

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended March 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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Annual Meeting of Shareholders: June 18, 2009 (plan)

Filing of Financial Report: June 18, 2009 (plan)

Start of cash dividend payments: June 3, 2009 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the Year Ended March 31, 2009**

**(1) RESULTS OF CONSOLIDATED OPERATIONS**

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

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For Year ended March 31, 2009	429,194	(6.5)	8,363	—	(22,882)	—
For Year ended March 31, 2008	458,977	(13.1)	(5,829)	—	(52,470)	—

	Net income per share	Net income per share (Diluted)	Return on equity	Operating income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
For Year ended March 31, 2009	(90.83)	—	(9.5)	1.9	1.9
For Year ended March 31, 2008	(208.26)	—	(17.6)	(1.1)	(1.3)

(Reference) Equity in earnings (losses) of affiliates:

For Year ended March 31, 2009: ¥ (191) million

For Year ended March 31, 2008: ¥ (293) million

**(2) CONSOLIDATED FINANCIAL POSITION**

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2009	423,938	242,532	52.4	882.47
March 31, 2008	469,642	281,627	55.3	1,030.09

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

March 31, 2009: ¥222,316 million

March 31, 2008: ¥259,519 million

### (3) CONSOLIDATED CASH FLOWS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For Year ended March 31, 2009	32,199	936	(7,653)	123,385
For Year ended March 31, 2008	(25,878)	(10,399)	(7,579)	99,975

### 2. Cash Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends paid to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended March 31, 2008	—	30.00	—	15.00	45.00	11,337	—	3.8
Year ended March 31, 2009	—	15.00	—	15.00	30.00	7,557	—	3.1
Year ending March 31, 2010 (plan)	—	15.00	—	15.00	30.00	—	50.4	—

### 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
First half ending September 2009	163,000	(18.7)	(12,500)	—	(14,500)	—	(57.56)
Entire - year	420,000	(2.1)	27,000	222.8	15,000	—	59.54

### [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.

### 4. Other

(1) Significant changes in subsidiaries (scope of consolidation) during the year ended March 31, 2009: No

(2) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of consolidated financial statements:

1. Changes associated with revision in accounting standards: Yes
2. Other changes: No

(3) Shares outstanding (common stock) at year-end

1. Number of shares outstanding (including treasury stock)

March 31, 2009: 283,229,476

March 31, 2008: 283,229,476

2. Number of treasury stock  
March 31 2009: 31,305,733  
March 31 2008: 31,292,007

## **1. Operating Results and Financial Position**

### **(1) Overview**

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 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 the 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 “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

### 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
Kaitou Tenshi Twin Angel 2	(Sammy)	5
Others		52
Total		123

## 《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%, to ¥65,430 million, and operating income fell 3.7%, 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, 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.

### 《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 the game software, such as "Pachinko CR Hokuto No Ken". Also, the network delivery was increased, but the sales from animated TV programs and videogram were weak in Japan.

As a result, this segment posted 7.5% decline in sales, 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.

### Outlook for the Financial Year ending March 2010

The economic conditions are expected to become more difficult due to several factors. These include falling private-sector capital spending amid turmoil in world financial markets, as well as a worsening employment situation and sluggish personal consumption. Despite the anticipated benefits of economic measures implemented by various nations, the outlook is expected to remain uncertain for the time being.

Facing these conditions, in its pachislot and pachinko machines business the SEGA SAMMY Group will narrow down the number of titles on offer in both the pachislot and pachinko machine categories in order to reinforce its overall lineup. For the year ending March 31, 2010, the Group forecasts sales of 450 thousand pachinko machines, up 58 thousand from the year under review, and 180 thousand pachislot machines, up 56 thousand. In addition, the Group will work to enhance profitability by reassessing our sales pricing strategy, reducing procurement costs for parts, and improving the ratio of board sales of the pachinko machines.

In the amusement machine sales business, the Group will address changing conditions in the industry by offering products and business models that enhance investment efficiency for operators and secure sources of long-term and stable earnings for the Group as an amusement machine manufacturer.

In the amusement center operations business, the Group is working to close amusement centers with low profitability or future potential. The Group will also strive to improve earnings by boosting our center management capabilities.

In the home video game software category of the consumer business, the Group will build a robust operational framework by bringing together the sales and manufacturing functions, and the Group will strengthen alliances across Japan, North America and Europe. In addition, the Group will work to raise business efficiency by narrowing down the number of titles handled. For the year, the Group expects to sell 11,630 thousand copies of game software in the United States, 14,500 thousand copies in Europe and 3,570 thousand copies in Japan and other regions, for a total of 29,700 thousand copies. Meanwhile, the Group will improve the earnings of our various publicly listed subsidiaries involved in the toy, mobile phone content and animated films businesses. As a result, the Group expects to return the consumer business segment to profitability in the year ahead.

In light of the above, the Group is forecasting consolidated net sales of ¥420,000 million (a decrease of 2.1% year on year), an operating income of ¥27,000 million (an increase of 222.8% year on year), and net income of ¥15,000 million (compared with net loss of ¥22,882 million in the previous fiscal year) for the fiscal year ending March 31, 2010.

In the amusement machine business and consumer business, content production expenses which have been recognized as research and development expenses used to be charged to cost of sales as incurred will be reported as inventory as work in process and then accounted for as cost of sales when the sales are booked, as from the fiscal year ending March 31, 2010. The change in the accounting policy is intended to contrast expenses of content production, which have been rising in recent years, with income and present periodic income and losses more properly.

For the forecast of the consolidated operating results for the year ending March 31, 2010, the estimated amounts of operating income and net income based on the new accounting policy will respectively increase ¥2,500 million in the first half, ¥5,000 million in the entire year in comparison with those estimated based on the previous accounting policy. For information about the influence of this change in accounting treatment on our business forecasts, please refer to “Notice of Forecast of Whole-Year Consolidated Operating Results for the Year Ending March 31, 2010” released on May 13, 2009.

#### **[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.

#### **(2) Consolidated Financial Position**

Total assets as of March 31, 2009 were ¥423,938 million, a decrease of ¥45,704 million from the prior fiscal year-end. This was primarily attributable to a decrease of ¥57,406 million in noncurrent assets, mainly due to a sale of land, impairment of property, plant and equipment, amortization of goodwill, valuation of investment securities, despite an increase in current assets due to an increase of ¥24,303 million in short-term investment securities, such factors as negotiable certificates of deposit.

Net assets were ¥242,532 million, a decrease of ¥39,094 million from the prior fiscal year-end, largely due to a net loss, the payment of dividends, and a decrease in foreign currency translation adjustment due to fluctuations in the currency market. The current ratio remained at a high level of 295.0%, up 88.0 points from the prior fiscal year-end.

The equity ratio was 52.4%, down 2.9 points from the prior fiscal year-end.

<Cash Flow Indices>

	March 2005	March 2006	March 2007	March 2008	March 2009
Equity ratio	59.0%	60.6%	61.5%	55.3%	52.4%
Equity ratio (fair market value)	185.6%	230.2%	126.0%	56.6%	51.3%
Redemption of debt	64.6%	47.6%	89.0%	—	218.9%
Interest coverage ratio	105.8 times	123.8 times	196.3 times	—	35.1 times

Notes: Equity ratio: (Net assets — Subscription rights to shares — Minority interests) / total assets

Equity ratio (fair market value): Market capitalization / total assets

Redemption of debt: Interest-bearing debt / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

1. All indicators are calculated using the consolidated financial results.
2. Market capitalization is calculated by multiplying the year-end share price with the number of shares issued and outstanding at year-end (excluding treasury stock).
3. Operating cash flow refers to Cash Flows from Operating Activities in the Consolidated Statements of Cash Flows.
4. Interest-bearing debt is the portion of debt recorded in the Consolidated Balance Sheets on which interest is being paid.
5. Interest payments refer to interest paid as shown in the Consolidated Statements of Cash Flows.
6. No figures are shown in Redemption of debt, and Interest coverage ratio in March 2008, due to negative results on Operating cash flow.

### **(3) Basic Policy Concerning Distribution of Earnings for the Fiscal Year Under Review and the Following Fiscal Year**

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.

For the fiscal year ending March 31, 2010, the Company plans to pay second quarter and year-end dividends of ¥15 per share, respectively.

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.

## **2. Overview of the SEGA SAMMY Group**

This information is omitted since nothing significant has changed from the one set forth in the Annual Securities Report filed on June 18, 2008.

## **3. Management Policies**

### **(1) Basic Management Policies**

SEGA CORPORATION and Sammy Corporation on October 1, 2004 integrated their operations to build an even more powerful base as a comprehensive global entertainment organization. Combining the resources of the two companies, a holding company called SEGA SAMMY HOLDINGS was established with the aim of maximizing corporate value. Since then, the Group has been taking various measures to build a business framework that responds quickly and flexibly to changes in the operating environment and accelerate growth.

The core business domain of the SEGA SAMMY Group is the comprehensive entertainment business, comprising pachislot and pachinko machines, amusement machine sales, amusement center operations, and the consumer business.

Within this sphere, the Group targets markets worldwide in the quest to maximize and cross-fertilize its entertainment content and resources, ultimately aiming to promote business operations that target every age group. Moreover, the SEGA SAMMY Group is enhancing its presence in every applicable business field in a drive to become the world's leading name in comprehensive entertainment. To this end, the Group is committed to winning the trust and meeting the expectations of its stakeholders

## **(2) Medium- to Long-term Strategies and Other Issues**

The SEGA SAMMY Group is engaged in a diverse array of entertainment businesses, ranging from pachislot and pachinko machines to commercial amusement machines, amusement center operation and home videogame software, as well as services through internet and for mobile handsets. Operations also extend to toys and animation. Our goal is to have strong competitiveness in these fields as our core businesses.

## **(3) 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 operation and improving the operation 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.

## **(4) Other Key Management Issues**

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.

# CONSOLIDATED FINANCIAL STATEMENTS

## SEGA SAMMY HOLDINGS INC. CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2008 AND 2009

(Unit : Millions of Yen)

	Prior year (As of March 31, 2008)	Current year (As of March 31, 2009)
	Amount	Amount
( A s s e t s )		
Current assets		
Cash and deposits	101,539	106,436
Notes and accounts receivable - trade	72,541	80,468
Allowance for doubtful accounts	(571)	(698)
Short-term investment securities	2,495	26,798
Inventories	51,435	—
Merchandise and finished goods	—	7,656
Work in process	—	2,914
Raw materials and supplies	—	30,971
Income tax refunds receivable	9,561	7,013
Deferred taxes asset	5,998	3,382
Others	32,037	21,795
Total current assets	275,038	286,740
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	28,597	25,649
Amusement machines and facilities, net	14,099	10,944
Land	48,810	22,590
Construction in progress	1,026	494
Other, net	11,495	5,436
Total property, plant and equipment	104,029	65,116
Intangible assets		
Goodwill	13,524	6,949
Others	6,692	6,292
Total intangible assets	20,217	13,242
Investments and other assets		
Investment securities	35,608	27,732
Long - term loans receivable	2,187	2,715
Lease and guarantee deposits	21,970	18,721
Deferred taxes assets	3,689	6,470
Other	14,332	7,559
Allowance for doubtful accounts	(7,430)	(4,360)
Total investments and other assets	70,358	58,838
Total noncurrent assets	194,604	137,197
Total assets	469,642	423,938

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2008 AND 2009

(Unit : Millions of Yen)

	Prior year (As of March 31,2008)	Current year (As of March 31,2009)
	Amount	Amount
( L i a b i l i t i e s )		
Current liabilities		
Notes and accounts payable - trade	49,496	51,298
Short-term loans payable	27,455	5,467
Current portion of bonds	5,716	3,294
Income taxes payable	3,180	3,131
Accrued expenses	33,292	22,464
Provision for bonuses	2,791	2,295
Provision for directors' bonuses	130	473
Provision for point card certificates	129	136
Other	10,670	8,631
Total current liabilities	132,863	97,194
Noncurrent liabilities		
Bonds payable	25,679	52,834
Long-term loans payable	6,988	6,740
Provision for retirement benefits	9,269	10,873
Provision for directors' retirement benefits	2,094	2,152
Deferred tax liabilities	435	233
Deferred tax liabilities for land revaluation	960	960
Others	9,723	10,415
Total noncurrent liabilities	55,151	84,211
Total liabilities	188,014	181,405
( N e t A s s e t s )		
Shareholder's equity		
Common stock	29,953	29,953
Capital surplus	171,092	171,082
Retained earnings	150,888	119,417
Treasury stock	(73,680)	(73,685)
Total shareholders' equity	278,253	246,767
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	597	(1,619)
Deferred gains or losses on hedges	(2)	—
Revaluation reserve for land	(6,980)	(5,966)
Foreign currency translation adjustments	(12,347)	(16,865)
Total valuation and translation adjustments	(18,733)	(24,451)
Subscription rights to shares	1,070	1,222
Minority interests	21,038	18,994
Total net assets	281,627	242,532
Total liabilities and net assets	469,642	423,938

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2008 AND 2009

(Unit : Millions of Yen)

	Prior year From April 1,2007 To March 31,2008	Current year From April 1,2008 To March 31,2009
	Amount	Amount
Net sales	458,977	429,194
Cost of sales	338,573	310,101
Gross profit	120,403	119,092
Selling, general and administrative expenses	126,232	110,728
Operating income (loss)	(5,829)	8,363
Other income (expenses) :		
Interest income	752	681
Dividends income	379	225
Gain on investments in partnership	602	633
Income from operation of lease asset	427	281
Interest on refund	—	517
Interest expenses	(627)	(900)
Equity in losses of affiliates	(293)	(191)
Sales discounts	(338)	(93)
Commission fee	(90)	(338)
Provision of allowance for doubtful accounts	(447)	(65)
Loss on investments in partnership	(586)	(145)
Foreign exchange losses	(1,053)	(1,060)
Penalty payment for cancellation of game center lease agreement	(1,102)	—
Loss on valuation of derivatives	—	(511)
Loss from elimination of work in progress under development	—	(789)
Gain on prior period adjustment	529	—
Gain on sales of noncurrent assets	93	580
Reversal of allowance for doubtful accounts	361	61
Gain on sales of subsidiaries and affiliates' stocks	—	466
Gain on sales of investment securities	4,440	3
Gain on change in equity	13	2
Gain on liquidation of subsidiaries and affiliates	693	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
Loss on prior period adjustment	(91)	—
Loss on retirement of noncurrent assets	(1,470)	(783)
Loss on sales of noncurrent assets	(177)	(41)
Impairment loss	(9,218)	(6,465)
Loss on valuation of investment securities	(12,355)	(4,304)
Amortization of goodwill	(929)	(2,434)
Loss on cancellation of amusement center under development	(5,580)	—
Premium allowance of retirement	(2,761)	(4,423)
Cost of product recall	(2,245)	—
Loss on closing of stores	—	(2,994)
Loss on cancellation of game contents under development	—	(3,465)
Loss on business withdrawal	—	(2,066)
Other	(3,236)	(2,749)
Sub total	(34,311)	(28,340)
Loss before income taxes and minority Interests	(40,141)	(19,976)
Income taxes-current	9,902	2,904
Income taxes-deferred	2,640	(186)
Refund of income taxes	—	(867)
Total income taxes	12,543	1,850
Minority interests in income	(213)	1,055
Net loss	(52,470)	(22,882)

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2008 AND 2009

Prior year (From April 1, 2007 to March 31, 2008)

(Unit : Millions of Yen)

	Shareholder's equity					Valuation and translation adjustments	
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity	Valuation difference on available - for - sale securities	Deferred gains or losses on hedges
Balances as of March 31, 2007	29,953	171,096	221,172	(73,656)	348,565	4,779	(17)
Changes during the period							
Dividends from retained earnings			(15,116)		(15,116)		
Net loss			(52,470)		(52,470)		
Effect of changes in accounting policies applied to foreign subsidiaries			(862)		(862)		
Purchase of treasury stock				(38)	(38)		
Disposal of treasury stock		(3)		13	9		
Change in scope of consolidation			(1,309)		(1,309)		
Reversal of revaluation reserve for land			(524)		(524)		
Net changes of items other than shareholders' equity						(4,181)	14
Total changes during the period	—	(3)	(70,284)	(24)	(70,312)	(4,181)	14
Balances as of March 31, 2008	29,953	171,092	150,888	(73,680)	278,253	597	(2)

	Valuation and translation adjustments			Subscription rights to shares	Minority interests	Total net assets
	Revaluation Reserve for land	Translation adjustments	Total Valuation and translation adjustments			
Balances as of March 31, 2007	(7,505)	(7,752)	(10,496)	454	20,334	358,858
Changes during the period						
Dividends from retained earnings						(15,116)
Net loss						(52,470)
Effect of changes in accounting policies applied to foreign subsidiaries						(862)
Purchase of treasury stock						(38)
Disposal of treasury stock						9
Change in scope of consolidation						(1,309)
Reversal of revaluation reserve for land	524		524			—
Net changes of items other than shareholders' equity		(4,594)	(8,761)	615	704	(7,442)
Total changes during the period	524	(4,594)	(8,237)	615	704	(77,230)
Balances as of March 31, 2008	(6,980)	(12,347)	(18,733)	1,070	21,038	281,627

Current year (From April 1, 2008 to March 31, 2009)

(Unit : Millions of Yen)

	Shareholder's equity					Valuation and translation adjustments	
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity	Valuation difference on available - for - sale securities	Deferred gains or losses on hedges
Balances as of March 31, 2008	29,953	171,092	150,888	(73,680)	278,253	597	(2)
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)		
Net changes of items other than shareholders' equity						(2,217)	2
Total changes during the period		(10)	(31,471)	(4)	(31,485)	(2,217)	2
Balances as of March 31, 2009	29,953	171,082	119,417	(73,685)	246,767	(1,619)	—

	Valuation and translation adjustments			Subscription rights to shares	Minority interests	Total net assets
	Revaluation reserve for land	Translation adjustments	Total Valuation and translation adjustments			
Balances as of March 31, 2008	(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		(4,517)	(6,732)	152	(2,043)	(8,623)
Total changes during the period	1,014	(4,517)	(5,717)	152	(2,043)	(39,094)
Balances as of March 31, 2009	(5,966)	(16,865)	(24,451)	1,222	18,994	242,532

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2008 AND 2009

(Unit : Millions of Yen)

	Prior year From April 1,2007 To March 31,2008	Current year From April 1,2008 To March 31,2009
	Amount	Amount
Cash flows from operating activities:		
Loss before income taxes and minority interests	(40,141)	(19,976)
Depreciation and amortization	45,611	26,644
Impairment loss	9,218	6,465
Amount of transfer of equipment by amusement center operation business	(8,623)	(6,146)
Amount of transfer of equipment by pachislot and pachinko rental business	(16,319)	(59)
(Gain) loss on sales of noncurrent assets	83	(538)
Loss on retirement of noncurrent assets	1,470	783
(Gain) loss on sales of stocks of subsidiaries and affiliates	395	(466)
(Gain) loss on sales of investment securities	(4,419)	(3)
(Gain) loss on valuation of investment securities	12,355	4,304
(Gain) loss on investments in partnership	(15)	(487)
Amortization of goodwill	3,785	4,144
Increase (decrease) in allowance for doubtful accounts	551	(2,670)
Increase (decrease) in provision for directors' bonuses	(350)	382
Increase (decrease) in provision for sales returns	(179)	—
Increase (decrease) in provision for point card certificates	10	7
Increase (decrease) in provision for retirement benefits	819	1,659
Increase (decrease) in provision for directors' retirement benefits	112	88
Increase (decrease) in provision for bonuses	1,169	(197)
Interest and dividends income	(1,131)	(907)
Interest expenses	627	900
Foreign exchange (gains) losses	(329)	870
Equity in (earnings) losses of affiliates	293	191
(Gain) loss on change in equity	26	(2)
Decrease (increase) in notes and accounts receivable-trade	5,730	(13,641)
Decrease (increase) in inventories	(9,836)	9,086
Increase (decrease) in notes and accounts payable-trade	(22,011)	13,278
Increase (decrease) in guarantee deposits received	488	(405)
Other, net	16,119	8,713
Subtotal	(4,490)	32,019
Interest and dividends income received	1,235	1,008
Interest expenses paid	(513)	(916)
Income taxes paid	(28,421)	(13,147)
Income taxes refund	6,311	13,236
Net cash provided by (used in) operating activities	(25,878)	32,199

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2008 AND 2009

(Unit : Millions of Yen)

	Prior year From April 1,2007 To March 31,2008	Current year From April 1,2008 To March 31,2009
	Amount	Amount
Cash flows from investing activities:		
Payments into time deposits	(1,824)	(5,511)
Proceeds from withdrawal of time deposits	2,684	2,834
Purchase of short-term investment securities	(1,793)	(1,099)
Proceeds from redemption of securities	1,000	1,800
Purchase of trust beneficiary right	(8,436)	(5,810)
Proceeds from sales of trust beneficiary right	9,437	6,271
Purchase of property, plant and equipment	(22,040)	(14,440)
Proceeds from sales of property, plant and equipment	195	21,497
Purchase of intangible assets	(4,004)	(3,143)
Proceeds from sales of intangible assets	4	109
Purchase of investment securities	(623)	(2,258)
Proceeds from sales of investment securities	5,871	52
Proceeds from redemption of investment securities	1,000	2,505
Payments for investment in partnerships	(2,966)	(800)
Proceeds from distribution of investment in partnerships	6,359	1,201
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	6,412	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(1,025)	(4,192)
Payment for acquisition consolidated subsidiaries	(225)	—
Purchase of stocks of subsidiaries and affiliates	(304)	(800)
Payments of loans receivable	(11,251)	(2,657)
Collection of loans receivable	10,273	2,996
Payments for lease deposits	(1,193)	(948)
Collection of lease deposits	1,362	3,578
Other, net	690	(246)
Net cash provided by (used in) investing activities	(10,399)	936
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(1,245)	(21,579)
Proceeds from long-term loans payable	7,184	1,050
Repayment of long-term loans payable	(5,332)	(613)
Proceeds from issuance of bonds	15,433	30,462
Redemption of bonds	(7,925)	(6,216)
Proceeds from stock issuance to minority shareholders	51	11
Cash dividends paid	(15,074)	(7,579)
Cash dividends paid to minority shareholders	(285)	(2,384)
Purchase of treasury stock	(38)	(21)
Other, net	(348)	(783)
Net cash used in financing activities	(7,579)	(7,653)
Effect of exchange rate change on cash and cash equivalents	(1,777)	(2,081)
Net increase (decrease) in cash and cash equivalents	(45,635)	23,401
Cash and cash equivalents at beginning of period	144,868	99,975
Increase in cash and cash equivalents from newly consolidated subsidiary	879	9
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(138)	(0)
Cash and cash equivalents at end of period	99,975	123,385



## SEGMENT INFORMATION

### A. Operations by product

Prior year (From April 1, 2007 to March 31, 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	145,582	71,061	91,226	141,790	9,315	458,977	—	458,977
(2) Inter segment	884	4,340	7	475	1,482	7,189	(7,189)	—
Total	146,466	75,401	91,234	142,265	10,797	466,166	(7,189)	458,977
Cost and expenses	138,022	68,249	101,041	148,255	10,871	466,440	(1,634)	464,806
Operating income (loss)	8,443	7,152	(9,807)	(5,989)	(74)	(274)	(5,555)	(5,829)
Assets	128,028	42,903	85,844	114,742	3,300	374,819	94,823	469,642
Depreciation	21,340	3,062	17,161	4,476	296	46,337	(725)	45,611
Impairment losses	1,209	122	6,404	1,461	20	9,218	—	9,218
Capital expenditure	23,829	2,257	15,910	4,390	3,413	49,800	621	50,422

(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 … Project, design, management and construction of commercial establishment, etc.
3. General corporate expenses of ¥ 5,759 million, which mainly consist of expenses of group management incurred by the holding company, are included in “Corporate and eliminations.”
4. Corporate assets of ¥ 94,944 million, which mainly consist of the holding company’s excess funds and others, are included in “Corporate and eliminations.”

Current year (From April 1, 2008 to March 31, 2009)

(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	161,691	61,926	71,310	131,361	2,904	429,194	—	429,194
(2) Inter segment	799	3,504	19	303	1,055	5,681	(5,681)	—
Total	162,490	65,430	71,330	131,664	3,959	434,876	(5,681)	429,194
Cost and expenses	147,962	58,540	78,851	132,606	3,605	421,565	(734)	420,830
Operating income (loss)	14,528	6,890	(7,520)	(941)	353	13,311	(4,947)	8,363
Assets	133,900	25,896	51,319	88,885	3,893	303,894	120,044	423,938
Depreciation	5,301	2,081	15,908	3,475	178	26,946	(301)	26,644
Impairment losses	286	80	5,221	877	—	6,465	—	6,465
Capital expenditure	4,516	1,099	14,893	4,823	97	25,431	1,179	26,610

(Note)

- The Company has 5 operating segments based on its management control structure, and nature of products and market.
- Main products and line of business by segment
  - Pachinko and pachislot … Development, manufacture and sale of Pachinko and pachislot machines and design for parlors
  - Amusement machine sales … Development, manufacture and sale of game machines used in an amusement arcades
  - Amusement center operations … Development, operation, rent and maintenance of Amusement center
  - 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.
  - Others … Information provider services, etc.
- General corporate expenses of ¥ 4,748 million, which mainly consist of expenses of group management incurred by the holding company, are included in “Corporate and eliminations.”
- Corporate assets of ¥ 119,364 million, which mainly consist of the holding company’s excess funds and others, are included in “Corporate and eliminations.”

## B. Geographical segment information

Prior year (From April 1, 2007 to March 31, 2008)

(Unit: Millions of yen)

	Japan	North America	Europe	Others	Total	Corporate and eliminations	Consolidated
I Net sales -							
(1) Outside customers	366,168	45,030	43,152	4,625	458,977	—	458,977
(2) Inter segment	26,738	6,006	4,220	792	37,758	(37,758)	—
Total	392,907	51,037	47,373	5,418	496,735	(37,758)	458,977
Cost and expenses	407,438	47,720	40,956	4,690	500,805	(35,999)	464,806
Operating income (loss)	(14,530)	3,316	6,416	727	(4,069)	(1,759)	(5,829)
II Assets	457,636	23,842	27,449	3,270	512,198	(42,555)	469,642

(Note)

1. Segmentation of countries and regions is based on geographical proximity.
2. Major countries and regions are as follows.
  - (1) North America … United States
  - (2) Europe … United Kingdom, France, Germany, etc.
  - (3) Other … Australia, Taiwan, Singapore, etc.
3. General corporate expenses of ¥ 5,759 million, which mainly consist of expenses of group management incurred by the holding company, are included in “Corporate and eliminations.”
4. Corporate assets of ¥ 94,944 million, which mainly consist of the holding company’s excess funds and others, are included in “Corporate and eliminations.”

Current year (From April 1, 2008 to March 31, 2009)

(Unit: Millions of yen)

	Japan	North America	Europe	Others	Total	Corporate and eliminations	Consolidated
I Net sales -							
(1) Outside customers	357,236	35,315	32,857	3,784	429,194	—	429,194
(2) Inter segment	20,615	3,965	3,366	838	28,785	(28,785)	—
Total	377,851	39,281	36,223	4,623	457,979	(28,785)	429,194
Cost and expenses	369,493	38,897	34,902	4,503	447,797	(26,966)	420,830
Operating income	8,358	383	1,321	119	10,182	(1,818)	8,363
II Assets	312,909	21,409	14,717	1,511	350,548	73,389	429,938

(Note)

1. Segmentation of countries and regions is based on geographical proximity.
2. Major countries and regions are as follows.
  - (1) North America … United States
  - (2) Europe … United Kingdom, France, Germany, etc.
  - (3) Other … Australia, China, Taiwan, etc.
3. General corporate expenses of ¥ 4,748 million, which mainly consist of expenses of group management incurred by the holding company, are included in “Corporate and eliminations.”
4. Corporate assets of ¥ 119,364 million, which mainly consist of the holding company’s excess funds and others, are included in “Corporate and eliminations.”

### C. Overseas sales

Prior year (From April 1, 2007 to March 31, 2008)

(Unit: Millions of yen)

	North America	Europe	Other	Total
I Total Overseas sales	50,017	47,667	10,248	107,934
II Consolidated net sales				458,977
III Percentage of Overseas sales to Consolidated net sales	10.9	10.4	2.2	23.5

(Note)

1. Segmentation of countries and regions is based on geographical proximity.
2. Major countries and regions are as follows.
  - (1) North America … United States
  - (2) Europe … United Kingdom, Italy, France, Germany, etc.
  - (3) Other … China, South Korea, Taiwan, etc.
3. Overseas sales represent sales of the company and subsidiaries excluding domestic sales.

Current year (From April 1, 2008 to March 31, 2009)

(Unit: Millions of yen)

	North America	Europe	Other	Total
I Total Overseas sales	46,294	35,113	11,598	93,007
II Consolidated net sales				429,194
III Percentage of Overseas sales to Consolidated net sales	10.8	8.2	2.7	21.7

(Note)

1. Segmentation of countries and regions is based on geographical proximity.
2. Major countries and regions are as follows.
  - (1) North America … United States
  - (2) Europe … United Kingdom, Italy, France, Germany, etc.
  - (3) Other … China, South Korea, Taiwan, etc.
3. Overseas sales represent sales of the company and subsidiaries excluding domestic sales.