

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**6 Months Ended September 30, 2012**

**Name of the Company :** SEGA SAMMY HOLDINGS INC.  
**Code number :** 6460  
 (URL <http://www.segasammy.co.jp/> )  
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Filing of Quarterly Report: November 12, 2012 (plan)  
 Start of cash dividend payments: December 3, 2012 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the 6 Months Ended September 30, 2012**

(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, 2012 | 136,583         | (10.5) | 7,892            | (48.0) | 3,874           | (2.7)  |
| For 6 months ended September 30, 2011 | 152,602         | (29.9) | 15,181           | (67.6) | 3,980           | (83.7) |

(Note) Comprehensive income

For 6 months ended September 30, 2012 : ¥ (718) million (—%)

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

|                                       | Net income per share | Net income per share (Diluted) |
|---------------------------------------|----------------------|--------------------------------|
|                                       | Yen                  | Yen                            |
| For 6 months ended September 30, 2012 | 15.74                | 15.70                          |
| For 6 months ended September 30, 2011 | 15.79                | 15.77                          |

(2) CONSOLIDATED FINANCIAL POSITION

|                    | Total assets    | Net assets      | Equity ratio |
|--------------------|-----------------|-----------------|--------------|
|                    | Millions of Yen | Millions of Yen | %            |
| September 30, 2012 | 448,376         | 275,273         | 60.6         |
| March 31, 2012     | 497,451         | 296,376         | 58.9         |

(Reference) Shareholders' equity

September 30, 2012 : ¥ 271,767 million

March 31, 2012 : ¥ 293,105 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<br>March 31, 2012         | —                        | 20.00          | —             | 20.00    | 40.00        |
| Year ending<br>March 31, 2013        | —                        | 20.00          |               |          |              |
| Year ending<br>March 31, 2013 (plan) |                          |                | —             | 20.00    | 40.00        |

(Note) Revision of the forecast in the first quarter of the year ending March 31, 2013: No

## 3. Forecast of Consolidated Operating Results for the Year ending March 31, 2013

(Percentage represents changes from the prior period/year)

|               | Net sales          |      | Operating income   |      | Net income         |      | Net income<br>per share |
|---------------|--------------------|------|--------------------|------|--------------------|------|-------------------------|
|               | Millions of<br>Yen | %    | Millions of<br>Yen | %    | Millions of<br>Yen | %    | Yen                     |
| Entire – year | 470,000            | 18.8 | 66,000             | 13.0 | 40,000             | 83.3 | 164.20                  |

(Note) Revision of the forecast in the second quarter of the year ending March 31, 2013: 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: No
  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, 2012 : 266,229,476
    - March 31, 2012 : 266,229,476
  2. Number of treasury stocks at the end of the period
    - September 30, 2012 : 24,676,747
    - March 31, 2012 : 15,194,836
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
    - For 6 months ended September 30, 2012: 246,197,354
    - For 6 months ended September 30, 2011: 252,053,455

(Note)

- 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, 2013, some uncertainty prevailed in the Japanese economy due to turmoil in the global financial markets, mainly in Europe, and the economic slowdown of emerging nations.

In this climate, although the pachislot and pachinko industry witnessed the replacement of older pachinko machines at a rather weak pace, recovery trend for the pachislot machines continued thanks to the positive factors including a recovery in their utilization rate and an increase in the quantity installed in pachinko parlors.

In the amusement machine and amusement center industry, the solid market was driven mainly by the prize category. In the future, however, development and supply of innovative new game machines in line with diversifying customer needs is expected to revitalize the market.

In the home video game software industry, demand weakened, mainly for packaged games, due to the severe economic environment in the U.S. and Europe. Meanwhile, the Group needs to adapt to a changing business environment in which market demand for digital games 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, 2013 amounted to ¥136,583 million, a decrease of 10.5% for the same period in the previous fiscal year. The Group posted an operating income of ¥7,892 million, a decrease of 48.0% for the same period in the previous fiscal year. The Group recorded a net income of ¥3,874 million, a decrease of 2.7% for the same period in the previous fiscal year.

Furthermore, the Company resolved to acquire treasury stocks at the Board of Directors' meeting held on May 31, 2012, and during the period of June 7 to July 31, 2012, the Company acquired 10,000,000 shares (the upper limit of total shares which may be acquired) at acquisition costs of ¥16,192 million.

Result of each segment is as follows

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

In the pachinko machine business, although the Group launched “Pachinko CR SOUTEN-NO-KEN TENJU” under the Sammy brand along with “CR Chameleon” under the Taiyo Elec brand in the second quarter, due to the current absence of this fiscal year's major titles that are scheduled for launch in the latter half of the fiscal year, sales for the first half of the fiscal year were 57 thousand units and fell short of the same period in the previous fiscal year. In the pachislot machine business, although the Group launched “Pachislot Ring ni Kakero 1 -The Twelve Gods of Greek Series-” under the Sammy brand in the second quarter, due to the rescheduling of the launch of a few titles, overall sales of pachislot machines for the first half of the fiscal year were 108 thousand units.

As a result, net sales in this segment were ¥54,644 million (a decrease of 27.1% for the same period in the previous fiscal year) and operating income was ¥10,406 million (a decrease of 49.6% for the same period in the previous fiscal year).

#### **《Amusement Machine Sales》**

In the amusement machine sales business, although sales of the titles such as “StarHorse3 Season I A NEW LEGEND BEGINS.”, “WORLD CLUB Champion Football Series” and “mimai”, and distribution revenue from the revenue sharing models remained solid, the sales of major new titles were absent.

As a result, net sales in this segment were ¥19,879 million (a decrease of 3.5% for the same period in the previous fiscal year) and operating income was ¥895 million (a decrease of 43.8% for the same period in the previous fiscal year).

### 《Amusement Center Operations》

In the amusement center operations business, efforts to reinforce management capabilities of existing amusement centers continued from the previous fiscal year. However, in reaction to the relatively strong performance driven primarily by the prize category in the same period in the previous fiscal year, sales at existing SEGA amusement centers in Japan dipped and registered 93.8% of the level compared to the same period of the previous fiscal year. In the second quarter, the Group closed 2 amusement centers in the domestic market. Consequently, the Group operated a total of 238 amusement centers at the end of the period.

As a result, net sales in this segment were ¥21,713 million (a decrease of 6.6% for the same period in the previous fiscal year) and operating income was ¥822 million (a decrease of 51.2% for the same period in the previous fiscal year).

### 《Consumer Business》

In the consumer business, sales were strong in the packaged game software field for titles such as “HATSUNE MIKU -Project DIVA- f” targeting the domestic market, as well as for continuing sales of titles released during the previous fiscal year and sales of distribution titles and others. However, a reduction of number of titles implemented as part of the structural reform policies announced on March 30, 2012 led to a year-on-year decline in total volume of packaged software sales to 2,760 thousand copies, including 1,160 thousand copies in the U.S., 960 thousand copies in Europe, and 640 thousand copies in Japan.

In the field of digital game software for mobile phones, smartphones, and PC downloading, the number of registered users of the PC online RPG “Phantasy Star Online 2”, which launched services in July, exceeded 1 million and pay-per-use income exceeded forecast levels. The major smartphone title “Kingdom Conquest” continued to perform strongly, and our title line-up was expanded with the introduction of numerous new additions including “The Clan Battle of Fate” which was developed jointly with Pokelabo, Inc.

Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, results were strong for pay-per-use services, and the smartphone version of “777townSP” service was enhanced.

In the toy sales division, sales of the mainstay products such as “Jewel Pod Diamond” remained solid.

In the animated films business, distribution revenue was favorable thanks to the sound box office sales of the 16th theater film “DETECTIVE CONAN: The Eleventh Striker” and performance was strong in both program sales and film distribution.

As a result, net sales in this segment were ¥35,702 million (an increase of 5.6% for the same period in the previous fiscal year) and operating loss was ¥780 million (operating loss of ¥6,004 million for the same period in the previous fiscal year).

In the consumer business, we have decided to carry out streamlining of the organization responsible for the packaged game software field in the U.S. and European markets in a bid to establish a structure that can consistently generate profit, as part of the strategies to restore growth as well as improve profitability. In connection with this, we are closing bases primarily in Europe and reducing number of titles. Going forward, we will cut fixed costs through utilization of external distributors, and concentrate efforts on sales of strong titles that are expected to continue posting solid earnings, in order to improve our earning power.

In addition, SEGA Networks, Ltd. was established on July 2, 2012 to bolster development of the digital game software field and shifting business structure with a view to adapting to changes in the business environment.

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

No amendments have been made to the forecast of consolidated operating results for the full year announced on May 11, 2012. However, as announced on October 15, 2012, it is necessary to thoroughly examine the sales trends of mainstay products scheduled to be launched in the latter half of the fiscal year, and the forecast will therefore be released promptly as soon as the outlook becomes clear.

In the pachinko machine business, titles such as “Pachinko CR Shin-Juoh” under the Sammy brand and “CR USAGI -Yasei no touhai-” under the Taiyo Elec brand are scheduled to be launched. In the pachislot machine business, sales of “PACHISLOT GHOST IN THE SHELL -STAND ALONE COMPLEX-” under the Sammy brand and several other titles are scheduled.

In the amusement machine sales business, in addition to the sales of CVT KITS, such as “SENGOKU-TAISEN” etc., is scheduled, continuous revenue contribution from revenue sharing titles is expected.

In the amusement center operations business, the Group is committed to ongoing reinforcement of management capabilities at each amusement center and of their local competitiveness.

In the consumer business, a number of major titles such as “Ryu ga Gotoku 5: Yume,Kanaeshimono” for domestic market, and “Aliens™: Colonial Marines”, “Sonic & All-Stars Racing Transformed” and “Football Manager 2013” for overseas markets are scheduled to be launched.

In the field of digital game software for mobile phones, smartphones, and PC downloading, the Group is planning to develop “Phantasy Star Online 2”, a major title in PC online RPG, for smartphones and PS Vita. In addition, we are planning to launch multiple titles including “Kingdom Conquest II”, a sequel to the successful “Kingdom Conquest”, and “Hatsune Miku Live Stage Producer”.

The Group will continuously work on the compatibility of the smartphone for our pachinko and pachislot websites for the mobile phone and the computer.

In the toy sales division, efforts will be concentrated on expanding sales of mainstay products such as “Anpanman Words Book DX” and “Jewel Pod Diamond”.

In the animated films business, distribution revenue is anticipated from the hit of the movie “ANPANMAN: Revive Banana Island!”, and the Group will strive to increase profitability by improving production efficiency.

### **(3) Other**

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

#### **1. Changes in accounting policies which is difficult to distinguish from changes in accounting estimates**

Previously, the method of depreciation for property, plant, and equipment mainly employed by the Company and its domestic consolidated subsidiaries was the declining-balance method. However, as a result of a review of the economic reality prompted by planned major capital investment, we have changed to the straight-line method as of the fiscal year ending March 31, 2013.

Specifically, construction of the new pachislot and pachinko plant and distribution center aims to ensure stable manufacture and supply of products, and closing unprofitable amusement centers have been completed, so amusement center machines can be expected to operate stably for the most part during their useful lives. Therefore, the operating rate of the Group's property, plant, and equipment will not change significantly, and the Group's repair costs and other equipment maintenance expenses are mostly level; thus, the depreciation method has been determined through comprehensive consideration of these and other factors.

Comparing results with the previous method, gross profit was increased by ¥1,640 million, operating income and income before income taxes and minority interests were increased by ¥2,010 million, respectively, for the first half of the fiscal year ending March 31, 2013.

The effect to the segment information is stated in the SEGMENT INFORMATION.

#### **2. Changes in accounting estimates**

Previously, the Company and its domestic consolidated subsidiaries determined the useful life of property, plant, and equipment mainly according to standards identical to the methods stipulated under the Corporation Tax Act in Japan. However, as a result of a review of the economic reality prompted by planned major capital investment, the determination of useful life of property, plant, and equipment has been changed as of the fiscal year ending March 31, 2013.

Specifically, we have completed construction of the new pachislot and pachinko plant and distribution center, and closed unprofitable amusement centers. As a result, we can consider the period of physical use for property, plant, and equipment such as manufacturing facilities and amusement center machines, as well as the period of earning contributions arising from the use of that property, plant, and equipment, to be more stable. Therefore, useful life has been determined through comprehensive consideration of economic life.

Comparing results with the previous method, gross profit was decreased by ¥160 million, operating income and income before income taxes and minority interests were decreased by ¥337 million, respectively, for the first half of the fiscal year ending March 31, 2013.

The effect to the segment information is stated in the SEGMENT INFORMATION.

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF SEPTEMBER 30, 2012 AND MARCH 31, 2012

(Unit : Millions of Yen)

|                                       | Prior year<br>(As of March 31, 2012) | Current period<br>(As of September 30, 2012) |
|---------------------------------------|--------------------------------------|--|
|                                       | Amount                               | Amount                                       |
| ( A s s e t s )                       |                                      |  |
| Current Assets                        |                                      |  |
| Cash and deposits                     | 127,721                              | 121,552                                      |
| Notes and accounts receivable – trade | 73,554                               | 40,382                                       |
| Allowance for doubtful accounts       | (593)                                | (371)  |
| Short-term investment securities      | 66,509                               | 37,410                                       |
| Merchandise and finished goods        | 6,677                                | 5,798  |
| Work in process                       | 6,992                                | 10,306                                       |
| Raw materials and supplies            | 20,890                               | 21,072                                       |
| Other                                 | 25,892                               | 23,646                                       |
| Total current assets                  | 327,645                              | 259,798                                      |
| Noncurrent assets                     |                                      |  |
| Property, plant and equipment         |                                      |  |
| Land                                  | 29,457                               | 27,945                                       |
| Other, net                            | 48,716                               | 58,531                                       |
| Total property, plant and equipment   | 78,173                               | 86,476                                       |
| Intangible assets                     |                                      |  |
| Goodwill                              | 10,790                               | 9,631  |
| Other                                 | 10,517                               | 12,873                                       |
| Total intangible assets               | 21,308                               | 22,505                                       |
| Investments and other assets          |                                      |  |
| Investment securities                 | 52,725                               | 55,078                                       |
| Other                                 | 18,838                               | 25,753                                       |
| Allowance for doubtful accounts       | (1,239)                              | (1,236)                                      |
| Total investments and other assets    | 70,324                               | 79,595                                       |
| Total noncurrent assets               | 169,805                              | 188,577                                      |
| Total assets                          | 497,451                              | 448,376                                      |

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF SEPTEMBER 30, 2012 AND MARCH 31, 2012

(Unit : Millions of Yen)

|   | Prior year<br>(As of March 31, 2012) | Current period<br>(As of September 30, 2012) |
|---|--------------------------------------|--|
|   | Amount                               | Amount                                       |
| ( L i a b i l i t i e s )                             |                                      |  |
| Current liabilities                                   |                                      |  |
| Notes and accounts payable - trade                    | 59,917                               | 28,791                                       |
| Short - term loans payable                            | 10,194                               | 11,535                                       |
| Income taxes payable                                  | 5,550                                | 2,605  |
| Provision   | 8,401                                | 4,406  |
| Asset retirement obligations                          | 199                                  | 182  |
| Other   | 48,136                               | 45,832                                       |
| Total current liabilities                             | 132,398                              | 93,353                                       |
| Noncurrent liabilities                                |                                      |  |
| Bonds payable   | 11,943                               | 15,150                                       |
| Long - term loans payable                             | 25,052                               | 32,834                                       |
| Provision for retirement benefits                     | 14,527                               | 15,000                                       |
| Provision for directors' retirement benefits          | 293                                  | 141  |
| Asset retirement obligations                          | 1,943                                | 2,193  |
| Other   | 14,916                               | 14,429                                       |
| Total noncurrent liabilities                          | 68,676                               | 79,749                                       |
| Total liabilities                                     | 201,075                              | 173,102                                      |
| ( N e t a s s e t s )                                 |                                      |  |
| Shareholders' equity                                  |                                      |  |
| Capital stock   | 29,953                               | 29,953                                       |
| Capital surplus                                       | 119,397                              | 119,365                                      |
| Retained earnings                                     | 175,173                              | 174,006                                      |
| Treasury stock  | (26,067)                             | (41,391)                                     |
| Total shareholders' equity                            | 298,456                              | 281,933                                      |
| Accumulated other comprehensive income                |                                      |  |
| Valuation difference on available-for-sale securities | 18,872                               | 15,018                                       |
| Revaluation reserve for land                          | (4,541)                              | (4,541)                                      |
| Foreign currency translation adjustment               | (19,681)                             | (20,642)                                     |
| Total accumulated other comprehensive income          | (5,350)                              | (10,165)                                     |
| Subscription rights to shares                         | 991                                  | 1,065  |
| Minority interests                                    | 2,279                                | 2,440  |
| Total net assets                                      | 296,376                              | 275,273                                      |
| Total liabilities and net assets                      | 497,451                              | 448,376                                      |



SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 6 MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(Unit : Millions of Yen)

|  | Prior period<br>From April 1, 2011<br>To September 30, 2011 | Current period<br>From April 1, 2012<br>To September 30, 2012 |
|--|---|---|
|  | Amount  | Amount  |
| Net sales  | 152,602   | 136,583   |
| Cost of sales  | 89,658  | 81,595  |
| Gross profit   | 62,943  | 54,988  |
| Selling, general and administrative expenses         | 47,762  | 47,095  |
| Operating income                                     | 15,181  | 7,892   |
| Other income (expenses) :                            |   |   |
| Interest income                                      | 165   | 250   |
| Dividends income                                     | 268   | 402   |
| Equity in earnings of affiliates                     | —   | 90  |
| Gain on valuation of derivatives                     | —   | 22  |
| Gain on investments in partnership                   | 421   | 36  |
| Interest expenses                                    | (261)   | (420)   |
| Equity in losses of affiliates                       | (19)  | —   |
| Loss on valuation of derivatives                     | (109)   | —   |
| Bond issuance cost                                   | (84)  | (141)   |
| Foreign exchange losses                              | (313)   | (701)   |
| Commission fee                                       | (417)   | (33)  |
| Gain on sales of noncurrent assets                   | 0   | 339   |
| Gain on sales of subsidiaries and affiliates' stocks | 61  | —   |
| Gain on negative goodwill                            | 836   | —   |
| Loss on sales of noncurrent assets                   | (1)   | (0)   |
| Impairment loss                                      | (1,060)   | (253)   |
| Loss on valuation of investment securities           | (37)  | (40)  |
| The settlement payment for patent licensing          | (3,500)   | —   |
| Other income   | 503   | 495   |
| Other expenses                                       | (1,168)   | (587)   |
| Subtotal   | (4,718)   | (541)   |
| Income before income taxes and minority interests    | 10,463  | 7,351   |
| Income taxes-current                                 | 6,081   | 3,256   |
| Total income taxes                                   | 6,081   | 3,256   |
| Income before minority interests                     | 4,381   | 4,094   |
| Minority interests in income                         | 401   | 220   |
| Net income   | 3,980   | 3,874   |

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 6 MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

(Unit : Millions of Yen)

|  | Prior period<br>From April 1, 2011<br>To September 30, 2011 | Current period<br>From April 1, 2012<br>To September 30, 2012 |
|--|---|---|
|  | Amount  | Amount  |
| Minority interests in income   | 401   | 220   |
| Income before minority interests   | 4,381   | 4,094   |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                  | 8,683   | (3,854)   |
| Deferred gains or losses on hedges   | (4)   | —   |
| Foreign currency translation adjustment  | (1,771)   | (958)   |
| Share of other comprehensive income of associates<br>accounted for using equity method | (3)   | 0   |
| Total other comprehensive income   | 6,903   | (4,812)   |
| Comprehensive income   | 11,285  | (718)   |
| Comprehensive income attributable to   |   |   |
| Comprehensive income attributable to owners of the<br>parent                           | 10,885  | (940)   |
| Comprehensive income attributable to minority<br>interests                             | 399   | 222   |

## SEGMENT INFORMATION

1. Prior 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<br>Pachinko | Amusement<br>Machine Sales | Amusement<br>Center Operations | Consumer<br>Business | Subtotal | Other<br>(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<br>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.

2. Current period (From April 1, 2012 to September 30, 2012)

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

(Unit: Millions of Yen)

|  | Pachislot<br>Pachinko | Amusement<br>Machine Sales | Amusement<br>Center Operations | Consumer<br>Business | Subtotal | Other<br>(note) | Total   |
|--|-----------------------|----------------------------|--------------------------------|----------------------|----------|-----------------|---------|
| Net sales -                              |                       |                            |                                |                      |          |                 |         |
| (1) Sales to third parties               | 54,375                | 18,741                     | 21,712                         | 35,395               | 130,225  | 6,358           | 136,583 |
| (2) Inter-segment sales<br>and transfers | 269                   | 1,137                      | 0                              | 306                  | 1,714    | 438             | 2,152   |
| Total                                    | 54,644                | 19,879                     | 21,713                         | 35,702               | 131,939  | 6,796           | 138,736 |
| Segment income (loss)                    | 10,406                | 895                        | 822                            | (780)                | 11,344   | (180)           | 11,163  |

(Note) “Other” is the business segment not included in the reporting segments, but includes operation of resort complexes and 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, 2012 (reconciliation of the difference)

(Unit: Millions of Yen)

| Income  | Amount  |
|---|---------|
| Total income in the reporting segments  | 11,344  |
| Segment loss in Other   | (180)   |
| Elimination of inter segment transactions   | (37)    |
| General corporate expenses (note)   | (3,233) |
| Operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2012 | 7,892   |

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

(3) Concerning changes in the reporting segment etc.

Previously, the method of depreciation for property, plant, and equipment mainly employed by the Company and its domestic consolidated subsidiaries was the declining-balance method. However, we have changed to the straight-line method as of the fiscal year ending March 31, 2013 as stated in the “Changes in accounting policies which is difficult to distinguish from changes in accounting estimates”.

Comparing the results with the previous method, segment income for “Pachislot and Pachinko Machines” increased by ¥531 million, “Amusement Machine Sales” increased by ¥80 million, “Amusement Center Operations” increased by ¥1,292 million, segment loss for “Consumer Business” decreased by ¥70 million, and segment loss for “Other” decreased by ¥10 million for the first half of the fiscal year ending March 31, 2013.

Previously, the Company and its domestic consolidated subsidiaries determined the useful life of property, plant, and equipment mainly according to standards identical to the methods stipulated under the Corporation Tax Act in Japan. However, the determination of useful life of property, plant, and equipment has been changed as of the fiscal year ending March 31, 2013 as stated in the “Changes in accounting estimates”.

Comparing the results with the previous method, segment income for “Pachislot and Pachinko Machines” decreased by ¥365 million, “Amusement Machine Sales” increased by ¥1 million, “Amusement Center Operations” increased by ¥40 million, and segment loss for “Consumer Business” increased by ¥13 million for the first half of the fiscal year ending March 31, 2013.

## 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, 2012                                     | 29,953        | 119,397         | 175,173           | (26,067)       | 298,456                    |
| Changes of items for the 6 months ended September 30, 2012       |               |                 |                   |                |                            |
| Dividends from retained earnings                                 |               |                 | (5,020)           |                | (5,020)                    |
| Net income   |               |                 | 3,874             |                | 3,874                      |
| Purchase of treasury stock (Note 1)                              |               |                 |                   | (16,210)       | (16,210)                   |
| Disposal of treasury stock (Note 2)                              |               | (31)            |                   | 886            | 855                        |
| Change of scope of consolidation                                 |               |                 | (21)              |                | (21)                       |
| Total changes of items for the 6 months ended September 30, 2012 | —             | (31)            | (1,167)           | (15,323)       | (16,522)                   |
| Balances as of September 30, 2012                                | 29,953        | 119,365         | 174,006           | (41,391)       | 281,933                    |

(Note)

1. This refers primarily to the purchase of treasury stocks worth ¥16,192 million (10,000,000 shares) according to the resolution at the meeting of Board of Directors held on May 31, 2012.

Outline of the resolution

- (1) Type of shares to be acquired: Common shares
  - (2) Total number of shares to be acquired: 10,000,000 shares (upper limit)
  - (3) Total acquisition costs: ¥17,000 million (upper limit)
  - (4) Acquisition period: From June 7, 2012 through September 28, 2012
2. This refers primarily to the assignment of treasury stocks worth ¥884 million (527,600 shares) due to the exercise of stock options.