

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
3 Months Ended June 30, 2008

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
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(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2008

(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 3 months ended June 30, 2008	74,601	—	(10,290)	—	(10,533)	—
For 3 months ended June 30, 2007	95,421	11.4	(2,433)	—	(5,087)	—

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2008	(41.81)	—
For 3 months ended June 30, 2007	(20.19)	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
June 30, 2008	434,849	271,144	57.3	989.32
March 31, 2008	469,642	281,627	55.3	1,030.09

(Reference) Equity at year-end (consolidated):

June 30, 2008: ¥249,242 million

March 31, 2008: ¥259,519 million

2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	For the year
Year ended March 31, 2008	Yen —	Yen 30.00	Yen —	Yen 15.00	Yen 45.00
Year ended March 31, 2009	—				30.00
Year ended March 31, 2009 (plan)		15.00	—	15.00	

(Note) Revision of the forecast in the first quarter of the year ended March 31, 2009: No

3. Projection for Consolidated Results for the Year ended March 31, 2009

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

	Net sales		Operating income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Interim	200,000	—	(10,000)	—	(12,000)	—	(47.63)
Entire – year	470,000	2.4	15,000	—	5,000	—	19.85

(Note) Revision of the projection in the first quarter of the year ended March 31, 2009: 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)
 - June 30, 2008 : 283,229,476
 - March 31, 2008: 283,229,476
 2. Number of treasury stock at the end of the period
 - June 30, 2008 : 31,295,359
 - March 31, 2008: 31,292,007
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 3 months ended June 30, 2008: 251,936,238
 - For 3 months ended June 30, 2007: 251,950,039

[Caution With Regard to Operating Results Outlook]

- Commencing with the current period, the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. Also, the quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

- 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 quarter of the fiscal year ending March 31, 2009, the Japanese Economy did not show recovery in corporate earnings and individual consumption and started showing further uncertainty in reaction to increase of raw materials due to soaring crude oil prices and grain prices, and rising food price and other factors with concerns for a global economic slowdown caused by financial instability in the US economy.

In this environment, the number of pachinko parlors and users continue to decline after all pachislot machines of old regulation were replaced by models that meet new standards in response to the revisions to regulations pertaining to the law in Japan governing gaming machines. Machine manufactures and pachinko parlors are endeavoring to expand the user base: for instance, manufacturers are actively developing and supplying new models that conform to the new regulations, while parlor operators are introducing low ball-rental charges.

In the amusement machine industry, large medal game machines and large-scale videogame machines featuring card systems remain highly popular among users.

In the amusement center industry, the market is sluggish due to slumping personal consumption and so forth. The new games that meet a variety of needs from customer segments, including families and casual payers, are expected.

In the home videogame software industry, the new game platforms became popular, and demand for videogame software continues to increase.

In this business environment, in the pachislot machine business, although the orders and shipments of some titles shipped in the previous fiscal year continued as a result of good reputation from parlors, overall unit sales fell from the previous fiscal year.

In the pachinko machine business, the sales included the results contributed by TAIYO ELEC that became a subsidiary from second half of previous fiscal year.

In the amusement machine sales business, the sales of latest trading card game were brisk, while in the amusement center operation business, revenue from existing amusement centers decreased from the previous fiscal year.

In the consumer business, sales of videogame software were steady and above previous year level in both overseas markets and domestic market.

As a result of the foregoing, net sales for the first quarter of fiscal year ending March 31, 2009 totaled ¥74,601 million, and the company posted an operating loss of ¥10,290 million and net loss of ¥10,533 million.

Results by business segments were as follows.

《Pachislot and Pachinko Machines》

In the pachinko pachislot machine business, a total of 15 thousand pachislot units were sold, of which Sammy branded “Pachislot Hokuto no Ken 2 NEXT-zone,” which had begun sales in the prior period, sold 6 thousand units in the first quarter for an accumulated total of 26 thousand units. Also contributing to pachislot machine sales were Sammy branded “Pachislot Fighting Beauty Wolong” and TAIYO ELEC branded “Pachislot Nekketsu Kouha Kunio-kun.” In pachinko, although TAIYO ELEC branded “CR SAMURAI CHAMPLOO” sold 15 thousand units, the total number of pachinko units sold was 19 thousand, due in part to the delay of certain machines originally planned for release during the first quarter. Consequently, the segment recorded ¥12,288 million in net sales, resulting in an operating loss of ¥4,350 million.

《Amusement Machine Sales》

In the amusement machine sales business, sales continued to grow for “WORLD CLUB Champion Football Intercontinental Clubs 2006-2007” trading card game, the latest installment in the popular series. In general, the amusement machine business is performing well. As a result, net sales in the segment amounted to ¥14,520 million, resulting in an operating income of ¥703 million.

《Amusement Center Operations》

In the amusement center operations business, same-store sales, particularly in the suburbs, were hit by steeply rising oil prices, and continued to perform at a lower level in year-on-year terms. While the Company will close 7 amusement centers in Japan that have shown low profitability and prospects since the prior period, as the result of 1 new amusement center openings, the number of amusement centers totaled 357 at the end of the period. Segment sales were ¥17,424 million, resulting in an operating loss of ¥1,577 million.

《Consumer Business》

In the consumer business, videogame software sales overseas were driven by favorable sales of titles released in the prior period, such as “Mario & Sonic at the Olympic Games”, and titles such as the popular “Iron Man”, “The Incredible Hulk”, licensed from the popular film of the same name. In Japan, “Valkyria Chronicles” sales were strong. Nevertheless, with the domestic and overseas release of many major titles slated for the second half of the year, net sales in the segment amounted to ¥30,534 million, resulting in an operating loss of ¥4,115 million. Total copies recorded in the quarter were 6,890 thousand, with 3,160 thousand copies sold in the U.S., 2,890 thousand copies in Europe, and 830 thousand copies in Japan and other regions.

(2) Consolidated Financial Position

Total assets as of June 30, 2008 were ¥434,849 million, a decrease of ¥34,792 million from the previous year end. This was primarily attributable to decrease in notes and accounts receivable.

Net assets were ¥271,144 million, a decrease of ¥10,483 million from the previous year end, largely due to net loss. As a result, the equity ratio was 57.3%, up 2.0 points from the prior fiscal year-end.

(3) Projection for Consolidated Results

The second quarter of the year will see the sales launch of “Pachinko CR Hokuto no Ken”, a major machine in the pachinko machine business, and Ginza branded “Pachislot THE BLUE HEARTS” that has innovative functions. In the amusement machine sales business, the company will continue to sell “WORLD CLUB Champion Football Intercontinental Clubs 2006-2007”, a major machine in this fiscal year, that started to be installed at amusement facilities from June and will introduce “Galileo Factory”, a new product of large scale medal machine. As the penetration of these machines grows with popularity, the company expects to see improvement of facility operation from second quarter onward. In the consumer business, the launch of major titles in Japan and overseas is scheduled for the second half. No changes have been made to the interim and full-year forecasts announced on May 13, 2008.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC. CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2008 AND MARCH 31, 2008

(Unit : Millions of Yen)

	Current period (As of June 30,2008)	Prior year (As of March 31,2008)
	Amount	Amount
(A s s e t s)		
I Current Assets		
Cash and deposits	103,699	101,539
Notes and accounts receivable – trade	40,637	72,541
Allowance for doubtful accounts	(571)	(571)
Short-term investment securities	3,497	2,495
Merchandise and finished goods	13,335	13,727
Work in process	4,683	3,181
Raw materials and supplies	32,587	34,526
Other	43,554	47,597
Total current assets	241,423	275,038
II Noncurrent assets		
Property, plant and equipment		
Land	48,786	48,810
Other	55,547	55,218
Total property, plant and equipment	104,334	104,029
Intangible assets		
Goodwill	13,548	13,524
Other	6,744	6,692
Total intangible assets	20,292	20,217
Investments and other assets		
Investment securities	35,356	35,608
Other	40,899	42,180
Allowance for doubtful accounts	(7,457)	(7,430)
Total investments and other assets	68,798	70,358
Total noncurrent assets	193,425	194,604
Total assets	434,849	469,642

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2008 AND MARCH 31, 2008

(Unit : Millions of Yen)

	Current period (As of June 30,2008)	Prior year (As of March 31,2008)
	Amount	Amount
(L i a b i l i t i e s)		
I Current liabilities		
Notes and accounts payable - trade	32,769	49,496
Short - term loans payable	32,767	27,455
Income taxes payable	1,243	3,180
Provision	1,476	3,051
Other	40,479	49,679
Total current liabilities	108,735	132,863
II Noncurrent liabilities		
Bonds payable	25,679	25,679
Long - term loans payable	6,738	6,988
Provision for retirement benefits	9,480	9,269
Provision for directors' retirement benefits	2,034	2,094
Other	11,037	11,119
Total noncurrent liabilities	54,970	55,151
Total liabilities	163,705	188,014
(N e t A s s e t s)		
I Shareholder's equity		
Capital stock	29,953	29,953
Capital surplus	171,091	171,092
Retained earnings	136,591	150,888
Treasury stock	(73,683)	(73,680)
Total shareholders' equity	263,952	278,253
II Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,955	597
Deferred gains or losses on hedges	(2)	(2)
Revaluation reserve for land	(6,980)	(6,980)
Foreign currency translation adjustment	(10,681)	(12,347)
Total valuation and translation adjustments	(14,709)	(18,733)
III Subscription rights to shares	1,202	1,070
IV Minority interests	20,699	21,038
Total net assets	271,144	281,627
Total liabilities and net assets	434,849	469,642

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 3 MONTHS ENDED JUNE 30, 2008

(Unit : Millions of Yen)

	Current period From April 1,2008 To June 30,2008
	Amount
Net sales	74,601
Cost of sales	58,493
Gross profit	16,108
Selling, general and administrative expenses	26,398
Operating loss	(10,290)
Other income (expenses) :	
Interest income	170
Dividends income	159
Foreign exchange gains	523
Interest expenses	(243)
Equity in losses of affiliates	(34)
Loss on valuation of derivatives	(660)
Gain on sales of noncurrent assets	54
Reversal of allowance for doubtful accounts	77
Loss on sales of noncurrent assets	(35)
Impairment loss	(368)
Loss on valuation of investment securities	(135)
Other income	760
Other expenses	(410)
Sub total	(142)
Loss before income taxes and minority interests	(10,432)
Income taxes-current	753
Refund of income taxes	(722)
Income taxes	31
Minority interests in income	69
Net loss	(10,533)

SEGMENT INFORMATION

Operations by product

Current period (From April 1, 2008 to June 30, 2008)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	C o n s u m e r b u s i n e s s	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	12,083	13,759	17,422	30,500	836	74,601	—	74,601
(2) Inter segment	205	761	1	34	264	1,267	(1,267)	—
Total	12,288	14,520	17,424	30,534	1,100	75,869	(1,267)	74,601
Operating income (loss)	(4,350)	703	(1,577)	(4,115)	79	(9,261)	(1,028)	(10,290)

(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.

(Reference)

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 3 MONTHS ENDED JUNE 30, 2007

(Unit : Millions of Yen)

	Prior period From April 1,2007 To June 30, 2007
	Amount
Net sales	95,421
Cost of sales	69,690
Gross profit	25,731
Selling, general and administrative expenses	28,164
Operating loss	(2,433)
Other income	2,024
Other expenses	(1,909)
Sub total	114
Loss before income taxes and minority interests	(2,318)
Total income taxes	2,998
Net loss before minority interests	(5,317)
Minority interests	(230)
Net loss	(5,087)

SEGMENT INFORMATION

Operations by product

Prior period (From April 1, 2007 to June 30, 2007)

(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	37,910	15,239	22,849	16,026	3,395	95,421	—	95,421
(2) Inter segment	289	1,414	0	20	444	2,169	(2,169)	—
Total	38,200	16,654	22,850	16,046	3,840	97,591	(2,169)	95,421
Operating income (loss)	6,610	670	(806)	(7,245)	(151)	(923)	(1,510)	(2,433)