

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
9 Months Ended December 31, 2004

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp>)
Representative: Hajime Satomi
 Chairman & CEO
Any inquiry to : Shunichi Shimizu
 General Manager, Finance Department
 Tel (03) 6215-9955

1. Significant Accounting Policies in the Preparation of Third-Quarter Operating Results

- (1) Adoption of the simplified method of accounting: Yes
 The simplified method is applied to the computation of income taxes.

2. Consolidated Operating Results for the 9 Months Ended December 31, 2004

(1) RESULTS OF CONSOLIDATED OPERATIONS

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 9 months ended December 31, 2004	399,443	(—)	91,985	(—)	46,224	(—)
For 9 months ended December 31, 2003	—	(—)	—	(—)	—	(—)
For Year ended March 31, 2004	—	(—)	—	(—)	—	(—)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2004	375.17	363.57
For 9 months ended December 31, 2003	—	—
For Year ended March 31, 2004	—	—

(Note) Percentages for net sales, operating income and net income represent change from the prior period.

[Qualitative Data Regarding Business Results]

On October 1, 2004, SEGA and Sammy established SEGA SAMMY HOLDINGS INC. to further enhance their presence as a total global entertainment company by merging corporate resources and maximizing corporate value.

Regarding business performance for the nine-month period ended December 31, 2004, SEGA SAMMY HOLDINGS witnessed strong growth in net sales to ¥399,443 million, and operating income to ¥91,985 million. Among factors stimulating growth was *Hokuto No Ken*, a hit pachislot machine in the pachislot and pachinko business, and the runaway success of *The King of Beetle Mushiking* in amusement-related operations. The Company recorded net income of ¥46,224 million, despite an extraordinary loss stemming from redemption loss of corporate bonds in conjunction with business integration amounted ¥10,644 million.

With regard to general business conditions in current period, please refer to Segment information of operations by product attached on 4 page and Qualitative Data Regarding Business Results on 5-6(Sammy) and 7-8(Seга) page.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2004	445,551	220,590	49.5	1,867.93
December 31, 2003	—	—	—	—
March 31, 2004	—	—	—	—

3. Projection for Consolidated Result for Fiscal Year 2005 (April 1, 2004 ~ March 31, 2005)

	Net sales	Operating income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
Entire - year	528,000	97,000	53,500

(Reference) Projected net income per share for the entire-year is ¥447.53

[Qualitative Data Regarding Business Forecasts]

Third-quarter business results were largely in line with plans. Accordingly, no change has been made to initial full-year business forecasts announced on November 10, 2004. Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecasts.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND DECEMBER 31, 2003 AND MARCH 31, 2004

(Unit : Millions of Yen)

	Current period (As of December 31, 2004)		Prior period (As of December 31, 2003)		Prior year (As of March 31, 2004)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(Assets)		%		%		%
I Current Assets						
Cash and deposits	146,258		—		—	
Notes receivable and accounts receivable-trade	80,607		—		—	
Inventories	33,430		—		—	
Other current assets	26,719		—		—	
Total current assets	287,016	64.4	—	—	—	—
II Non-current assets						
Property and equipment	74,426	16.7				
Intangible assets	7,617	1.7				
Investments and other assets	76,491	17.2				
Total non-current assets	158,535	35.6	—	—	—	—
Total assets	445,551	100.0	—	—	—	—
(Liabilities)						
I Current liabilities						
Short-term bank loans	12,460		—		—	
Notes and accounts payable	61,863		—		—	
Current portion of Bond	3,128		—		—	
Others	40,341		—		—	
Total current liabilities	117,793	26.4	—	—	—	—
II Non-current liabilities						
Bond	66,916		—		—	
Long-term debt	14,677		—		—	
Other non-current liabilities	17,527		—		—	
Total non-current liabilities	99,121	22.3	—	—	—	—
Total liabilities	216,914	48.7	—	—	—	—
(Minority interests)						
Minority interests	8,045	1.8	—	—	—	—
(Shareholders' equity)						
Common stock	10,000	2.2	—	—	—	—
Capital surplus	159,014	35.7	—	—	—	—
Retained earnings	129,404	29.1	—	—	—	—
Adjustment of revaluation of land	(6,541)	(1.5)	—	—	—	—
Net unrealized holding gains on securities	11,140	2.5	—	—	—	—
Foreign currency translation adjustments	(9,415)	(2.1)	—	—	—	—
Treasury stock	(73,010)	(16.4)	—	—	—	—
Total shareholders' equity	220,590	49.5	—	—	—	—
Total liabilities and Shareholders' equity	445,551	100.0	—	—	—	—

SEGA SAMMY HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED DECEMBER 31, 2004 AND FOR THE 9 MONTHS ENDED DECEMBER 31, 2003 AND YEAR ENDED MARCH 31, 2004

(Unit : Millions of Yen)

	Current period		Prior period		Prior year	
	(From April 1, 2004 to December 31, 2004)		(From April 1, 2003 to December 31 2003)		(From April 1, 2003 to March 31, 2004)	
	Amount	Percentage	Amount	Amount	Amount	Percentage
		%		%		%
Net sales	399,443	100.0	—	—	—	—
Cost of sales	225,934	56.6	—	—	—	—
Gross profit	173,509	43.4	—	—	—	—
Selling, general and administrative expenses	81,524	20.4	—	—	—	—
Operating income	91,985	23.0	—	—	—	—
Other income	5,729	1.4	—	—	—	—
Other expenses	18,162	4.5	—	—	—	—
	12,432	3.1	—	—	—	—
Income before income taxes and minority interests	79,552	19.9	—	—	—	—
Total Income taxes	32,816	8.2	—	—	—	—
Net income before minority interests	46,735	11.7	—	—	—	—
Minority interests	511	0.1	—	—	—	—
Net income	46,224	11.6	—	—	—	—

SEGMENT INFORMATION

Operations by product

Current period (From April 1, 2004 to December 31, 2004)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement arcade equipment	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	220,734	49,714	62,235	49,053	17,706	399,443	—	399,443
(2) Inter segment	25	13,838	70	50	523	14,508	(14,508)	—
Total	220,759	63,553	62,305	49,103	18,229	413,952	(14,508)	399,443
Cost and expenses	132,257	57,144	57,273	54,168	18,394	319,237	(11,778)	307,458
Operating income (loss)	88,502	6,409	5,032	(5,064)	(164)	94,714	(2,729)	91,985

(Reference)

SEGA SAMMY HOLDINGS INC.
(Portion of Sammy Corporation)
CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Operating Results for the 9 Months Ended December 31, 2004

(1) RESULTS OF CONSOLIDATED OPERATIONS

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 9 months ended December 31, 2004	257,824	(77.8)	83,749	(101.9)	48,022	(156.8)
For 9 months ended December 31, 2003	145,010	(—)	41,491	(—)	18,703	(—)
For Year ended March 31, 2004	251,226	(—)	71,676	(—)	32,196	(—)

(Note) Percentages for net sales, operating income and net income represent change from the prior period.

[Qualitative Data Regarding Business Results]

In the Sammy Group's core Pachislot and Pachinko Machines business, *Hokuto No Ken*, a pachislot machine launched in the previous fiscal year, sold 351,000 units during the nine-month period ended December 31, 2004. *Hokuto No Ken* has continued to perform admirably since its release, with a cumulative total of 611,000 units sold. In December, Sammy subsidiary RODEO Co., Ltd. launched *Kaiji*, the first pachislot machine in the industry to feature a 13-inch LCD display. These and other efforts led to the sale of 534,000 pachislot machine units during the nine months under review, compared to 370,000 units sold a year earlier.

In pachinko machines, Sammy continued to release hit machine varieties. Among these was *CR Hakushon Daimaoh 2*. Launched in December, this machine is the first from Sammy built to new industry specifications, and features a large 10.4-inch LCD display. Sammy sold a total of 201,000 pachinko machine units during the nine-month period, versus 123,000 units sold a year ago, enabling it to record substantial year-on-year growth in both pachislot and pachinko machines.

Sales for Sammy's Amusement Arcade Equipment, Home Videogame Software and other businesses also rose sharply year-on-year, buoyed by secondary benefits emanating from Sammy's robust Pachislot and Pachinko Machines business.

These factors led to substantial top- and bottom-line growth on a consolidated basis. Net sales for the nine months ended December 31, 2004, resulted in ¥257,824 million. Operating income for the same period, meanwhile, was ¥83,749 million, and net income was ¥48,022 million.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2004	317,949	177,222	55.7
December 31, 2003	225,382	81,529	36.2
March 31, 2004	299,272	112,987	37.8

[Qualitative Data Regarding Consolidated Financial Position]

Compared to the end of the previous fiscal year, total assets as of December 31, 2004, amounted to ¥317,949 million, an increase of ¥18,676 million. Shareholders' equity was up ¥64,235 million to ¥177,222 million. As a result, the shareholders' equity ratio rose 17.9 percentage points to 55.7%. The higher equity ratio mainly reflected an increase in retained earnings due to sharp growth in consolidated net income, and an increase in equity resulting from the conversion of convertible bonds to stock.

2. Projection for Consolidated Result for Fiscal Year 2005 (April 1, 2004 ~ March 31, 2005)

[Qualitative Data Regarding Business Forecasts]

Third-quarter business results were largely in line with plans. Accordingly, no change has been made to initial full-year business forecasts announced on November 10, 2004. Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecasts.

(Reference)

SEGA SAMMY HOLDINGS INC.
(Portion of Sega Corporation)
CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Operating Results for the 9 Months Ended December 31, 2004

(1) RESULTS OF CONSOLIDATED OPERATIONS

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 9 months ended December 31, 2004	146,506	(1.4)	8,491	(△32.1)	3,453	(△54.9)
For 9 months ended December 31, 2003	144,512	(—)	12,504	(—)	7,655	(—)
For Year ended March 31, 2004	191,257	(—)	14,480	(—)	8,760	(—)

(Note) Percentages for net sales, operating income and net income represent change from the prior period.

[Qualitative Data Regarding Business Results]

In its consolidated business results for the nine-month period from April 1, 2004 to December 31, 2004, In Japan, performance was firm from the Amusement Machine Sales business, reflecting measures targeting hit product *UFO Catcher 7*, such as a new *Mushiking* version upgrade for the machine. A new product, *Quest of D*, and long-selling favorite *MJ2* also contributed with higher-than-expected sales. In sales of prize products, segment sales got another substantial boost from original client merchandise items, particularly Disney goods, and *Mushiking*-related merchandise. Overseas, segment performance was strong in Asia, Europe and the Americas.

In Amusement Center Operations, sales at existing facilities declined 4.6% year on year, falling short of forecasts that predicted growth of 0.9%. Among other factors, this downturn stemmed from the closing of more amusement centers than initially planned.

In contrast, *The King of Beetle Mushiking*, a business venture that combines equipment leasing and card sales, continued to perform strongly, contributing heavily to segment sales. *Oshare Majo Love & Berry*, a new product, has also recorded firm sales since its launch.

During the third quarter, SEGA opened 9 new amusement centers and closed 8, for a total of 469 amusement centers as of December 31, 2004.

In the Consumer Business, title sales in the third quarter surpassed initial forecasts, with 7 titles selling 550,000 copies in Japan, 11 titles selling 1.56 million copies in the United States, and 7 titles selling 1.95 million copies in Europe, for a total of 25 titles and 4.06 million copies sold. This contrasts favorably with plans that called for sales of 26 copies of 4.02 million titles.

Strong performance from several new titles contributed to earnings growth. These included *Shining Tears* for the PS2 and *Kimi No Tame Nara Shineru* for the Nintendo DS, both for the Japanese market; *Sonic Mega Collection Plus* for the PS2 in the Americas, and *Football Manager* for the PC in Europe.

The foregoing resulted in consolidated net sales of ¥146,506 million for the nine months ended December 31, 2004. On the earnings side, operating income for the same period was ¥8,491 million, and net income was ¥3,453 million.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2004	209,291	130,188	62.2
December 31, 2003	198,833	95,411	48.0
March 31, 2004	189,055	97,962	51.8

[Qualitative Data Regarding Consolidated Financial Position]

Total assets as of December 31, 2004, stood at ¥209,291 million, up ¥20,236 million from the previous fiscal year-end. Shareholders' equity increased ¥32,225 million to ¥130,188 million. As a result, the shareholders' equity ratio rose 10.4 percentage points to 62.2%. The rise in shareholders' equity was due in large part to the transfer of treasury stock to parent company SEGA SAMMY HOLDINGS, following the parent company's establishment via a stock transfer carried out in conjunction with Sammy Corporation.

2. Projection for Consolidated Result for Fiscal Year 2005 (April 1, 2004 ~ March 31, 2005)

No change has been made to initial full-year business forecasts announced on May 18, 2004. Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecasts.