

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
6 Months Ended September 30, 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
Any inquiry to : Shunichi Shimizu
 General Manager, Accounting and Financial Department
 Shiodome Sumitomo Building 21F,
 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo
 Tel (03) 6215-9955

Filing of Quarterly Report: November 13, 2009 (plan)
 Start of cash dividend payments: December 2, 2009 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 6 Months Ended September 30, 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 6 months ended September 30,2009	154,395	(23.0)	(318)	—	(6,323)	—
For 6 months ended September 30,2008	200,446	—	(7,578)	—	(9,554)	—

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 6 months ended September 30,2009	(25.10)	—
For 6 months ended September 30,2008	(37.92)	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
September 30, 2009	405,090	232,738	52.4	841.80
March 31, 2009	423,938	242,532	52.4	882.47

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

September 30, 2009 : ¥212,066 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
Year ended March 31, 2009	Yen —	Yen 15.00	Yen —	Yen 15.00	Yen 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 second 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 second 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)

September 30, 2009: 283,229,476

March 31, 2009 : 283,229,476
 2. Number of treasury stock at the end of the period

September 30, 2009 : 31,311,138

March 31, 2009 : 31,305,733
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For 6 months ended September 30, 2009: 251,920,906

For 6 months ended September 30, 2008: 251,934,166

[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 half of the fiscal year ending March 31, 2010, although the effect of global financial markets disruption is partly mitigated, the Japanese economy continued to face uncertain prospects for recovery, due mainly to the worsening corporate business performance, deteriorating employment outlook, and persistent weakness in personal consumption.

In this climate, the pachislot and pachinko industry continues to witness a firm drives to replace older pachinko machines with models offering more diverse gameplay. Though the pachislot market has partly supplied innovative pachislot machines, 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 due to sluggish personal consumption. The industry awaits the development and launch of new game 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, while growth in demand for software for the current generation of game platforms has leveled off, 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 half of the fiscal year ending March 31, 2010 amounted to ¥154,395 million, down 23.0% year on year. The Group posted an operating loss of ¥318 million, compared with an operating loss of ¥7,578 million for the same period year ago. The Group recorded a net loss of ¥6,323 million, compared with a net loss of ¥9,554 million for the same period in the previous fiscal year. These results reflect the anticipated concentration of sales of major titles in the pachislot and pachinko machines segment, amusement machine sales segment, and consumer business segment in the second half of the current fiscal year.

Results by business segments were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group sold titles such as “Pachinko CR Kyutei Nyokan Chamgum no Chikai” and “CR GAMERA THE BATTLE PACHINKO” under the Sammy brand, resulting in total sales of 167 thousand pachinko machine units for the period, exceeding the results of the same period in the previous fiscal year. In addition, profit margins improved due to causes such as the rise on the ratio of board sales of the pachinko machines. In the pachislot machine business, as a result of the Group recording brisk sales of “Pachislot Psalms of Planets Eureka Seven”, one of the major titles for the year with innovative gameplay, and “Pachislot Urusei Yatsura 2” under the Sammy brand, overall pachislot machine sales amounted to 57 thousand units for the period, exceeding the results of the same period in the previous fiscal year. Furthermore, profit margins improved due to the rise of the sales price in both the pachinko machine and the pachislot machine business. As a result, the segment recorded net sales of ¥68,453 million (an increase of 4.3% year on year) and operating income of ¥10,897 million (compared with an operating loss of ¥1,065 million a year earlier).

《Amusement Machine Sales》

In the amusement machine sales business, operation of a major title for the year “BORDER BREAK” video game was 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 the securing of long-term stable earnings for the Group. Due to less major titles scheduled for launch in the first half, both net sales and profit were lower than the results during the same period in the previous fiscal year. As a result, net sales in this segment declined 46.8%, to ¥19,192 million, with an operating loss of ¥737 million (compared with operating income of ¥4,641 million a year earlier).

《Amusement Center Operations》

In the amusement center operations business, sales at existing SEGA amusement centers in Japan were weakened by sluggish personal consumption, at 92.3% 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 half of the fiscal year ending March 31, 2010, the Group closed 46 amusement centers and opened 1 new amusement centers. Consequently, the Group operated a total of 277 amusement center at the end of the period. As a result, the segment reported a 22.1% decline in net sales to ¥28,948 million, and an operating loss of ¥223 million, compared with an operating loss of ¥2,822 million for the same period in the previous fiscal year.

《Consumer Business》

In the consumer business, home video game software sales were largely firm for new titles, although certain repeat titles' sales were weak in overseas. For the period, the Group sold 2,300 thousand video game copies in the United States, 2,000 thousand copies in Europe and 1,090 thousand copies in Japan and other regions, for a total of 5,400 thousand copies. Some content production expenses expected in the first half have been deferred to the second half of the fiscal year ending March 31, 2010 or later. In the toy sales division, overseas sales continued to perform well, while domestic sales were weak. In the mobile phone and PC content business, sales were brisk mainly for downloadable games for PCs. In the animated films business, the revenue from the production of animated films was lower than the level during the same period in the previous fiscal year. As a result, this segment posted 39.0% decline in net sales to ¥37,801 million, and an operating loss of ¥8,193 million, compared with an operating loss of ¥5,916 million for the same period in the previous fiscal year.

(2) Consolidated Financial Position

Total assets as of September 30, 2009 were ¥405,090 million, a decrease of ¥18,847 million from the previous fiscal year end. This was primarily attributable to decrease of ¥21,207 million in notes and accounts receivable, and a decrease of ¥12,988 million in notes and accounts payable-trade, despite an increase of ¥18,093 million in short-term investment securities resulting from purchase of negotiable certificates of deposit, and a decrease of ¥9,789 million in cash and deposits.

Net assets were ¥232,738 million, a decrease of ¥9,794 million from the previous fiscal year end, largely due to a net loss, and the payment of dividends.

The current ratio remained at a high level of 291.5%, down 3.5 points from the previous fiscal year end. As a result, the equity ratio was 52.4%, the same level as 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 as the trend in the sales of major titles scheduled during or after the third quarter must be assessed.

In the pachinko machine business, the Group is scheduled to launch the sale of several titles including “Pachinko CR Soten no Ken” under the Sammy brand, one of the major titles for the fiscal year. In the pachislot machine business, the Group plans to launch a major title for the fiscal year, “Pachislot Ashita no Joe” under the Sammy brand and other titles offering innovative gameplay. In the amusement machine sales business, the Group is planning to launch the videogame “Shining Force CROSS” as a major title in this business. In the amusement center operations business, the Group will strive to boost the center management capabilities, and continue to close domestic amusement centers with low profitability or future potential as planned in this fiscal year. In the consumer business, the Group is scheduled to launch several major titles in the home video game software sales business, including “Mario and Sonic at the Olympic Winter Games TM” for markets in Europe and U.S., and “BAYONETTA” for all the global markets, and “Phantasy Star Portable 2”, the latest title of the popular series for the domestic market.

(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 ¥3,286 million, advance payments decreased by ¥1,210 million, foreign currency translation adjustment decreased by ¥17 million, while operating loss, and loss before income taxes and minority interests each decreased by ¥2,092 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 September 30, 2009 AND MARCH 31, 2009

(Unit : Millions of Yen)

	Current period (As of September 30,2009)	Prior year (As of March 31,2009)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	96,647	106,436
Notes and accounts receivable – trade	59,260	80,468
Allowance for doubtful accounts	(592)	(698)
Short-term investment securities	44,892	26,798
Merchandise and finished goods	12,847	7,656
Work in process	5,464	2,914
Raw materials and supplies	28,121	30,971
Other	26,160	32,191
Total current assets	272,802	286,740
Noncurrent assets		
Property, plant and equipment		
Land	22,565	22,590
Other, net	39,896	42,525
Total property, plant and equipment	62,462	65,116
Intangible assets		
Goodwill	6,430	6,949
Other	6,095	6,292
Total intangible assets	12,526	13,242
Investments and other assets		
Investment securities	28,995	27,732
Other	32,796	35,466
Allowance for doubtful accounts	(4,492)	(4,360)
Total investments and other assets	57,298	58,838
Total noncurrent assets	132,287	137,197
Total assets	405,090	423,938

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2009 AND MARCH 31, 2009

(Unit : Millions of Yen)

	Current period (As of September 30,2009)	Prior 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	38,309	51,298
Short - term loans payable	5,683	5,467
Income taxes payable	4,586	3,131
Provision	2,632	2,905
Other	42,385	34,390
Total current liabilities	93,597	97,194
Noncurrent liabilities		
Bonds payable	47,260	52,834
Long - term loans payable	6,910	6,740
Provision for retirement benefits	11,478	10,873
Provision for directors' retirement benefits	1,044	2,152
Other	12,061	11,610
Total noncurrent liabilities	78,754	84,211
Total liabilities	172,352	181,405
(N e t A s s e t s)		
Shareholder's equity		
Capital stock	29,953	29,953
Capital surplus	171,081	171,082
Retained earnings	109,315	119,417
Treasury stock	(73,689)	(73,685)
Total shareholders' equity	236,659	246,767
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,275)	(1,619)
Deferred gains or losses on hedges	150	—
Revaluation reserve for land	(5,966)	(5,966)
Foreign currency translation adjustment	(17,502)	(16,865)
Total valuation and translation adjustments	(24,593)	(24,451)
Subscription rights to shares	1,188	1,222
Minority interests	19,483	18,994
Total net assets	232,738	242,532
Total liabilities and net assets	405,090	423,938

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 6 MONTHS ENDED SEPTEMBER, 2009 AND 2008

(Unit : Millions of Yen)

	Prior period From April 1,2008 To September 30,2008	Current period From April 1,2009 To September 30,2009
	Amount	Amount
Net sales	200,446	154,395
Cost of sales	151,354	106,931
Gross profit	49,091	47,463
Selling, general and administrative expenses	56,670	47,782
Operating loss	(7,578)	(318)
Other income (expenses) :		
Interest income	341	266
Dividends income	213	76
Foreign exchange gains	—	82
Interest on refund	514	—
Interest expenses	(441)	(397)
Equity in losses of affiliates	(94)	(1)
Loss on valuation of derivatives	(468)	(41)
Bond issuance cost	(487)	(205)
Loss from elimination of work in progress under development	(789)	—
Gain on sales of noncurrent assets	556	328
Reversal of allowance for doubtful accounts	80	72
Gain on sales of subsidiaries and affiliates' stocks	382	—
Reversal of recovery costs of video game arcades	519	592
Gain on compensation payment	—	438
Gain on outlawed debt	—	291
Loss on sales of noncurrent assets	(35)	(93)
Impairment loss	(1,557)	—
Loss on valuation of investment securities	(249)	(317)
Loss on sales of stocks of subsidiaries and affiliates	—	(653)
Loss on litigation	—	(371)
Loss on liquidation of subsidiaries	—	(371)
Other income	1,159	662
Other expenses	(1,356)	(1,385)
Sub total	(1,710)	(1,027)
Loss before income taxes and minority interests	(9,289)	(1,346)
Income taxes-current	451	3,973
Refund of income taxes	(722)	—
Income taxes	(270)	3,973
Minority interests in income	535	1,002
Net loss	(9,554)	(6,323)

SEGMENT INFORMATION

Operations by product

Prior period (From April 1, 2008 to September 30, 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	65,233	34,420	37,168	61,935	1,688	200,446	—	200,446
(2) Inter segment	421	1,663	4	83	517	2,689	(2,689)	—
Total	65,655	36,083	37,173	62,018	2,205	203,136	(2,689)	200,446
Operating income (loss)	(1,065)	4,641	(2,822)	(5,916)	236	(4,926)	(2,652)	(7,578)

(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 September 30, 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	68,311	17,971	28,930	37,652	1,529	154,395	—	154,395
(2) Inter segment	142	1,221	17	148	456	1,986	(1,986)	—
Total	68,453	19,192	28,948	37,801	1,986	156,382	(1,986)	154,395
Operating income (loss)	10,897	(737)	223	(8,193)	274	2,464	(2,783)	(318)

(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.
- 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 ¥469 million in Amusement machine sales, ¥34 million in Amusement center operations, ¥1,589 million in Consumer business, also each operating loss decreased in Amusement machine sales, and Consumer business by the same amount respectively, and operating income increased in Amusement center operations by the same amount.