

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
3 Months Ended June 30, 2013

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
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(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2013

(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 3 months ended June 30, 2013	90,715	29.6	16,119	197.7	12,947	408.8
For 3 months ended June 30, 2012	69,980	7.1	5,415	82.4	2,544	—

(Note) Comprehensive income

For 3 months ended June 30, 2013 : ¥17,892 million (—%)

For 3 months ended June 30, 2012 : ¥ (935) million (—%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2013	53.40	52.97
For 3 months ended June 30, 2012	10.17	10.14

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2013	518,515	333,862	63.6
March 31, 2013	528,504	320,034	59.7

(Reference) Shareholders' equity

June 30, 2013 : ¥329,587 million

March 31, 2013: ¥315,752 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, 2013	—	20.00	—	20.00	40.00
Year ending March 31, 2014	—				
Year ending March 31, 2014 (plan)		20.00	—	20.00	40.00

(Note) Revision of the forecast from latest announcement: No

3. Forecast of Consolidated Operating Results for the Year ending March 31, 2014

(Percentage represents changes from the prior period/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 2013	198,000	45.0	17,500	121.7	9,000	132.3	37.18
Entire – year	485,000	50.9	73,000	282.7	47,000	40.5	194.17

(Note) Revision of the forecast from latest announcement: No

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during period: Yes
(Included) Company name: SEGA SAMMY BUSAN INC.
- (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: No
- (4) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)
 - June 30, 2013 : 266,229,476
 - March 31, 2013 : 266,229,476
 2. Number of treasury stock at the end of the period
 - June 30, 2013 : 23,463,273
 - March 31, 2013: 24,169,675
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 3 months ended June 30, 2013: 242,462,678
 - For 3 months ended June 30, 2012: 250,293,105

(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 SEGA SAMMY HOLDINGS INC. (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 4.

Operating Results and Financial Position

(1) Overview

During the first quarter of the fiscal year ending March 31, 2014, there were growing hopes that the Japanese economy would break out of deflation and experience economic recovery amid the trend toward yen depreciation and rising stock prices backed by the effects of the economic policies set out by the government's new administration. However, uncertainty prevailed overall because of concern for deceleration of world economy.

In this climate, with regard to the pachislot and pachinko industry, as orders tended to concentrate on some mainstay products due to pachinko parlor operators becoming increasingly selective about machines, there has been continuing strong replacement demand for new pachislot machines, while replacement demand for new pachinko machines has been rather weak. In order to revitalize the market in the future, it is essential to develop and supply machines that will be supported by end users.

In the amusement machine and amusement center industry, the market was sluggish due to the absence of major market-driving titles, along with the diversification of ways to play on smartphones and other devices. 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 expanded in the market for digital games geared toward social networking services (SNS) and smartphones, while the market for packaged games softened.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2014 amounted to ¥90,715 million, an increase of 29.6% for the same period in the previous fiscal year. The Group posted an operating income of ¥16,119 million, an increase of 197.7% for the same period in the previous fiscal year. Due to the factors including gains such as Gain on sales of noncurrent assets, the Group recorded a net income of ¥12,947 million (an increase of 408.8% for the same period in the previous fiscal year).

In addition, SEGA SAMMY BUSAN INC., a subsidiary of the Company, concluded a city-owned property sales contract for the purpose of developing a complex in Centum-city, Haeundae-gu, Busan Metropolitan City, the Republic of Korea on April 26, 2013.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachislot machine business, as a result of the launch of major title “Pachislot Hokuto No Ken Chapter of Resurrection” under the Sammy brand, overall sales of pachislot machines exceeded results for the same period in the previous fiscal year, reaching 108 thousand units.

In the pachinko machine business, thanks to solid performance by “Pachinko CR Shin-Juoh Dejihane Ver. / Light Middle Ver.” under the Sammy brand along with “CR Kayou Suspense Gekijou” under the Taiyo Elec brand, overall sales of pachinko machines exceeded results for the same period in the previous fiscal year, reaching 28 thousand units.

As a result, net sales in this segment were ¥51,892 million (an increase of 53.6% for the same period in the previous fiscal year) and operating income was ¥18,715 million (an increase of 138.5% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, sales of expendables such as cards for the “WORLD CLUB Champion Football” and distribution revenue from revenue sharing titles remained solid. However, as major titles were not launched during the first quarter, net sales in this segment were ¥7,627 million (a decrease of 14.9% for the same period in the previous fiscal year) and operating loss was ¥438 million (operating income of ¥201 million 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, due to the absence of major titles, sales at existing amusement centers in Japan dipped and registered 92.5% of the level compared to the same period of the previous fiscal year.

In the first quarter, the Group closed 2 amusement centers and opened 1 new amusement center in the domestic market. Consequently, the Group operated a total of 201 amusement centers at the end of the period.

Meanwhile, from the fiscal year ending March 31, 2014, numbers counted as amusement centers in the domestic market are based on amusement centers (game arcades) directly operated by the Group.

As a result, net sales in this segment were ¥10,020 million (an increase of 0.1% for the same period in the previous fiscal year) and operating loss was ¥92 million (operating income of ¥428 million for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, the Group launched titles such as “Company of Heroes 2” in the packaged game software field. However, a year-on-year decline in total volume of packaged software sales to 1,210 thousand copies, which includes 370 thousand copies in the U.S., 570 thousand copies in Europe, and 250 thousand copies in Japan.

On the other hand, performance remained favorable in the field of digital game software for mobile phones, smartphones, and PC downloading, with the client distribution number for the online RPG “Phantasy Star Online 2” on PS Vita exceeding 500 thousand for downloaded and packaged versions after three months since launching the service. Among titles for smartphones, “Puyopuyo!! Quest” continues to perform robustly, exceeding 2 million downloads cumulatively as of June 2013.

Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777townSP” service and service for DeNA Co., Ltd.’s “Moba7” were enhanced.

In the toy division, sales of mainstay products such as “Jewelpod” were strong.

In the animated films business, overseas sales of “LUPIN THE 3RD” and film distribution were favorable.

As a result, net sales in this segment were ¥18,895 million (an increase of 25.2% for the same period in the previous fiscal year) and operating income was ¥39 million (operating loss of ¥1,559 million for the same period in the previous fiscal year).

(2) Forecast of Consolidated Operating Results

Although the amount of Net income for the first quarter of the fiscal year ending March 31, 2014 reached the forecasted amount for the first half of the fiscal year, announced on May 10, 2013, no change has been made to the forecast, because the sales of the major products were planned in this first quarter.

Modified forecast for consolidated operating results for the first half of the fiscal year ending March 31, 2014 and that for the full year would be released promptly if modification is needed.

(3) Other

(Significant changes in subsidiaries during period)

SEGA SAMMY BUSAN INC. became the Company’s consolidated subsidiaries because of its establishment.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2013 AND MARCH 31, 2013

(Unit : Millions of yen)

	Prior year (As of March 31, 2013)	Current period (As of June 30, 2013)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	176,540	114,536
Notes and accounts receivable – trade	63,886	69,264
Allowance for doubtful accounts	(386)	(281)
Short-term investment securities	4,260	36,657
Merchandise and finished goods	5,931	6,670
Work in process	12,773	16,814
Raw materials and supplies	23,850	20,157
Other	31,713	25,697
Total current assets	318,570	289,517
Noncurrent assets		
Property, plant and equipment		
Land	27,229	36,614
Other, net	59,830	61,128
Total property, plant and equipment	87,060	97,743
Intangible assets		
Goodwill	10,206	9,785
Other	12,706	11,943
Total intangible assets	22,913	21,729
Investments and other assets		
Investment securities	72,797	83,595
Other	28,159	26,927
Allowance for doubtful accounts	(997)	(997)
Total investments and other assets	99,960	109,525
Total noncurrent assets	209,933	228,997
Total assets	528,504	518,515

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2013 AND MARCH 31, 2013

(Unit : Millions of yen)

	Prior year (As of March 31, 2013)	Current period (As of June 30, 2013)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	50,142	30,589
Short - term loans payable	12,867	12,869
Income taxes payable	1,494	1,796
Provision	5,455	3,110
Asset retirement obligations	229	198
Other	33,448	31,904
Total current liabilities	103,637	80,469
Noncurrent liabilities		
Bonds payable	29,500	29,500
Long - term loans payable	44,926	43,821
Provision for retirement benefits	9,277	9,208
Provision for directors' retirement benefits	138	115
Asset retirement obligations	2,165	2,227
Other	18,823	19,311
Total noncurrent liabilities	104,831	104,183
Total liabilities	208,469	184,653
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,335	119,326
Retained earnings	198,924	206,770
Treasury stock	(40,540)	(39,360)
Total shareholders' equity	307,673	316,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,385	31,160
Deferred gains or losses on hedges	—	25
Revaluation reserve for land	(4,705)	(4,705)
Foreign currency translation adjustment	(14,601)	(13,582)
Total accumulated other comprehensive income	8,078	12,897
Subscription rights to shares	1,146	1,029
Minority interests	3,136	3,245
Total net assets	320,034	333,862
Total liabilities and net assets	528,504	518,515

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 3 MONTHS ENDED JUNE 30, 2012 AND 2013

(Unit : Millions of yen)

	Prior period From April 1, 2012 To June 30, 2012	Current period From April 1, 2013 To June 30, 2013
	Amount	Amount
Net sales	69,980	90,715
Cost of sales	41,410	48,770
Gross profit	28,570	41,945
Selling, general and administrative expenses	23,154	25,826
Operating income	5,415	16,119
Other income (expenses) :		
Interest income	125	85
Dividends income	401	467
Equity in earnings of affiliates	62	—
Gain on valuation of derivatives	80	—
Foreign exchange gains	—	739
Gain on investments in partnership	0	49
Interest expenses	(200)	(205)
Equity in losses of affiliates	—	(38)
Loss on valuation of derivatives	—	(106)
Bond issuance cost	(87)	—
Foreign exchange losses	(821)	—
Gain on sales of noncurrent assets	290	3,076
Loss on sales of noncurrent assets	(0)	(2)
Loss on valuation of investment securities	(9)	(16)
Other income	183	465
Other expenses	(456)	(276)
Subtotal	(432)	4,238
Income before income taxes and minority interests	4,983	20,357
Income taxes-current	2,205	7,379
Total income taxes	2,205	7,379
Income before minority interests	2,778	12,977
Minority interests in income	233	30
Net income	2,544	12,947
Minority interests in income	233	30
Income before minority interests	2,778	12,977
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,942)	3,774
Deferred gains or losses on hedges	(0)	25
Foreign currency translation adjustment	(770)	889
Share of other comprehensive income of associates accounted for using equity method	(0)	225
Total other comprehensive income	(3,714)	4,914
Comprehensive income	(935)	17,892
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	(1,195)	17,765
Comprehensive income attributable to minority interests	259	126

SEGMENT INFORMATION

1. Prior period (From April 1, 2012 to June 30, 2012)

(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	33,775	8,382	10,012	14,929	67,099	2,881	69,980
(2) Inter-segment sales and transfers	18	584	0	166	769	210	980
Total	33,794	8,966	10,012	15,095	67,869	3,091	70,960
Segment income (loss)	7,847	201	428	(1,559)	6,917	(152)	6,764

(Note) "Other" is the business segment not included in the reporting segments, but includes the resort complex business 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 first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	6,917
Segment income in Other	(152)
Elimination of inter segment transactions	(68)
General corporate expenses (note)	(1,280)
Operating income in the consolidated statement of income and comprehensive income for the first quarter of the fiscal year ended March 31, 2013	5,415

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

2. Current period (From April 1, 2013 to June 30, 2013)

(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	51,824	6,843	10,016	18,822	87,507	3,208	90,715
(2) Inter-segment sales and transfers	68	783	4	72	929	153	1,083
Total	51,892	7,627	10,020	18,895	88,436	3,362	91,799
Segment income (loss)	18,715	(438)	(92)	39	18,224	(425)	17,799

(Note) “Other” is the business segment not included in the reporting segments, but includes the resort complex business 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 first quarter of the fiscal year (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	18,224
Segment income in Other	(425)
Elimination of inter segment transactions	54
General corporate expenses (note)	(1,734)
Operating income in the consolidated statement of income and comprehensive income for the first quarter of the fiscal year ending March 31, 2014	16,119

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

MATERIAL SUBSEQUENT EVENTS

The Company issued the following straight corporate bonds

Name of bond	SEGA SAMMY HOLDINGS INC. First unsecured straight bonds (with inter-bond pari passu clause)	SEGA SAMMY HOLDINGS INC. Second unsecured straight bonds (with inter-bond pari passu clause)
Issuing amount	¥5,000 million	¥5,000 million
Date of issuance	July 25, 2013	July 25, 2013
Issue price	¥100 for ¥100 par value of each bond	¥100 for ¥100 par value of each bond
Interest rate	0.732% per annum	0.493% per annum
Date of maturity	July 25, 2018	July 25, 2016
Use of proceeds	Repayment of loans payable	Repayment of loans payable