February 5, 2010

F L A S H R E P O R T

CONSOLIDATED FINANCIAL STATEMENTS

9 Months Ended December 31, 2009

Name of the Company : SEGA SAMMY HOLDINGS INC.

Code number : 6460

(URL http://www.segasammy.co.jp/)

Representative: Hajime Satomi

Chairman of the Board and Chief Executive Officer

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Filing of Quarterly Report: February 12, 2010 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 9 Months Ended December 31, 2009

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage for net sales, operating income and net income represent change from the prior period)

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 9 months ended December 31,2009	285,336	(7.7)	28,863	―	16,945	―
For 9 months ended December 31,2008	309,018	―	(2,757)	―	(10,840)	―

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31,2009	67.27	―
For 9 months ended December 31,2008	(43.03)	―

（2）CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
December 31, 2009	439,132	250,692	52.6	917.74
March 31, 2009	423,938	242,532	52.4	882.47

(Reference) Shareholders’ equity (consolidated):

December 31, 2009 : ¥231,194 million

March 31, 2009 : ¥222,316 million

2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	For the year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2009	—	15.00	—	15.00	30.00
Year ending March 31, 2010	—	15.00	—		30.00
Year ending March 31, 2010 (plan)				15.00	

(Note) Revision of the forecast in the third quarter of the year ending March 31, 2010: No

3. Projection for Consolidated Results for the Year ending March 31, 2010

(Percentage for net sales, operating income and net income represent change from the prior year)

	Net sales		Operating income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Entire – year	420,000	(2.1)	27,000	222.8	15,000	—	59.54

(Note) Revision of the projection in the third quarter of the year ending March 31, 2010: No

4. Other

(1) Significant changes in subsidiaries (scope of consolidation) during period: No

(2) Adoption of the simplified method of accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the quarterly consolidated financial statements:
1. Changes associated with revision in accounting standards: Yes
2. Other changes: Yes

(4) Number of shares outstanding (common stock)
1. Number of shares outstanding at the end of the period (including treasury stock)
   December 31, 2009 : 283,229,476
   March 31, 2009 : 283,229,476

2. Number of treasury stock at the end of the period
   December 31, 2009 : 31,313,340
   March 31, 2009 : 31,305,733

3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
   For 9 months ended December 31, 2009: 251,919,673
   For 9 months ended December 31, 2008: 251,932,752

[Caution With Regard to Operating Results Outlook]

Statements in this report pertaining to market projections and the outlook for operating results reflect the assumptions and judgment of the Company’s management based on the most accurate information available at the time of release. Such statements carry inherent risks and uncertainties. Factors that may affect operating results include, but are not limited to, those discussed in the projections and outlook. Readers are cautioned that changes in a variety of factors could cause actual results to differ substantially from the aforementioned projections and outlook.

Operating Results and Financial Position

(1) Overview

During the first three quarters of the fiscal year ending March 31, 2010, the Japanese economy remained stagnant in spite of a certain degree of recovery. Corporate earnings were under pressure on issues such as rapid appreciation of yen and ongoing deflation. In addition, the employment condition remained sluggish and personal consumption stayed at low levels.

In this climate, however, the pachislot and pachinko industry witnessed a firm drive to replace older pachinko machines with models offering more diverse gameplay. In the pachislot market, although some machines with innovative gameplay have gained popularity, the market has yet to mount a full-fledged recovery. Nevertheless, efforts are continued to be expected to revitalize this market.

In the amusement machine and amusement center industry, conditions remained difficult. The industry awaits the development and launch of new innovative machines that will lead the market by addressing the diversified needs of customers, including families and casual players.

In the home video game software industry, the demand was generally weak in the U.S. and European markets due to the headwind like sluggish personal consumption. Further penetration of the current generation of game platforms with price revision and market revitalization in accordance therewith are expected in the future.

In this business environment, net sales for the first three quarters of the fiscal year ending March 31, 2010 amounted to ¥285,336 million, down 7.7% year on year. The Group posted an operating income of ¥28,863 million, compared with an operating loss of ¥2,757 million for the same period year ago. The Group posted net income of ¥16,945 million, compared with a net loss of ¥10,840 million for the same period in the previous fiscal year.

Results by business segments were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group recorded brisk sales, especially sales of "Pachinko CR Soten no Ken", this year's flagship and "Pachinko CR Sengoku Ranbu Aoki Dokugan", a title with an innovative gameplay under the Sammy brand. Consequently, the sales of all the pachinko machines totaled 329 thousand units for the period, exceeding the results of the same period in the previous fiscal year. Profit margins improved due to such factors as a rise on the board sales of the pachinko machines and the reduced cost of procurement.
In the pachislot machine business, "Pachislot Psalms of Planets Eureka SeveN" a title launched in the second quarter of the current fiscal year under the Sammy brand, maintained strong sales in the third quarter. As introduction of a new major title was absent in the third quarter, overall pachislot machine sales were 79 thousand units, underscoring the results in the same period in the previous fiscal year. Profit margins improved due to price revisions for both pachinko and pachislot machines.
As a result, the segment recorded net sales of ¥125,864 million (an increase of 17.7% year on year) and operating income of ¥26,950 million (an increase of 409.2% year on year).

《Amusement Machine Sales》

In the amusement machine sales business, operation of a major title for the year "BORDER BREAK" video game remained strong. This title was sold under a revenue share model (ALL.Net P-ras) for the purpose of improving investment efficiency of the operators of amusement centers and securing long-term stable earnings for the Group. Strong sales were also seen in CVT KIT, such as "StarHorse2 FIFTH EXPANSION" and "WORLD CLUB Champion Football Intercontinental Clubs 2008-2009". Due to less major titles scheduled for launch in this nine-month period, both net sales and profit were lower than the results during the same period in the previous year. As a result, net sales in this segment declined 33.4%, to ¥35,142 million and operating income declined 24.3%, to ¥4,707 million, compared with the same period in the previous year.

《**Amusement Center Operations**》

In the amusement center operations business, sales at existing SEGA amusement centers in Japan were weakened by sluggish personal consumption, at 91.3% of the level during the same period in the previous year, lower than the level during the same period in the previous year. Facing difficult business conditions, the Group continued to close domestic amusement centers with low profitability or future potential. In the first three quarters of the fiscal year ending March 31, 2010, the Group closed 51 amusement centers and opened 3 new amusement centers. Consequently, the Group operated a total of 274 amusement center as the end of the period. As a result, the segment reported 23.8% decline in net sales to ¥41,458 million and an operating loss of ¥644 million, compared with an operating loss of ¥4,970 million for the same period in the previous fiscal year.

《**Consumer Business**》

In the consumer business, the Group launched some new titles of home video game software such as "Mario and Sonic at the Olympic Winter Games™ " in the U.S. and European markets and "Phantasy Star Portable 2", the latest title of the popular series in the domestic market. While domestic sales were mostly firm thanks to streamlining the development by narrowing down the titles, overseas sales were weaker than expected following the adverse market condition, and also, the launch of some titles was postponed to the next fiscal year. As a result, the Group sold 6,090 thousand video game copies in the United States, 8,160 thousand copies in Europe and 2,470 thousand copies in Japan and other regions, for a total of 16,730 thousand copies. In the toy sales division, while domestic sales were weak, sales of "Bakugan" in overseas markets continued to perform well. In the mobile phone and PC content business, sales were brisk mainly for downloadable games for PCs. In the animated films business, although the revenue from the production of animated films was lower than the level during the same period in the previous fiscal year, the revenue from the sale of the films were strong, primarily driven by "Bakugan" in the overseas markets. As a result, this segment posted 13.6% decline in net sales to ¥83,114 million, and an operating income of ¥1,416 million, compared with an operating loss of ¥5,647 million for the same period in the previous fiscal year.

(2) Consolidated Financial Position

Total assets as of December 31, 2009 were ¥439,132 million, an increase of ¥15,194 million from the previous fiscal year end. This was primarily attributable to an increase of ¥29,893 million in short-term investment securities resulting from a purchase of negotiable certificates of deposit, and a decrease of ¥7,014 million in noncurrent assets resulting from an impairment of property, plant and equipment, and a decrease of lease and guarantee deposits.

Net assets were ¥250,692 million, an increase of ¥8,159 million from the previous fiscal year end, largely due to a net income, and the payment of dividends.
The current ratio remained at a high level of 276.8%, down 18.2 points from the previous fiscal year end. As a result, the equity ratio was 52.6%, up 0.2 points from the previous fiscal year end.

(3) Projection for Consolidated Results

No amendments have been made to the full-year consolidated forecasts for the current fiscal year announced on May 13, 2009.

(4) Other

Changes in accounting principles, procedures, method of presentation associated with the preparation of the quarterly consolidated financial statements.
Content production expenses related to game software and amusement machines conducted primarily by the consolidated subsidiary SEGA CORPORATION have previously been accounted for as cost of sales at the time that such expenses are incurred (when production work is outsourced, these expenses are first posted as advance payments, and later treated as cost of sales at the time that production work is inspected). However, from the first quarter of the fiscal year ending March 31, 2010, goods recognized as products for commercialization will be posted under inventories as work in process, with opting to treat the amount of such expenses equivalent to the actual sales volume recorded among projected sales volume as cost of sales.

The rationale for this change is to redeploy a framework capable of properly evaluating the certainty of realizing earnings by clarifying decision-making processes at the development stages of each project in line with efforts to review and enhance the development structure. This change will enable the appropriate disclosure of income for a given fiscal period by directly matching content production expenses, which have tended to grow sharply in recent years, with commensurate earnings.

As a consequence of this change, work in process under inventories increased by ¥5,850 million, amusement machines under property, plant and equipment increased by ¥57 million, advance payments decreased by ¥1,202 million, foreign currency translation adjustment decreased by ¥12 million, while operating income, and income before income taxes and minority interests each increased by ¥4,717 million.

The impact of this change on segment information is discussed in the Segment Information section of this report.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2009 AND MARCH 31, 2009

(Unit : Millions of Yen)

	Current period (As of December 31,2009)	Prior year (As of March 31,2009)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	97,928	106,436
Notes and accounts receivable – trade	85,975	80,468
Allowance for doubtful accounts	(681)	(698)
Short-term investment securities	56,692	26,798
Merchandise and finished goods	6,436	7,656
Work in process	7,843	2,914
Raw materials and supplies	28,319	30,971
Other	26,434	32,191
Total current assets	308,948	286,740
Noncurrent assets		
Property, plant and equipment		
Land	22,649	22,590
Other, net	39,557	42,525
Total property, plant and equipment	62,207	65,116
Intangible assets		
Goodwill	7,487	6,949
Other	5,974	6,292
Total intangible assets	13,461	13,242
Investments and other assets		
Investment securities	28,554	27,732
Other	30,839	35,466
Allowance for doubtful accounts	(4,879)	(4,360)
Total investments and other assets	54,514	58,838
Total noncurrent assets	130,183	137,197
Total assets	439,132	423,938

SEGA SAMMY HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2009 AND MARCH 31, 2009

(Unit : Millions of Yen)

	Current period (As of December 31,2009)	Prior year (As of March 31,2009)
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	52,862	51,298
Short - term loans payable	6,178	5,467
Income taxes payable	3,718	3,131
Provision	1,917	2,905
Other	46,941	34,390
Total current liabilities	111,618	97,194
Noncurrent liabilities		
Bonds payable	45,527	52,834
Long - term loans payable	6,672	6,740
Provision for retirement benefits	11,826	10,873
Provision for directors' retirement benefits	1,074	2,152
Other	11,721	11,610
Total noncurrent liabilities	76,821	84,211
Total liabilities	188,440	181,405
(Net Assets)		
Shareholder's equity		
Capital stock	29,953	29,953
Capital surplus	171,080	171,082
Retained earnings	128,805	119,417
Treasury stock	(73,691)	(73,685)
Total shareholders' equity	256,147	246,767
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,737)	(1,619)
Deferred gains or losses on hedges	55	—
Revaluation reserve for land	(5,966)	(5,966)
Foreign currency translation adjustment	(17,303)	(16,865)
Total valuation and translation adjustments	(24,952)	(24,451)
Subscription rights to shares	1,202	1,222
Minority interests	18,295	18,994
Total net assets	250,692	242,532
Total liabilities and net assets	439,132	423,938

SEGA SAMMY HOLDINGS INC.

CONSOLIDATED STATEMENT OF OPERATIONS

FOR 9 MONTHS ENDED DECEMBER 31, 2009 AND 2008

（Unit：Millions of Yen）

	Prior period From April 1,2008 To December 31,2008 Amount	Current period From April 1,2009 To December 31,2009 Amount
Net sales	309,018	285,336
Cost of sales	226,670	181,664
Gross profit	82,347	103,672
Selling, general and administrative expenses	85,104	74,809
Operating income (loss)	(2,757)	28,863
Other income (expenses) :		
Interest income	535	390
Dividends income	223	98
Interest on refund	518	―
Interest expenses	(675)	(592)
Equity in losses of affiliates	(105)	(5)
Loss on valuation of derivatives	(315)	(121)
Bond issuance cost	(487)	(205)
Loss from elimination of work in progress under development	(789)	―
Foreign exchange losses	(1,423)	(32)
Penalty payment for cancellation of game center lease agreement	―	(662)
Gain on sales of noncurrent assets	580	485
Reversal of allowance for doubtful accounts	38	104
Gain on sales of subsidiaries and affiliates' stocks	382	29
Reversal of recovery costs of video game arcades	524	669
The settlement money for the cancellation of the stock transfer contract	240	―
Reversal of cost of product recall	279	―
Gain on compensation payment	―	430
Gain on outlawed debt	―	340
Loss on sales of noncurrent assets	(36)	(99)
Impairment loss	(1,628)	(2,863)
Loss on valuation of investment securities	(373)	(768)
Amortization of goodwill	(2,434)	―
Loss on sales of stocks of subsidiaries and affiliates	―	(653)
Loss on litigation	―	(371)
Loss on liquidation of subsidiaries	―	(1,157)
Premium allowance of retirement	―	(195)
Other income	1,423	921
Other expenses	(2,494)	(2,083)
Sub total	(6,019)	(6,343)
Income (loss) before income taxes and minority interests	(8,776)	22,520
Income taxes-current	2,187	5,455
Refund of income taxes	(722)	―
Income taxes	1,464	5,455
Minority interests in income	599	119
Net income (loss)	(10,840)	16,945

SEGMENT INFORMATION

Operations by product

Prior period (From April 1, 2008 to December 31, 2008)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	106,271	49,963	54,409	96,015	2,358	309,018	—	309,018
(2) Inter segment	680	2,835	13	201	776	4,507	(4,507)	—
Total	106,951	52,798	54,422	96,216	3,135	313,525	(4,507)	309,018
Operating income (loss)	5,292	6,221	(4,970)	(5,647)	296	1,193	(3,950)	(2,757)

(Note)

1. The Company has 5 operating segments based on its management control structure, and nature of products and market.
2. Main products and line of business by segment
   (1) Pachinko and pachislot ··· Development, manufacture and sale of Pachinko and pachislot machines and design for parlors
   (2) Amusement machine sales ··· Development, manufacture and sale of game machines used in an amusement arcades
   (3) Amusement center operations ··· Development, operation, rent and maintenance of Amusement center
   (4) Consumer business ··· Development and sale of home video game software,
   Development, manufacture, and sale of toys
   Project and production of entertainment contents through cellular phone etc.
   Planning, production and sale of animated movies.
   (5) Others ··· Information provider services, etc.

Current period (From April 1, 2009 to December 31, 2009)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	125,647	33,119	41,429	82,927	2,212	285,336	―	285,336
(2) Inter segment	216	2,023	28	186	677	3,132	(3,132)	―
Total	125,864	35,142	41,458	83,114	2,890	288,469	(3,132)	285,336
Operating income (loss)	26,950	4,707	(644)	1,416	347	32,777	(3,913)	28,863

(Note)

1. The Company has 5 operating segments based on its management control structure, and nature of products and market.
2. Main products and line of business by segment
   (1) Pachinko and pachislot ··· Development, manufacture and sale of Pachinko and pachislot machines and design for parlors
   (2) Amusement machine sales ··· Development, manufacture and sale of game machines used in an amusement arcades
   (3) Amusement center operations ··· Development, operation, rent and maintenance of Amusement center
   (4) Consumer business ··· Development and sale of home video game software,
   Development, manufacture, and sale of toys
   Project and production of entertainment contents through cellular phone etc.
   Planning, production and sale of animated movies.
   (5) Others ··· Information provider services, etc.
3. Content production expenses related to game software and amusement machines conducted primarily by the consolidated subsidiary SEGA CORPORATION have previously been accounted for as cost of sales at the time that such expenses are incurred (when production work is outsourced, these expenses are first posted as advance payments, and later treated as cost of sales at the time that production work is inspected). However, from the first quarter of the fiscal year ending March 31, 2010, goods recognized as products for commercialization will be posted under inventories as work in process, with opting to treat the amount of such expenses equivalent to the actual sales volume recorded among projected sales volume as cost of sales.
   The rationale for this change is to redeploy a framework capable of properly evaluating the certainty of realizing earnings by clarifying decision-making processes at the development stages of each project in line with efforts to review and enhance the development structure. This change will enable the appropriate disclosure of income for a given fiscal period by directly matching content production expenses, which have tended to grow sharply in recent years, with commensurate earnings.
   As a consequence of this change, cost and expenses decreased by ¥900 million in Amusement machine sales, ¥96 million in Amusement center operations, ¥3,720 million in Consumer business, also each operating income increased in Amusement machine sales, and Consumer business by the same amount respectively, and operating loss decreased in Amusement center operations by the same amount.