant and equipment	183
		Other intangible assets	544
		Total	**6,465**

For each business segment, the Company classifies assets or asset groups based on whether their cash flows can be estimated independently. If the market value of any asset or asset group has decreased conspicuously or it is expected to continuously generate negative cash flow from operations, its book value is reduced to its recoverable value, and such reduction is recorded as "impairment loss" under "extraordinary loss." Recoverable value is calculated using the fair value less cost to sell based on the current market price.

❹ Notes to Consolidated Statement of Changes in Net Assets

(1) Issued Stock

(Unit: shares)

Type of stock	End of previous fiscal year	Increase	Decrease	End of fiscal year under review
Common stock	283,229,476	–	–	283,229,476

(2) Treasury Stock

(Unit: shares)

Type of stock	End of previous fiscal year	Increase	Decrease	End of fiscal year under review
Common stock	31,292,007	20,892	7,166	31,305,733

(Outline of Causes of Change)

The main causes of the increase are as follows:

Increase due to repurchase of fractional shares 20,892 shares

The main causes of the decrease are as follows:

Decrease due to request to purchase fractional shares 7,166 shares

(3) Dividends

① Dividend Amount

Resolution	Type of stock	Total dividend (¥ million)	Dividend per share (¥)	Record date	Effective date
Board of Directors Meeting on May 15, 2008	Common stock	3,779	15	March 31, 2008	June 3, 2008
Board of Directors Meeting on October 31, 2008	Common stock	3,778	15	September 30, 2008	December 2, 2008

② Of the dividends for which the record date is in the fiscal year under review, but for which the effective date will be in the following fiscal year

Resolution	Type of stock	Resource of dividend	Total dividend (¥ million)	Dividend per share (¥)	Record date	Effective date
Board of Directors Meeting on May 15, 2009	Common stock	Retained earnings	3,778	15	March 31, 2009	June 3, 2009

(4) Number and type of shares to be issued upon exercise of subscription rights to shares (except for the ones before the first day of the exercisable period) as of the end of the fiscal year under review.

Common stock 4,261,400 shares

❺ Note Regarding Per Share Information

Net assets per share ¥882.47

Net loss per share ¥90.83

❻ Note Regarding Material Subsequent Events

There is no pertinent matter.

Independent Auditors' Report (copy)

Independent Auditors' Report

May 13, 2009

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA & Co.

Satoshi Nakaizumi
Designated and Engagement Partner
Certified Public Accountant

Michitaka Shishido
Designated and Engagement Partner
Certified Public Accountant

Hiroyuki Nakamura
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets and the related notes of SEGA SAMMY HOLDINGS INC. as of March 31, 2009 and for the year from April 1, 2008 to March 31, 2009 in accordance with Article 444(4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of SEGA SAMMY HOLDINGS INC. and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

English translation of financial statements originally issued in the Japanese language.

Non-Consolidated Balance Sheet (As of March 31, 2009)

(Unit: millions of yen)

Item	Amount
Assets	
Current assets	**19,058**
Cash and deposits	2,840
Prepaid expenses	78
Income taxes receivable	16,014
Other	124
Noncurrent assets	**306,234**
Property, plant and equipment	**3,868**
Buildings, net	970
Structures, net	1,014
Machinery and equipment, net	6
Vehicles, net	20
Tools, furniture and fixtures, net	418
Land	1,418
Construction in progress	18
Intangible assets	**268**
Right of trademark	11
Software	254
Other	2
Investments and other assets	**302,097**
Investment securities	12,987
Stocks of subsidiaries and affiliates	284,072
Investments in other securities of subsidiaries and affiliates	4,213
Long-term loans receivable from subsidiaries and affiliates	85
Long-term prepaid expenses	1
Other	736
Total assets	325,293

Item	Amount
Liabilities	
Current liabilities	**15,710**
Accounts payable-other	17
Accrued expenses	219
Deposits received from subsidiaries and affiliates	15,270
Deposits received	15
Provision for bonuses	88
Other	99
Noncurrent liabilities	**275**
Provision for retirement benefits	21
Provision for directors' retirement benefits	254
Total liabilities	**15,985**
Net assets	
Shareholders' equity	**310,119**
Common stock	**29,953**
Capital surplus	**287,157**
Legal capital surplus	29,945
Other capital surplus	257,211
Retained earnings	**109,779**
Other retained earnings	109,779
Retained earnings brought forward	109,779
Treasury stock	**(116,770)**
Valuation and translation adjustments	**(1,939)**
Valuation difference on available-for-sale securities	(1,939)
Subscription rights to shares	**1,127**
Total net assets	**309,307**
Total liabilities and net assets	**325,293**

Note: Figures shown in millions of yen have been rounded down to the nearest million.

Non-Consolidated Statement of Income (From April 1, 2008 to March 31, 2009)

(Unit: millions of yen)

Item	Amount	
Operating revenue		
Consulting fee income	5,223	
Dividends income	79,771	84,994
Operating expenses		
Selling, general and administrative expenses	4,899	4,899
Operating income		**80,095**
Non-operating income		
Interest income	14	
Interest on securities	30	
Dividends income	382	
Income from operation of lease asset	281	
Other	27	736
Non-operating expenses		
Interest expenses	273	
Commission fee	326	
Loss on investments in partnership	249	
Other	59	908
Ordinary income		**79,923**
Extraordinary income		
Reversal of provision for directors' retirement benefits	7	
Gain on reversal of subscription rights to shares	67	
Other	0	74
Extraordinary loss		
Loss on sales of noncurrent assets	0	
Loss on retirement of noncurrent assets	3	
Loss on valuation of investment securities	62	
Loss on valuation of stocks of subsidiaries and affiliates	174	
Loss on revaluation of investments in affiliated partnership	3,594	
Other	1	3,836
Income before income taxes		**76,161**
Income taxes		5
Net income		**76,155**

Note: Figures shown in millions of yen have been rounded down to the nearest million.

Non-Consolidated Statement of Changes in Net Assets (From April 1, 2008 to March 31, 2009)

(Unit: millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
					Other retained earnings			
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balances as of March 31, 2008	29,953	29,945	257,231	287,177	41,181	41,181	(116,775)	241,535
Changes during the period								
Dividends from retained earnings					(7,558)	(7,558)		(7,558)
Net income					76,155	76,155		76,155
Purchase of treasury stock							(21)	(21)
Disposal of treasury stock			(19)	(19)			26	6
Total changes during the period	—	—	(19)	(19)	68,597	68,597	5	68,583
Balances as of March 31, 2009	29,953	29,945	257,211	287,157	109,779	109,779	(116,770)	310,119

	Valuation and translation adjustments			
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balances as of March 31, 2008	(455)	(455)	1,008	242,088
Changes during the period				
Dividends from retained earnings				(7,558)
Net income				76,155
Purchase of treasury stock				(21)
Disposal of treasury stock				6
Net changes of items other than shareholders' equity	(1,483)	(1,483)	119	(1,364)
Total changes during the period	(1,483)	(1,483)	119	67,218
Balances as of March 31, 2009	(1,939)	(1,939)	1,127	309,307

Note: Figures shown in millions of yen have been rounded down to the nearest million.

Individual Notes

❶ Notes Regarding Material Matters Related to Accounting Policies

1. Valuation standards and accounting treatment for assets

(1) Valuation standards and methods for securities

① Investments in subsidiaries and affiliates are stated at moving-average cost.

② Other securities

Securities with fair market value are stated at fair market value. The difference between acquisition cost and market value is accounted for as net unrealized holding gains or losses on securities in net assets, with cost of sales determined by the moving average method.

Other securities without fair market value are stated at moving-average cost.

The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2-2 of the Financial Investment and Exchange Law of Japan, is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.

2. Depreciation of noncurrent assets

(1) Property, plant and equipment

Depreciation is computed by the declining-balance method.

However, buildings (excluding attached equipment) are depreciated using the straight-line method.

Useful life for primary assets is as follows:

Building :	2 - 50 years
Structure :	2 - 50 years
Tools/Furniture :	2 - 20 years

(2) Intangible fixed 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.

3. Accounting for provisions

(1) Provision for bonuses

Provision for bonuses are provided based on the estimated amount to be paid.

(2) Provision for retirement benefits

The liability for retirement benefits is based on the estimated amount of benefit obligations at the end of the fiscal year.

(3) Provision for directors' retirement benefits

The amount of the reserve required at the end of the fiscal year for directors' retirement benefits is based on company regulations.

4. Other material matters that form the basis of accounting documents

(1) Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted using the net-of-tax method.

5. Changes in presentation

(1) Non-Consolidated Balance Sheet

In the previous fiscal year's non-consolidated balance sheet, income taxes receivable was included in "other" under "current assets." However, its value has now exceeded 1% of total assets, and it is therefore separately itemized in the non-consolidated balance sheet for the fiscal year under review. The value of income taxes receivable included in "other" under "current assets" for the previous fiscal year was ¥203 million.

❷ Notes to Balance Sheet

(1) Accumulated depreciation of Property, plant and equipment
¥297 million

(2) Receivables from and payables to affiliates

Short-term receivables from affiliates	¥5 million
Short-term payables to affiliates	¥15,305 million
Long-term receivables from affiliates	¥85 million

❸ Notes to Statement of Income

(1) Transactions with affiliates

Consulting fee income	¥5,223 million
Dividends income (Operating revenue)	¥79,771 million
SG&A expenses	¥81 million
Non-operating transactions	¥776 million

❹ Notes to Statement of Changes in Net Assets

Number and type of treasury stock as of the end of the fiscal year under review

Common stock 31,305,733 shares

❺ Note Regarding Tax Effect Accounting

The main reason for recording deferred tax assets is the amount of valuation losses on investment securities, stocks of subsidiaries and affiliates and investments in other securities of subsidiaries and affiliates, but in view of the possibility of collection, the Company has posted a valuation reserve for the total amount of deferred tax assets. No deferred tax liabilities were recorded.

❻ Notes Regarding Transactions with Related Parties

(1) Subsidiaries and Affiliates

(Unit: millions of yen)

Type	Name	Voting rights (%)	Relationship	Name of transactions	Transaction amount (Note 1)	Accounts	Balance at end of fiscal year
Subsidiary	Sammy Corporation	100.0	Management guidance to the company, interlocking directorate	Consulting fee income (Note 2)	2,872	—	—
				Deposits received (Note 3)	—	Deposits received from subsidiaries and affiliates	15,270
				Interest on deposit (Note 3)	255	—	—
Subsidiary	SEGA CORPORATION	100.0	Management guidance to the company, interlocking directorate	Consulting fee income (Note 2)	2,350	—	—
				Interest on deposit (Note 3)	18	—	—

Notes:
1. Consumption taxes are not included in transaction amounts.
2. The amount of the consulting fee income is decided based on the Company's necessary expenses.
3. Cash management system transactions are used for the purpose of uniformly and efficiently procuring and managing funds within the Group, and interest is determined with consideration to market interest rates.

(2) Directors, Key Individual Shareholders, etc.

(Unit: millions of yen)

Type	Name	Voting rights (%)	Relationship	Name of transactions	Transaction amount (Note 1)	Accounts	Balance at end of fiscal year
Company in which Directors or their relatives own majority voting rights	FSC Co., Ltd. (Note 2)	5.67%	Insurance representative	Payment of insurance premium (Note 3)	9	Prepaid expenses	3
			Subcontractor	Payment of subcontracting fees (Note 3)	10	—	—
Directors and their relatives	Hajime Satomi	17.44%	Chairman of the Board and Chief Executive Officer of the Company	Payment of use of a business jet (Note 4)	240	—	—

Notes:
1. Consumption taxes are not included in transaction amounts.
2. Hajime Satomi, Chairman of the Board and Chief Executive Officer, holds 53% of the voting rights of FSC Co., Ltd.
3. Transaction prices are determined in the same way as for general transactions and with reference to market prices.
4. Transaction prices are based on actual current prices.

7 Notes Regarding Per Share Information

Net assets per share	¥1,223.31
Net income per share	¥302.29

8 Note Regarding Material Subsequent Events

There is no pertinent matter.

Independent Auditors' Report (copy)

Independent Auditors' Report

May 13, 2009

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA & Co.

Satoshi Nakaizumi
Designated and Engagement Partner
Certified Public Accountant

Michitaka Shishido
Designated and Engagement Partner
Certified Public Accountant

Hiroyuki Nakamura
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, of SEGA SAMMY HOLDINGS INC. as of March 31, 2009 and for the year from April 1, 2008 to March 31, 2009 in accordance with Article 436(2)① of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of SEGA SAMMY HOLDINGS INC. for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Board of Corporate Auditors' Report (copy)

Audit Report

The Board of Corporate Auditors has received the reports of the audit procedures and results concerning the execution of the duties of the Directors during the 5th fiscal year from April 1, 2008 through March 31, 2009 prepared by each of the auditors. After discussing the reports, we have prepared this Audit Report and report as follows.

1. Procedures and details of the audits by the Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors established the audit policy, allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding the implementation of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the independent auditor regarding the execution of their duties, and sought explanations as necessary.

Each Corporate Auditor complied with the auditing standards for Corporate Auditors established by the Board of Corporate Auditors, according to the audit policy, allocation of duties, and other relevant matters, communicated with the Directors, the internal audit department, other employees,and any other relevant personnel. We also made efforts to optimize the environment for information collection and audit, and participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, and sought explanations as necessary. We examined important authorized documents and associated information, and investigated the operations and assets at the head office and principal offices. In addition, we monitored and verified the system for ensuring that the execution of the duties of the Directors conforms to the relevant laws and regulations and the Articles of Incorporation, as well as the details of the resolutions of the Board of Directors regarding the organization of the system stipulated in Article 100, Item 1 and Item 3 of the Enforcement Regulations of the Company Law and the status of the system (internal control system) based on said resolutions, a necessary measure for ensuring that a joint stock corporation's business is proper. As to the internal control system associated with financial reports, we received the reports from the Directors and the independent auditor, KPMG AZSA & Co. regarding the evaluation of the internal control, and the implementation of audits, and sought explanations as necessary. With respect to subsidiaries, we communicated and exchanged information with directors, statutory auditors, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary. Based on the above methods, we examined the business report and supporting schedules related to the relevant Fiscal Year.

Furthermore, we monitored and verified whether the independent auditor maintained its independence and implemented appropriate audits, and we received reports from the independent auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the independent auditor that "systems for ensuring that duties are performed properly" (matters set forth in each Item of Article 131 of the Corporate Calculation Regulations) were maintained in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary. Based on the above methods, we examined the financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, and summary chart of notes) and supporting schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, and consolidated summary chart of notes) and consolidated supporting schedules related to the relevant Fiscal Year.

2. Result of audit

(1) The Report of Business Operations

1) In our opinion, the business report and supporting schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.

2) With regard to the execution of the duties of the Directors, we have found no evidence of wrongful action or material violation of the relevant laws and regulations, nor of any violation with respect to the Articles of Incorporation.

3) In our opinion, the contents of the resolutions of the Board of Directors regarding the internal control system are fair and reasonable. In addition, we have found no matters on which to remark in regard to the execution of the duties of the Directors regarding the internal control system, including the one associated with financial reports.

(2) Audit result of the Financial Statements and supporting schedules

In our opinion, the audit procedures and audit results received from the independent auditor KPMG AZSA & Co. are appropriate.

(3) Audit result of the Consolidated Financial Statements and consolidated supporting schedules

In our opinion, the audit procedures and audit results received from the independent auditor KPMG AZSA & Co. are appropriate.

May 15, 2009
Board of Corporate Auditors, SEGA SAMMY HOLDINGS INC.
Kazutada Ieda, Standing Corporate Auditor
Toshio Hirakawa, Outside Auditor
Hisashi Miyazaki, Corporate Auditor
Mineo Enomoto, Outside Auditor

SEGA and Nintendo to Release *Mario & Sonic at the Olympic Winter Games*™

SEGA® Corporation and Nintendo Co., Ltd announced that they are going to release another officially licensed Olympic-themed smash hit *Mario & Sonic at the Olympic Winter Games*™, following the phenomenal worldwide popularity of *Mario & Sonic at the Olympic Games*™, which has sold over 10 million copies worldwide. Developed by SEGA of Japan, *Mario & Sonic at the Olympic Winter Games*™ is again licensed through a worldwide partnership with International Sports Multimedia (ISM), the exclusive interactive entertainment software licensee of the International Olympic Committee (IOC). Heading to stores late in 2009 on the Wii™ home video game system and Nintendo DS®, it will be published by SEGA across Europe and North America, and published by Nintendo in the Japanese market. Please look forward to it bringing new excitement of winter sports to the home.

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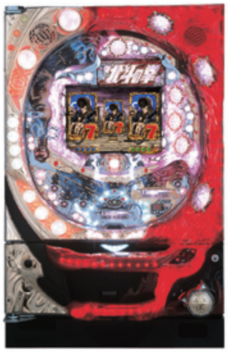
Ryu Ga Gotoku 3, Latest Title in the Popular Series, Surpasses 500,000 Units in Domestic Cumulative Worldwide Sales of *Ryu Ga Gotoku* products Surpass 3.2 Million Units

Ryu Ga Gotoku 3
© SEGA

Ryu Ga Gotoku 3 was released for the PLAYSTATION® 3 on February 26, 2009, and in just three weeks domestic sales surpassed 500,000 units. As a result, cumulative worldwide sales of the *Ryu Ga Gotoku* series have surpassed 3.2 million units.

Ryu Ga Gotoku 3, the latest installment in the series, makes use of the capabilities of the PLAYSTATION® 3 to achieve remarkable improvement in graphics and performance. In addition, the game features a music score by Eikichi Yazawa, and, in a first for the game industry, a superb cast of leading actors. Moreover, *Ryu Ga Gotoku 3* has drawn attention for the unique tie-ups with 27 companies, the most of any product in the series, with real products and stores appearing in the game and actual merchandise based on the game available in stores.



Pachinko CR Hokuto No Ken Kenshiro Version
©1983 Buronson & Tetsuo Hara,
©2007 NSP, Approved No. SAE-307
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Pachinko CR Hokuto No Ken a Major Hit

Pachinko CR Hokuto No Ken, which was released by Sammy in September 2008, has surpassed 210,000 units, the combined total sales of the *Kenshiro Version* and the *Rao Version*, and set a new record for unit sales for a single Sammy pachinko machine.

Pachinko CR Hokuto No Ken was the first product launched under a new market-focused development system that features stronger links between development and marketing. Faithfully reproducing the world of the popular *Hokuto No Ken* manga, *Pachinko CR Hokuto No Ken* raises staging, including sound, graphics, and lighting, to the limit and offers balanced entertainment value that reflects the Company's research. It is enjoyed by large numbers of pachinko players. In February 2009, we launched two more products in the series, *Dejihane CR Hokuto No Ken Yuria* and *Dejihane CR Hokuto No Ken Yuria STV*. The products, which have inherited the staging of the popular *Pachinko CR Hokuto No Ken* series, are Dejihane specification machines that offer simple, enjoyable entertainment.

IR Information

IR Information Center

Working to build trust through two-way communication with its shareholders and other investors, SEGA SAMMY HOLDINGS has established an IR information center. If you have any inquiries regarding share, corporate, or other information, please do not hesitate to contact us at:

Tel: +81-3-6215-9954
9:00-18:00
(except weekends, national holidays, and company holidays)
E-mail: ir@mail.segasammy.co.jp

IR Web Site

http://www.segasammy.co.jp/english/ir/index.jsp

Share Information

Securities 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 is given when required for other dividend payments.

Method of Announcements
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.

Shareholder Register Manager
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New York, NY 10286, U.S.A.
Telephone: (212) 815-2042
U.S. Toll Free: 888-269-2377
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Symbol: SGAMY
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Exchange: OTC
Ratio: 4:1

SEGA SAMMY HOLDINGS

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