

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended March 31, 2010

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 23, 2010 (plan)
 Filing of Financial Report : June 24, 2010 (plan)
 Start of cash dividend payments : June 1, 2010 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the Year Ended March 31, 2010

(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, 2010	384,679	(10.4)	36,712	339.0	20,269	—
For Year ended March 31, 2009	429,194	(6.5)	8,363	—	(22,882)	—

	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, 2010	80.46	—	8.8	8.7	9.5
For Year ended March 31, 2009	(90.83)	—	(9.5)	1.9	1.9

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

For Year ended March 31, 2010: ¥ 37 million

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

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2010	423,161	256,770	55.8	937.80
March 31, 2009	423,938	242,532	52.4	882.47

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

March 31, 2010: ¥236,245 million

March 31, 2009: ¥222,316 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, 2010	54,998	(7,640)	(3,401)	167,000
For Year ended March 31, 2009	32,199	936	(7,653)	123,385

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, 2009	—	15.00	—	15.00	30.00	7,557	—	3.1
Year ended March 31, 2010	—	15.00	—	15.00	30.00	7,557	37.3	3.3
Year ending March 31, 2011 (plan)	—	20.00	—	20.00	40.00	—	45.8	—

3. Projection for Consolidated Results for the Year ending March 31, 2011

(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, 2010	190,000	23.1	14,500	—	5,500	—	21.83
Entire - year	400,000	4.0	40,000	9.0	22,000	8.5	87.33

[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, 2010: 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: Yes

- (3) Shares outstanding (common stock) at year-end
1. Number of shares outstanding (including treasury stock)
 - March 31, 2010: 283,229,476
 - March 31, 2009: 283,229,476
 2. Number of treasury stock
 - March 31, 2010: 31,315,801
 - March 31, 2009: 31,305,733

1. Operating Results and Financial Position

(1) Overview

During the fiscal year ended 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 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, there is a certain expectation for recovery as the Group saw launches of some machines with innovative gameplay, receiving a warm market response.

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. The Group needs to adapt to changing business environment in which the market for new content geared to SNS and smartphone is expanding.

In this business environment, consolidated net sales for the year amounted to ¥384,679 million, a decrease of 10.4% from the previous fiscal year. Operating income totaled ¥36,712 million, an increase of 339.0% from the previous fiscal year. Due to the factors including impairment loss and loss on valuation of investment securities, the Group recorded net income of ¥20,269 million, compared with net loss of ¥22,882 million 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 SOUTEN-NO-KEN”, this year’s major title, “Pachinko CR Sengoku Ranbu Aoki Dokugan”, a title with an innovative gameplay under the Sammy brand and “CR Kidou Shinsengumi Moeyo Ken2” under the Taiyo Elec brand. Although the sales of all the pachinko machines decreased from the previous fiscal year totaling 360 thousand units, 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, a title with an innovative gameplay “Pachislot Psalms of Planets Eureka Seven” was launched under the Sammy brand, which registered sales of 56 thousand units thanks to a warm market response. Other titles such as “Pachislot TOMORROW’S JOE” under the Sammy brand and “Pachislot Shin Onimasya” under the RODEO brand maintained strong sales in the year under review. As a result, overall pachislot machine sales were 162 thousand units, exceeding the results of the previous fiscal year, despite the fact that the launch of some major titles was postponed to the next fiscal year.

In the meantime, profit margins improved due to revisions of pricing strategies for both pachinko and pachislot machines. The Group made GINZA CORPORATION its wholly-owned subsidiary as a strategic brand in its multi-brand development in the pachislot and pachinko machine business, in an effort to further enhance profitability.

As a result, net sales in this segment were ¥160,698 million (a decrease of 1.1% year on year) and operating income was ¥29,502 million (an increase of 103.1% year on year).

Main Pachinko Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachinko CR SOUTEN-NO-KEN	(Sammy)	94
Pachinko CR Kyutei Nyokan Chamgum no Chikai series	(Sammy)	58
Pachinko CR Sengoku Ranbu Aoki Dokugan	(Sammy)	53
CR GAMERA THE BATTLE PACHINKO	(Sammy)	35
CR Kidou Shinsengumi Moeyo Ken 2 series	(Taiyo Elec)	34

Main Pachislot Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachislot Psalms of Planets Eureka SeveN	(Sammy)	56
Pachislot TOMORROW'S JOE	(Sammy)	37
Pachislot Shin Onimusya	(Rodeo)	28
Pachislot Urusei Yatsura 2	(Sammy)	16
Pachislot BLOOD+	(Taiyo Elec)	7

《Amusement Machine Sales》

In the amusement machine sales business, operation of a major title for the year “BORDER BREAK” 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 securing long-term stable earnings for the Group. Strong sales were also seen in CVT KIT of major titles, such as “SEGA Network Mar-jang MJ4 Evolution”. Due to the absence of the launch of major titles, net sales in the year under review were lower than those in the previous fiscal year, while profitability improved.

As a result, net sales in this segment were ¥47,925 million (a decrease of 26.8% year on year), and operating income was ¥7,094 million (an increase of 3.0% year on year).

《Amusement Center Operations》

In the amusement center operations business, sales at existing SEGA amusement centers in Japan remained at low levels due to the difficult business environment characterized by sluggish personal consumption, recording a 91.7% of the previous fiscal year’s level. The Group continued to close or sell domestic amusement centers with low profitability or future potential, since the end of the previous fiscal year. In the year under review, the Group closed 66 amusement centers and opened 4 new amusement centers. At fiscal year-end, therefore, the Group operated a total of 260 amusement centers.

In the overseas amusement center operations, the Group also closed 8 amusement centers in North America, in an effort to improve profitability.

As a result, net sales in this segment were ¥54,835 million (a decrease of 23.1% year on year), and operating loss was ¥1,338 million, compared with operating loss of ¥7,520 million in the previous fiscal year.

《Consumer Business》

In the consumer business, the Group launched some new major titles of home video game software such as “Mario & Sonic at the Olympic Winter Games™”, this year’s major title for the U.S. and European markets and “BAYONETTA” for the global market, along with the latest titles of the popular series for the domestic market including “Ryu ga Gotoku 4: Densetsu wo Tsugumono” and “Phantasy Star Portable 2”. While domestic sales were mostly firm thanks to streamlining the development by narrowing down the titles, in the overseas markets, sales of new titles remained slow as affected by the adverse market condition, and also, the launch of some titles was postponed to the next fiscal year. As a result, the Group sold 10,550 thousand video game copies in the U.S., 12,380 thousand copies in Europe and 3,820 thousand copies in Japan and other regions, for a total of 26,750 thousand copies. The Group also decided to close its North American subsidiary specializing in development, Secret Level, Inc., in view of the changing business environment in overseas game software markets.

In the toy sales division, while overseas sales remained solid, domestic sales were weak, due to the decrease of sales by the reduction of underperforming business and products, and the effect of slowdown of domestic market at the time of stagnant consumption. In the mobile phone and PC content business, sales remained brisk, due to the factors such as launch of major titles, and changing business model (introducing pay-per-use service), while the membership continued to decline in overall pachinko pachislot category in the mobile phone content business. In the animated films business, despite the decrease in the production of TV films and theater films, overall revenue from the sale of the films remained strong thanks to the increase in box office sales due to the successes of the theater films, boost in royalty revenue driven by the success of “BAKUGAN” in the overseas markets and other factors.

As a result, net sales in this segment were ¥121,838 million (a decrease of 7.5% year on year), and operating income was ¥6,332 million, compared with operating loss of ¥941 million in the previous fiscal year.

[Inappropriate Transactions by Former Employee of the Company’s Subsidiary (SEGATOYS CO.,LTD.)]

As per the announcements made on April 15, and May 6, 2010, it has been discovered that a former employee of SEGATOYS CO.,LTD. had been conducting inappropriate transactions with multiple business partners, and that fictitious accounts receivable from SEGATOYS CO.,LTD., stemming from the inappropriate transactions was around ¥420 million, following the investigations by internal investigation taskforce at SEGATOYS CO.,LTD. and external investigation committee.

We deeply regret that such inappropriate transactions occurred within the Group. We express our sincerest apologies to our shareholders, investors, business partners and other affiliated parties for the enormous inconvenience and concerns this incident may cause. The Group as a whole will strive to prevent recurrence and restore confidence. We are earnestly continuing the investigations and will announce the final report as soon as the results become clear.

Outlook for the Financial Year ending March 2011

The Japanese economy is expected to remain unpredictable in the foreseeable future, in spite of a certain degree of recovery, with corporate earnings under pressure from the ongoing deflation along with weak consumption as affected by unstable employment situation.

Facing these conditions, in its pachislot and pachinko machines business, the Group will further expand product diversity and reinforce its overall lineup in both the pachislot and pachinko machine categories. For the year ending March 31, 2011, the Group forecasts sales of 410 thousand pachinko machines, up 49 thousand from the year under review, and 210 thousand pachislot machines, up 47 thousand. In addition, the Group will improve its profitability by continuously reducing procurement cost.

In the amusement machine sales business, the Group will reinforce its product line-up while adapting to the changes in business environment of the industry, including sales under a revenue share model for the purpose of improving investment efficiency of the operators of amusement centers and securing long-term stable earnings for the Group. In overseas sales, the Group will deploy products that meet the local market needs while retaining price competitiveness.

In the amusement center operations business, the Group will improve profitability by strengthening center management capabilities and competitiveness at its amusement centers both domestically and overseas.

In home video game software business in the consumer business, the Group will improve profitability through streamlining the development by measures such as narrowing down the titles for overseas markets. For the year, the Group expects to sell 6,290 thousand copies of game software in the U.S., 7,280 thousand copies in Europe and 3,380 thousand copies in Japan and other regions, for a total of 16,960 thousand copies. Meanwhile, the Group expects to improve the earnings from the toy sales, mobile phone and PC content and animated films businesses, mainly driven by various publicly listed subsidiaries.

In light of the above, the Group is forecasting consolidated net sales of ¥400,000 million (an increase of 4.0% year on year), operating income of ¥40,000 million (an increase of 9.0% year on year), and net income of ¥22,000 million (an increase of 8.5% year on year) for the fiscal year ending March 31, 2011.

[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, 2010 were ¥423,161 million, a decrease of ¥776 million from the prior fiscal year-end. This was primarily attributable to a decrease of ¥12,766 million in noncurrent assets, mainly due to an impairment of property, plant and equipment, and a decrease of lease and guarantee deposits, despite an increase of ¥46,601 million in short-term investment securities, such factors as negotiable certificates of deposit.

Net assets were ¥256,770 million, an increase of ¥14,237 million from the prior fiscal year-end, largely due to a net income, the payment of dividends. The current ratio remained at a high level of 321.8%, up 26.8 points from the prior fiscal year-end.

The equity ratio was 55.8%, up 3.4 points from the prior fiscal year-end.

<Cash Flow Indices>

	March 2006	March 2007	March 2008	March 2009	March 2010
Equity ratio	60.6%	61.5%	55.3%	52.4%	55.8%
Equity ratio (fair market value)	230.2%	126.0%	56.6%	51.3%	67.4%
Redemption of debt	47.6%	89.0%	—	218.9%	137.9%
Interest coverage ratio	123.8 times	196.3 times	—	35.1 times	73.0 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. This reflects the Group's policy of paying dividends to shareholders stably.

For the fiscal year ending March 31, 2011, the Company plans to pay second quarter and year-end dividends of ¥20 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, 2009.

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, the Group will strive to adapt to the changes in business environment, through efforts including the development and supply of the products with innovative gameplay that meet market needs, reflecting changes in user preference as typically indicated by the spread of parlors with low ball-rental charges.

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 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 build up efficient business structure by reviewing and restructuring its portfolio of amusement centers. It will be the Group's business challenge to recover the profits by strengthening management capabilities and competitiveness at its amusement centers, as well as by attracting new customers.

In the consumer business, the Group must enhance profitability through streamlining the development by such measures as narrowing down the titles in the home video game software business. The Group must also adapt to new functions of game consoles as well as to rapidly expanding market for new content, including that for SNS and smartphone. In the toy sales, mobile phone and PC content and animated films businesses, the Group must reinforce these operations, mainly by listed subsidiaries.

(4) Other Key Management Issues

On December 27, 2005, Universal Entertainment Corporation (formerly known as Aruze Corporation, hereinafter referred to as the "Corporation") filed a lawsuit against subsidiary Sammy Corporation, claiming financial damages of ¥21,000 million and other sanctions for the alleged infringement of two of its patents, specifically patents No. 3069092 and No. 3708056, by Sammy in relation to the manufacture and sale of "Hokuto No Ken" pachislot machines. On May 22, 2007, the Tokyo District Court handed down its judgment to dismiss the Corporation's claim.

Later, as the Corporation was dissatisfied with this judgment, it filed an appeal with the Intellectual Property High Court on June 4, 2007. However, the same Court handed down its judgment to dismiss the Corporation's claim on March 10, 2010.

The Corporation filed a petition for a final appeal and acceptance of a final appeal with the Supreme Court on March 26, 2010. However, it is reasonable to believe their appeal is most likely to be unsuccessful at the Supreme Court, as it has been at both the Tokyo District Court and the Intellectual Property High Court.

Incidentally on the same day, the Corporation filed a petition for downward amendment of claim to the Supreme Court, reducing the amount of claim to ¥100 million.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2009 AND 2010

(Unit : Millions of Yen)

	Prior year (As of March 31,2009)	Current year (As of March 31,2010)
	Amount	Amount
(A s s e t s)		
Current assets		
Cash and deposits	106,436	101,324
Notes and accounts receivable - trade	80,468	67,027
Allowance for doubtful accounts	(698)	(712)
Short-term investment securities	26,798	73,400
Merchandise and finished goods	7,656	6,500
Work in process	2,914	7,914
Raw materials and supplies	30,971	22,358
Income tax refunds receivable	7,013	2,534
Deferred tax asset	3,382	3,219
Other	21,795	15,163
Total current assets	286,740	298,730
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	25,649	22,487
Amusement machines and facilities, net	10,944	6,336
Land	22,590	22,632
Construction in progress	494	171
Other, net	5,436	7,403
Total property, plant and equipment	65,116	59,030
Intangible assets		
Goodwill	6,949	6,767
Other	6,292	6,592
Total intangible assets	13,242	13,360
Investments and other assets		
Investment securities	27,732	28,605
Long - term loans receivable	2,715	1,638
Lease and guarantee deposits	18,721	13,493
Deferred tax assets	6,470	3,871
Other	7,559	7,593
Allowance for doubtful accounts	(4,360)	(3,162)
Total investments and other assets	58,838	52,040
Total noncurrent assets	137,197	124,431
Total assets	423,938	423,161

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2009 AND 2010

(Unit : Millions of Yen)

	Prior year (As of March 31,2009)	Current year (As of March 31,2010)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	51,298	37,387
Short-term loans payable	5,467	3,489
Current portion of bonds	3,294	20,600
Income taxes payable	3,131	2,449
Accrued expenses	22,464	16,528
Provision for bonuses	2,295	2,539
Provision for directors' bonuses	473	656
Provision for point card certificates	136	161
Other	8,631	9,004
Total current liabilities	97,194	92,817
Noncurrent liabilities		
Bonds payable	52,834	41,501
Long-term loans payable	6,740	6,173
Provision for retirement benefits	10,873	12,218
Provision for directors' retirement benefits	2,152	1,096
Deferred tax liabilities	233	399
Deferred tax liabilities for land revaluation	960	960
Other	10,415	11,223
Total noncurrent liabilities	84,211	73,573
Total liabilities	181,405	166,390
(N e t A s s e t s)		
Shareholder's equity		
Common stock	29,953	29,953
Capital surplus	171,082	171,080
Retained earnings	119,417	132,128
Treasury stock	(73,685)	(73,694)
Total shareholders' equity	246,767	259,468
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,619)	346
Deferred gains or losses on hedges	—	24
Revaluation reserve for land	(5,966)	(5,966)
Foreign currency translation adjustments	(16,865)	(17,626)
Total valuation and translation adjustments	(24,451)	(23,222)
Subscription rights to shares	1,222	1,188
Minority interests	18,994	19,335
Total net assets	242,532	256,770
Total liabilities and net assets	423,938	423,161

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2009 AND 2010

(Unit : Millions of Yen)

	Prior year From April 1,2008 To March 31,2009	Current year From April 1,2009 To March 31,2010
	Amount	Amount
Net sales	429,194	384,679
Cost of sales	310,101	245,811
Gross profit	119,092	138,867
Selling, general and administrative expenses	110,728	102,154
Operating income	8,363	36,712
Other income (expenses) :		
Interest income	681	511
Dividends income	225	454
Equity in earnings of affiliates	—	37
Gain on investments in partnership	633	114
Income from operation of lease asset	281	188
Gain on valuation of derivatives	—	46
Interest on refund	517	—
Interest expenses	(900)	(782)
Equity in losses of affiliates	(191)	—
Sales discounts	(93)	(21)
Commission fee	(338)	(74)
Provision of allowance for doubtful accounts	(65)	(2)
Loss on investments in partnership	(145)	(235)
Foreign exchange losses	(1,060)	(265)
Penalty payment for cancellation of game center lease agreement	—	(477)
Loss on valuation of derivatives	(511)	—
Loss from elimination of work in progress under development	(789)	—
Gain on sales of noncurrent assets	580	528
Reversal of allowance for doubtful accounts	61	166
Gain on sales of subsidiaries and affiliates' stocks	466	29
Gain on sales of investment securities	3	258
Gain on change in equity	2	20
Gain on liquidation of subsidiaries and affiliates	94	—
Reversal of recovery costs of video game arcades	583	1,043
The settlement money for the cancellation of the stock transfer contract	240	—
Reversal of cost of product recall	279	—
Gain on outlawed debt	833	377
Gain on compensation payment	—	427
Loss on retirement of noncurrent assets	(783)	(497)
Loss on sales of noncurrent assets	(41)	(121)
Impairment loss	(6,465)	(3,857)
Loss on valuation of investment securities	(4,304)	(2,465)
Amortization of goodwill	(2,434)	—
Premium allowance of retirement	(4,423)	(184)
Loss on closing of stores	(2,994)	(844)
Loss on cancellation of game contents under development	(3,465)	—
Loss on business withdrawal	(2,066)	—
Loss on litigation	—	(371)
Loss on sales of stocks of subsidiaries and affiliates	—	(653)
Loss on liquidation of subsidiaries	—	(1,682)
Other	(2,749)	(1,282)
Sub total	(28,340)	(9,615)
Income (loss) before income taxes and minority interests	(19,976)	27,097
Income taxes-current	2,904	3,067
Income taxes-deferred	(186)	2,559
Refund of income taxes	(867)	—
Total income taxes	1,850	5,627
Minority interests in income	1,055	1,200
Net income (loss)	(22,882)	20,269

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009 AND 2010

Prior 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

Current year (From April 1, 2009 to March 31, 2010)

(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, 2009	29,953	171,082	119,417	(73,685)	246,767	(1,619)	—
Changes during the period							
Dividends from retained earnings			(7,557)		(7,557)		
Net income			20,269		20,269		
Purchase of treasury stock				(12)	(12)		
Disposal of treasury stock		(2)		3	1		
Net changes of items other than shareholders' equity						1,966	24
Total changes during the period	—	(2)	12,711	(8)	12,700	1,966	24
Balances as of March 31, 2010	29,953	171,080	132,128	(73,694)	259,468	346	24

	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, 2009	(5,966)	(16,865)	(24,451)	1,222	18,994	242,532
Changes during the period						
Dividends from retained earnings						(7,557)
Net income						20,269
Purchase of treasury stock						(12)
Disposal of treasury stock						1
Net changes of items other than shareholders' equity		(760)	1,229	(33)	341	1,537
Total changes during the period	—	(760)	1,229	(33)	341	14,237
Balances as of March 31, 2010	(5,966)	(17,626)	(23,222)	1,188	19,335	256,770

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009 AND 2010

(Unit : Millions of Yen)

	Prior year From April 1,2008 To March 31,2009	Current year From April 1,2009 To March 31,2010
	Amount	Amount
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	(19,976)	27,097
Depreciation and amortization	26,644	17,175
Impairment loss	6,465	3,857
Amount of transfer of equipment by amusement center operation business	(6,146)	(4,344)
Amount of transfer of equipment by pachislot and pachinko rental business	(59)	(12)
(Gain) loss on sales of noncurrent assets	(538)	(407)
Loss on retirement of noncurrent assets	783	497
(Gain) loss on sales of stocks of subsidiaries and affiliates	(466)	624
Loss on liquidation of subsidiaries	—	1,682
(Gain) loss on sales of investment securities	(3)	(222)
(Gain) loss on valuation of investment securities	4,304	2,465
(Gain) loss on investments in partnership	(487)	120
Amortization of goodwill	4,144	1,004
Increase (decrease) in allowance for doubtful accounts	(2,670)	(156)
Increase (decrease) in provision for directors' bonuses	382	178
Increase (decrease) in provision for point card certificates	7	24
Increase (decrease) in provision for retirement benefits	1,659	1,344
Increase (decrease) in provision for directors' retirement benefits	88	(1,055)
Increase (decrease) in provision for bonuses	(197)	265
Interest and dividends income	(907)	(965)
Interest expenses	900	782
Foreign exchange losses (gains)	870	2
Equity in (earnings) losses of affiliates	191	(37)
(Gain) loss on change in equity	(2)	(20)
Decrease (increase) in notes and accounts receivable-trade	(13,641)	11,493
Decrease (increase) in inventories	9,086	2,862
Increase (decrease) in notes and accounts payable-trade	13,278	(13,061)
Increase (decrease) in guarantee deposits received	(405)	(751)
Other, net	8,713	3,925
Subtotal	32,019	54,370
Interest and dividends income received	1,008	843
Interest expenses paid	(916)	(753)
Income taxes paid	(13,147)	(16,572)
Income taxes refund	13,236	17,110
Net cash provided by operating activities	32,199	54,998

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009 AND 2010

(Unit : Millions of Yen)

	Prior year From April 1,2008 To March 31,2009	Current year From April 1,2009 To March 31,2010
	Amount	Amount
Cash flows from investing activities:		
Payments into time deposits	(5,511)	(1,720)
Proceeds from withdrawal of time deposits	2,834	4,169
Purchase of short-term investment securities	(1,099)	(5,395)
Proceeds from redemption of securities	1,800	4,000
Purchase of trust beneficiary right	(5,810)	(6,163)
Proceeds from sales of trust beneficiary right	6,271	5,185
Purchase of property, plant and equipment	(14,440)	(8,608)
Proceeds from sales of property, plant and equipment	21,497	758
Purchase of intangible assets	(3,143)	(2,042)
Proceeds from sales of intangible assets	109	8
Purchase of investment securities	(2,258)	(3,323)
Proceeds from sales of investment securities	52	1,874
Proceeds from redemption of investment securities	2,505	—
Payments for investment in partnerships	(800)	(12)
Proceeds from distribution of investment in partnerships	1,201	564
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	219
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(4,192)	(220)
Purchase of stocks of subsidiaries and affiliates	(800)	(996)
Payments of loans receivable	(2,657)	(1,178)
Collection of loans receivable	2,996	535
Payments for lease deposits	(948)	(381)
Collection of lease deposits	3,578	2,845
Proceeds from transfer of business	—	2,018
Other, net	(246)	222
Net cash provided by (used in) investing activities	936	(7,640)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(21,579)	(2,503)
Proceeds from long-term loans payable	1,050	1,120
Repayment of long-term loans payable	(613)	(1,211)
Proceeds from issuance of bonds	30,462	10,783
Redemption of bonds	(6,216)	(5,027)
Proceeds from stock issuance to minority shareholders	11	—
Cash dividends paid	(7,579)	(7,571)
Cash dividends paid to minority shareholders	(2,384)	(305)
Purchase of treasury stock	(21)	(12)
Other, net	(783)	1,327
Net cash used in financing activities	(7,653)	(3,401)
Effect of exchange rate change on cash and cash equivalents	(2,081)	(342)
Net increase (decrease) in cash and cash equivalents	23,401	43,614
Cash and cash equivalents at beginning of period	99,975	123,385
Increase in cash and cash equivalents from newly consolidated subsidiary	9	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	—
Cash and cash equivalents at end of period	123,385	167,000

SEGMENT INFORMATION

A. Operations by product

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

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Other	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)

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) Other … Information provider services, 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.”

Current year (From April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Other	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	160,376	45,117	54,788	121,575	2,821	384,679	—	384,679
(2) Inter segment	322	2,807	46	262	911	4,351	(4,351)	—
Total	160,698	47,925	54,835	121,838	3,732	389,030	(4,351)	384,679
Cost and expenses	131,196	40,831	56,173	115,505	3,396	347,103	862	347,966
Operating income (loss)	29,502	7,094	(1,338)	6,332	336	41,926	(5,213)	36,712
Assets	108,353	27,835	37,909	96,412	3,982	274,493	148,668	423,161
Depreciation	4,305	1,288	8,212	3,173	148	17,129	46	17,175
Impairment losses	93	15	3,584	137	26	3,857	—	3,857
Capital expenditure	3,297	974	7,796	3,952	189	16,210	(46)	16,164

(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.
 - Other ... Information provider services, etc.
- General corporate expenses of ¥ 4,965 million, which mainly consist of expenses of group management incurred by the holding company, are included in “Corporate and eliminations.”
- Corporate assets of ¥ 149,052 million, which mainly consist of the holding company’s excess funds and others, are included in “Corporate and eliminations.”
- 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 fiscal year ended March 31, 2010, goods recognized as products for commercialization are posted under inventories and noncurrent assets, with opting to treat the amount of such expenses for the inventories equivalent to the actual sales volume recorded as of the fiscal year end among projected sales volume as cost of sales, and treat the amount of such expenses for the noncurrent assets equivalent to the depreciation calculated based on their respective useful lives 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 ¥1,643 million in Amusement machine sales, ¥174 million in Amusement center operations, ¥3,980 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.

B. Geographical segment information

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

(Unit: Millions of yen)

	Japan	North America	Europe	Other	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	423,938

(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.”

Current year (From April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

	Japan	North America	Europe	Other	Total	Corporate and eliminations	Consolidated
I Net sales -							
(1) Outside customers	322,012	27,079	31,985	3,602	384,679	—	384,679
(2) Inter segment	18,741	3,188	1,615	1,106	24,651	(24,651)	—
Total	340,754	30,268	33,600	4,708	409,331	(24,651)	384,679
Cost and expenses	305,140	30,236	31,996	4,546	371,921	(23,954)	347,966
Operating income	35,614	31	1,603	161	37,410	(697)	36,712
II Assets	270,584	21,026	18,242	1,323	311,176	111,985	423,161

(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 ¥ 4,965 million, which mainly consist of expenses of group management incurred by the holding company, are included in “Corporate and eliminations.”
4. Corporate assets of ¥ 149,052 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, 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.

Current year (From April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

	North America	Europe	Other	Total
I Total Overseas sales	35,810	34,165	9,815	79,790
II Consolidated net sales				384,679
III Percentage of Overseas sales to Consolidated net sales	9.3	8.9	2.5	20.7

(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.