

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**6 Months Ended September 30, 2011**

**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 10, 2011 (plan)  
 Start of cash dividend payments: December 2, 2011 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the 6 Months Ended September 30, 2011**

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes from the prior period)

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 6 months ended September 30,2011	152,602	(29.9)	15,181	(67.6)	3,980	(83.7)
For 6 months ended September 30,2010	217,807	41.1	46,849	—	24,349	—

(Note) Comprehensive income

For 6 months ended September 30, 2011 : ¥ 11,285 million ((61.8) %)

For 6 months ended September 30, 2010 : ¥ 29,522 million (— %)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 6 months ended September 30,2011	15.79	15.77
For 6 months ended September 30,2010	96.66	96.66

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
September 30, 2011	460,919	282,907	60.8
March 31, 2011	458,624	285,461	60.0

(Reference) Shareholders' equity

September 30, 2011 : ¥280,140 million

March 31, 2011 : ¥275,193 million

## 2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	For the year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2011	—	20.00	—	20.00	40.00
Year ending March 31, 2012	—	20.00			
Year ending March 31, 2012 (plan)			—	20.00	40.00

(Note) Revision of the forecast in the first quarter of the year ending March 31, 2012: No

## 3. Forecast of Consolidated Operating Results for the Year ending March 31, 2012

(Percentage represents changes from the prior year)

	Net sales		Operating income		Net income		Net income per share
Entire – year	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
	440,000	10.9	77,000	12.0	38,000	(8.5)	151.03

(Note) Revision of the forecast in the second quarter of the year ending March 31, 2012: Yes

## 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: No
- (4) Number of shares outstanding (common stock)
  1. Number of shares outstanding at the end of the period (including treasury stock)
    - September 30, 2011: 266,229,476
    - March 31, 2011 : 266,229,476
  2. Number of treasury stock at the end of the period
    - September 30, 2011 : 15,087,016
    - March 31, 2011 : 14,504,662
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
    - For 6 months ended September 30, 2011: 252,053,455
    - For 6 months ended September 30, 2010: 251,912,035

### [Caution With Regard to Operating Results Outlook]

- At the time of this report's release, the quarterly review procedures under the Financial Instruments and Exchange Law have not been completed.
- The forward-looking statements, such as results forecasts, included in this document are based on information available to the Company at the time of the announcement and assumptions considered reasonable. Actual results could differ materially, depending on a range of factors. For the assumptions prerequisite to the results forecasts and the points to be noted in the use of the forecasts, please see "Forecast of Consolidated Operating Results" on page 5.

## **Operating Results and Financial Position**

### **(1) Overview**

During the first half of the fiscal year ending March 31, 2012, some uncertainty prevailed in the Japanese economy due to various impacts in the aftermath of the Great East Japan Earthquake that took place on March 11, 2011, including the concern for the availability of parts and materials and the struggle to cope with an expected prolonged shortage of electricity supply.

In this climate, the pachislot and pachinko industry witnessed the replacement of older pachinko machines with new ones at a rather weak pace for a while across the market, due to the devastated supply chain. More recently, however, there have been signs of recovery from the disaster of the earthquake, such as the solid orders for some of the popular titles and the recovery in the operating ratio at pachinko parlors.

In the amusement machine and amusement center industry, the market stays solid thanks primarily to the consumer behavior turning to more accessible entertainment, in which amusement center operators are expected to show more investment appetite in the future.

In the home video game industry, demand was generally weak in the U.S. and European markets due to the headwinds such as sluggish personal consumption. The Group needs to adapt to a changing business environment in which the market demand for new content geared toward social networking services (SNS) and smartphones is expanding.

In this business environment, net sales for the first half of the fiscal year ending March 31, 2012 amounted to ¥152,602 million, a decrease of 29.9% for the same period in the previous fiscal year. The Group posted an operating income of ¥15,181 million, a decrease of 67.6% for the same period in the previous fiscal year. Due to the factors including gain on negative goodwill and the settlement payment for patent licensing, the Group recorded a net income of ¥3,980 million, a decrease of 83.7% for the same period in the previous fiscal year.

The Company, its wholly owned subsidiary Sammy Corporation, and Sammy Corporation's subsidiary TAIYO ELEC Co., Ltd. have conducted an exchange of shares, effective August 1, 2011, with the purpose of converting Sammy Corporation into a wholly owning parent of TAIYO ELEC Co., Ltd. while converting TAIYO ELEC Co., Ltd. into a wholly owned subsidiary of Sammy Corporation, in consideration for the Company's common stock. Additionally, the Company resolved at the meeting of its Board of Directors held on August 1, 2011 to acquire treasury stocks, and acquired 5,000,000 shares (at an acquisition cost of ¥8,280 million), which was the upper limit for the number of shares to be acquired, during the period from August 1, 2011 through September 5, 2011.

Results of each segment were as follows.

### **《Pachislot and Pachinko Machines》**

In the pachinko machine business, the Group recorded solid sales of "Pachinko CR ALADDIN NEO" under the Sammy brand along with "Pachinko CR Hokuto No Ken Yuria" and "Pachinko CR Hokuto No Ken Falco," resulting in the sales of 181 thousand units.

In the pachislot machine business, since this fiscal year's major titles are scheduled for launch in the latter half of the fiscal year, overall sales were 52 thousand units, as the sales of titles including "Kaze no Yojimbo 2" under the RODEO brand, "Pachislot Kaitou Tenshi Twin Angel 3" under the Sammy brand, and "GINTOKIN" under the Taiyo Elec brand remained solid.

Additionally, the Group continued its initiatives to promote reuse of components, especially those related to liquid crystal displays.

As a result, net sales in this segment were ¥74,918 million (a decrease of 44.2% for the same period in the previous fiscal year) and operating income was ¥20,631 million (a decrease of 56.7% for the same period in the previous fiscal year).

### 《Amusement Machine Sales》

In the amusement machine sales business, the sales of “SEGA NETWORK MAHJONG MJ5” remained solid. Thanks to the recovery of the amusement center market, the sales of consumables including cards also did well. In addition, distribution revenue continued to remain solid thanks to the operation of revenue sharing models such as “BORDER BREAK.”

As a result, net sales in this segment were ¥20,591 million (a decrease of 1.9% for the same period in the previous fiscal year) and operating income was ¥1,591 million (a decrease of 17.0% for the same period in the previous fiscal year).

### 《Amusement Center Operations》

In the amusement center operations business, thanks to current consumer behavior turning to more accessible entertainment, in addition to the Company’s efforts to reinforce management capabilities of the existing amusement centers, sales at existing SEGA amusement centers in Japan were solid and registered a 101.2% of the level during the same period in the previous fiscal year. The Group closed 3 amusement centers while opened 3 new amusement centers. Consequently, the Group operated a total of 248 amusement centers as at the end of the period.

As a result, net sales in this segment were ¥23,247 million (a decrease of 1.7% for the same period in the previous fiscal year) and operating income was ¥1,684 million (an increase of 52.4% for the same period in the previous fiscal year).

### 《Consumer Business》

In the consumer business, in the area of home video game software, some major titles for the overseas markets including “Captain America: Super Soldier” along with the major titles for the Japanese market including “Sakatsuku7 EURO PLUS” were launched. Although domestic sales generally remained solid, in the overseas markets, sales of the new titles remained slow as affected by adverse market condition. As a result, the Group sold 1,650 thousand video game copies in the U.S., 2,120 thousand copies in Europe and 1,060 thousand copies in Japan and other regions, for a total of 4,840 thousand copies, which is below the performance level of the same period in the previous fiscal year.

In the mobile phone, smartphone and PC content business, “Kingdom Conquest” a title for iOS recorded 1.6 million downloads on a cumulative basis.

In the toy sales division, the Group worked on the sales such as “Anpanman Series” and “Jewelpod,” etc.

In the animated films business, distribution revenue remained favorable thanks to the sound box office sales of the 15th theater film “Detective Conan” while royalty revenue from “Anpanman” remained solid.

As a result, net sales in this segment were ¥33,810 million (a decrease of 13.1% for the same period in the previous fiscal year) and operating loss was ¥6,004 million (operating loss of ¥1,306 million for the same period in the previous fiscal year).

## **(2) Forecast of Consolidated Operating Results**

The forecast of full year consolidated operating results for the fiscal year ending March 31, 2012 has been modified from the previous forecast publicized on May 13, 2011.

For the forecast of the consolidated operating results, please refer to “Notice of First-Half Consolidated Operating Results Forecast Differences with its Results, Full-Year Consolidated Operating Results Forecast Adjustment” publicized on October 31, 2011.

## **(3) Other**

Changes in accounting principles, procedures, method of presentation associated with the preparation of the quarterly consolidated financial statements.

### **1. Application of Accounting Standard for Accounting Changes and Error Corrections**

For accounting changes and corrections of prior period errors which are made after the beginning of the first quarter of the fiscal year ending March 31, 2012, "Accounting Standard for Accounting Changes and Error Corrections"(Accounting Standards Board of Japan (ASBJ) Statement No.24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

### **2. Application of Accounting Standard for Earnings Per Share**

Effective from the first quarter of the fiscal year ending March 31, 2012, the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, issued on June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share"(ASBJ Guidance No. 4, issued on June 30, 2010) have been applied.

In calculation of the amount of diluted net income per share, the method of calculating rights of stock options that are to be confirmed after a certain period of time of employment has been changed; of the fair value of stock options, the amount related to future services to be provided to the Company is included in the amount that is assumed to be received by the Company through exercise of rights.

The Company adopted a consolidated tax return system from the first quarter of the fiscal year ending March 31, 2012

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF SEPTEMBER 30, 2011 AND MARCH 31, 2011

(Unit : Millions of Yen)

	Prior year (As of March 31,2011)	Current period (As of September 30,2011)
	Amount	Amount
( A s s e t s )		
Current Assets		
Cash and deposits	149,006	167,542
Notes and accounts receivable – trade	56,468	45,270
Allowance for doubtful accounts	(472)	(398)
Short-term investment securities	42,412	18,901
Merchandise and finished goods	5,889	7,199
Work in process	14,916	19,347
Raw materials and supplies	15,567	20,827
Other	31,792	25,681
Total current assets	315,580	304,371
Noncurrent assets		
Property, plant and equipment		
Land	24,643	23,884
Other, net	32,497	33,475
Total property, plant and equipment	57,140	57,359
Intangible assets		
Goodwill	15,559	13,682
Other	7,195	8,602
Total intangible assets	22,754	22,284
Investments and other assets		
Investment securities	44,193	59,758
Other	20,338	18,452
Allowance for doubtful accounts	(1,382)	(1,307)
Total investments and other assets	63,149	76,903
Total noncurrent assets	143,044	156,547
Total assets	458,624	460,919

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF SEPTEMBER 30, 2011 AND MARCH 31, 2011

(Unit : Millions of Yen)

	Prior year (As of March 31,2011)	Current period (As of September 30,2011)
	Amount	Amount
( L i a b i l i t i e s )		
Current liabilities		
Notes and accounts payable - trade	37,513	40,653
Short - term loans payable	2,857	7,948
Income taxes payable	26,310	5,181
Provision	3,473	2,803
Asset retirement obligations	185	176
Other	38,687	28,742
Total current liabilities	109,028	85,506
Noncurrent liabilities		
Bonds payable	29,608	28,557
Long - term loans payable	5,316	30,639
Provision for retirement benefits	12,656	13,094
Provision for directors' retirement benefits	1,203	272
Asset retirement obligations	1,848	1,919
Other	13,501	18,020
Total noncurrent liabilities	64,135	92,504
Total liabilities	173,163	178,011
( N e t a s s e t s )		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,784	119,389
Retained earnings	164,669	163,671
Treasury stock	(25,329)	(25,895)
Total shareholders' equity	289,077	287,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,350	20,029
Deferred gains or losses on hedges	(0)	(4)
Revaluation reserve for land	(5,969)	(5,969)
Foreign currency translation adjustment	(19,264)	(21,034)
Total accumulated other comprehensive income	(13,883)	(6,977)
Subscription rights to shares	406	706
Minority interests	9,861	2,060
Total net assets	285,461	282,907
Total liabilities and net assets	458,624	460,919

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 6 MONTHS ENDED SEPTEMBER 30, 2010 AND 2011

(Unit : Millions of Yen)

	Prior period From April 1,2010 To September 30,2010	Current period From April 1,2011 To September 30,2011
	Amount	Amount
Net sales	217,807	152,602
Cost of sales	121,269	89,658
Gross profit	96,538	62,943
Selling, general and administrative expenses	49,688	47,762
Operating income	46,849	15,181
Other income (expenses) :		
Interest income	233	165
Dividends income	219	268
Equity in earnings of affiliates	55	—
Gain on valuation of derivatives	4	—
Gain on investment in partnership	2	421
Interest expenses	(333)	(261)
Equity in losses of affiliates	—	(19)
Loss on valuation of derivatives	—	(109)
Bond issuance cost	—	(84)
Foreign exchange losses	(294)	(313)
Commission fee	(350)	(417)
Gain on sales of noncurrent assets	23	0
Gain on sales of subsidiaries and affiliates' stocks	—	61
Reversal of allowance for doubtful accounts	180	—
Reversal of recovery costs of video game arcades	139	—
Gain on outlawed debt	62	—
Gain on reversal of subscription rights to shares	1,067	—
Distribution of patent royalty income for prior periods	1,139	—
Gain on negative goodwill	—	836
Loss on sales of noncurrent assets	(39)	(1)
Impairment loss	(807)	(1,060)
Loss on valuation of investment securities	(268)	(37)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(1,178)	—
The settlement payment for patent licensing	—	(3,500)
Other income	496	503
Other expenses	(1,920)	(1,168)
Sub total	(1,568)	(4,718)
Income before income taxes and minority interests	45,281	10,463
Income taxes-current	18,745	6,081
Income taxes	18,745	6,081
Income before minority interests	26,536	4,381
Minority interests in income	2,186	401
Net income	24,349	3,980



SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 6 MONTHS ENDED SEPTEMBER 30, 2010 AND 2011

(Unit : Millions of Yen)

	Prior period From April 1,2010 To September 30,2010	Current period From April 1,2011 To September 30,2011
	Amount	Amount
Minority interests in income	2,186	401
Income before minority interests	26,536	4,381
Other comprehensive income		
Valuation difference on available-for-sale securities	4,699	8,683
Deferred gains or losses on hedges	22	(4)
Foreign currency translation adjustment	(1,728)	(1,771)
Share of other comprehensive income of associates accounted for using equity method	(7)	(3)
Total other comprehensive income	2,986	6,903
Comprehensive income	29,522	11,285
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	27,376	10,885
Comprehensive income attributable to minority interests	2,146	399

## SEGMENT INFORMATION

1. Prior period (From April 1, 2010 to September 30, 2010)

(1) Information on the amounts of net sales, income (loss) by each reporting segment

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
(1) Sales to third parties	134,234	19,641	23,648	38,701	216,226	1,581	217,807
(2) Inter-segment sales and transfers	97	1,347	0	197	1,641	459	2,101
Total	134,331	20,988	23,648	38,898	217,867	2,040	219,908
Segment income (loss)	47,694	1,917	1,105	(1,306)	49,411	180	49,591

(Note) "Other" is the business segment not included in the reporting segments, but includes Information provider services, etc.

(2) Major differences between the total amount of income (loss) in the reporting segments and the operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2010 (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	49,411
Segment income in Other	180
Elimination of inter segment transactions	(51)
General corporate expenses (note)	(2,690)
Operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2010	46,849

(Note) General corporate expenses mainly consist of Group management expenses incurred by the holding company.

1. Current period (From April 1, 2011 to September 30, 2011)

(1) Information on the amounts of net sales, income (loss) by each reporting segment

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
(1) Sales to third parties	74,851	19,339	23,247	33,485	150,923	1,679	152,602
(2) Inter-segment sales and transfers	67	1,251	0	324	1,643	452	2,096
Total	74,918	20,591	23,247	33,810	152,566	2,131	154,698
Segment income (loss)	20,631	1,591	1,684	(6,004)	17,903	248	18,152

(Note) "Other" is the business segment not included in the reporting segments, but includes Information provider services, etc.

(2) Major differences between the total amount of income (loss) in the reporting segments and the operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2011 (reconciliation of the difference)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	17,903
Segment income in Other	248
Elimination of inter segment transactions	(19)
General corporate expenses (note)	(2,951)
Operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2011	15,181

(Note) General corporate expenses mainly consist of Group management expenses incurred by the holding company.

## NOTES ON SIGNIFICANT CHANGES IN THE AMOUNT OF SHAREHOLDERS' EQUITY

(Unit: Millions of Yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2011	29,953	119,784	164,669	(25,329)	289,077
Changes of items for the 6 months ended September 30, 2011					
Dividends from retained earnings			(5,034)		(5,034)
Net income			3,980		3,980
Increase by share exchanges (Note) 1		(394)		7,724	7,329
Purchase of treasury stock (Note) 2				(8,291)	(8,291)
Disposal of treasury stock		(0)		1	1
Change of scope of consolidation			55		55
Total changes of items for the 6 months ended September 30, 2011	—	(394)	(998)	(565)	(1,958)
Balances as of September 30, 2011	29,953	119,389	163,671	(25,895)	287,118

(Note)

1. According to the resolution at the meeting of Board of Directors held on May 13, 2011, the Company carried out an exchange of shares on August 1, 2011, converting TAIYO ELEC Co., Ltd. to its wholly owned subsidiary. As a result, the number of treasury stocks decreased by 4,423,546.
2. This refers primarily to the purchase of treasury stocks worth ¥8,280 million (5,000,000 shares) according to the resolution at the meeting of Board of Directors held on August 1, 2011.

Outline of the resolution

- (1) Type of shares to be acquired: Common shares
- (2) Total number of shares to be acquired: 5,000,000 shares (upper limit)
- (3) Total acquisition costs: ¥10,000 million (upper limit)
- (4) Acquisition period: From August 1, 2011 through October 31, 2011