

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
3 Months Ended June 30, 2009

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
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 Chairman of the Board and Chief Executive Officer
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Filing of Quarterly Report: August 7, 2009 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2009

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage for net sales, operating income and net income represent change 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, 2009	60,461	(19.0)	(7,820)	—	(10,293)	—
For 3 months ended June 30, 2008	74,601	—	(10,290)	—	(10,533)	—

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2009	(40.86)	—
For 3 months ended June 30, 2008	(41.81)	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
June 30, 2009	391,504	231,801	53.9	837.05
March 31, 2009	423,938	242,532	52.4	882.47

(Reference) Equity at year-end (consolidated):
 June 30, 2009 : ¥210,871 million
 March 31, 2009: ¥222,316 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, 2009	—	15.00	—	15.00	30.00
Year ending March 31, 2010	—				30.00
Year ending March 31, 2010 (plan)		15.00	—	15.00	

(Note) Revision of the forecast in the first quarter of the year ending March 31, 2010: No

3. Projection for Consolidated Results for the Year ending March 31, 2010

(Percentage for net sales, operating income and net income represent change 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 2009	163,000	(18.7)	(12,500)	—	(14,500)	—	(57.56)
Entire – year	420,000	(2.1)	27,000	222.8	15,000	—	59.54

(Note) Revision of the projection in the first quarter of the year ending March 31, 2010: 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: Yes
 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)
 - June 30, 2009 : 283,229,476
 - March 31, 2009 : 283,229,476
 2. Number of treasury stock at the end of the period
 - June 30, 2009 : 31,308,711
 - March 31, 2009: 31,305,733
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 3 months ended June 30, 2009: 251,922,275
 - For 3 months ended June 30, 2008: 251,936,238

[Caution With Regard to Operating Results Outlook]

- Statements in this report pertaining to market projections and the outlook for operating results reflect the assumptions and judgment of the Company's management based on the most accurate information available at the time of release. Such statements carry inherent risks and uncertainties. Factors that may affect operating results include, but are not limited to, those discussed in the projections and outlook. Readers are cautioned that changes in a variety of factors could cause actual results to differ substantially from the aforementioned projections and outlook.

Operating Results and Financial Position

(1) Overview

During the first quarter of the fiscal year ending March 31, 2010, the Japanese economy continued to face uncertain prospects for recovery. Corporate business performance and the employment outlook in Japan worsened, and weak personal consumption persisted, due to the global economic recession that has grown more acute since last year.

In this climate, the pachislot and pachinko industry is witnessing a firm drive to replace older pachinko machines with models offering more diverse gameplay. The pachislot market, however, has yet to mount a full-fledged recovery. Nevertheless, the development and launch of innovative models are expected to revitalize this market.

In the amusement machine and amusement center industry, conditions remained difficult due to sluggish personal consumption. The industry awaits the development and launch of new game machines that will support amusement center operators and lead the market by addressing the diversified needs of customers, including families and casual players.

In the home video game software industry, growth in demand for software has leveled off in Japan and North America, due to the popularization of the current generation of game platforms. Nevertheless, demand remains relatively firm in Europe.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2010 amounted to ¥60,461 million, down 19.0% year on year. The Group posted an operating loss of ¥7,820 million, compared with an operating loss of ¥10,290 million for the same period year ago. The Group recorded a net loss of ¥10,293 million, compared with a net loss of ¥10,533 million for the same period in the previous fiscal year. These results reflect the anticipated concentration of sales of major titles in the pachislot and pachinko machines segment, amusement machine sales segment, and consumer business segment in the second half of the current fiscal year.

Results by business segments were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group recorded brisk sales of “CR Kidou Shinsengumi Moeyo Ken2” under the TAIYO ELEC brand. Although the Group launched “CR Hakushon Daimaou3” under the Sammy brand, the decision to delay the release of certain other title until the second quarter resulted in the sale of a total of 53 thousand pachinko machine units during the first quarter. In the pachislot machine business, with no launch of new models planned during the first quarter, overall pachislot machine sales totaled 5 thousand units for the period, reflecting sales of models launched in the previous fiscal year. As a result, the segment recorded sales of ¥19,754 million (an increase of 60.8% year on year) and an operating loss of ¥1,037 million (compared with an operating loss of ¥4,350 million a year earlier).

《Amusement Machine Sales》

In the amusement machine sales business, with no major titles scheduled for launch in the first quarter, sales were concentrated largely on the sale of cards and other consumables for amusement machines, as well as sales of “GALILEO FACTORY,” a large medal game launched in the previous fiscal year. As a result, sales in this segment declined 42.0%, to ¥8,419 million, with an operating loss of ¥1,077 million (compared with operating income of ¥703 million a year earlier).

《Amusement Center Operations》

In the amusement center operations business, sales at existing SEGA amusement centers in Japan were weakened by sluggish personal consumption, at 96.0% of the level during the same period in the previous fiscal year. Facing difficult business conditions, the Group continued to close domestic amusement centers with low profitability or future potential. In the first quarter, the Group closed 25 amusement centers and opened 1 new amusement center. Consequently, the Group operated a total of 298 amusement centers at the end of the period. As a result, the segment reported a 18.9% decline in sales to ¥14,139 million, and an operating loss of ¥125 million, compared with an operating loss of ¥1,577 million for the same period in the previous fiscal year.

《Consumer Business》

In the consumer business, home video game software sales were largely firm, although certain repeat titles' sales were weak in overseas. For the period, the Group sold 990 thousand video game copies in the United States, 1,120 thousand copies in Europe and 530 thousand copies in Japan and other regions, for a total of 2,650 thousand copies. In the toy sales division, sales were weak in Japan, but overseas sales were buoyant for “BAKUGAN.” In the mobile phone and PC content business, sales were brisk mainly for downloadable games for PCs. In the animated films business, the production and sales of animated films exceeded the results of the same period in the previous fiscal year, but the profit was slightly lower than the level during the same period in the previous fiscal year due to the factors such as an increase of production expenses. As a result, this segment posted 40.8% decline in sales to ¥18,074 million, and an operating loss of ¥4,500 million, compared with an operating loss of ¥4,115 million for the same period in the previous fiscal year.

(2) Consolidated Financial Position

Total assets as of June 30, 2009 were ¥391,504 million, a decrease of ¥32,434 million from the previous fiscal year end. This was primarily attributable to decrease of ¥37,589 million in notes and accounts receivable, despite an increase of ¥5,695 million in short-term investment securities, such factors as negotiable certificates of deposit.

Net assets were ¥231,801 million, a decrease of ¥10,731 million from the previous fiscal year end, largely due to a net loss, and the payment of dividends.

The current ratio remained at a high level of 327.8%, up 32.8 points from the previous fiscal year end. As a result, the equity ratio was 53.9%, up 1.5 points from the previous fiscal year end.

(3) Projection for Consolidated Results

In the second quarter, the Group is scheduled to launch the sale of “Pachinko CR Kyutei Nyokan Chamgum no Chikai,” a major title in the pachinko machine business under the Sammy brand. In the pachislot machine business, the Group plans to launch “Pachislot Eureka Seven,” a major Sammy branded title offering innovative gameplay. In the amusement machine sales business, the Group is planning to launch the videogame “BORDER BREAK,” as a major title in this business. In the amusement center operations business, the Group is anticipating a recovery in amusement centers' profitability as the spread of major titles gains momentum in the second half of the year. In the consumer business, the Group is scheduled to launch major titles in Japan and overseas in the home video game software sales business in the second half of the year.

During the first quarter, the Group made firm progress towards meeting forecasts announced on May 13, 2009 for consolidated operating results cumulative for the first half and for the entire year ending March 31, 2010. Consequently, no changes have been made to consolidated business forecasts at this time.

(4) Other

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

Content production expenses related to game software and amusement machines conducted primarily by the consolidated subsidiary SEGA CORPORATION have previously been accounted for as cost of sales at the time that such expenses are incurred (when production work is outsourced, these expenses are first posted as advance payments, and later treated as cost of sales at the time that production work is inspected). However, from the first quarter of the fiscal year ending March 31, 2010, goods recognized as products for commercialization will be

posted under inventories as work in process, with opting to treat the amount of such expenses equivalent to the actual sales volume recorded among projected sales volume as cost of sales.

The rationale for this change is to redeploy a framework capable of properly evaluating the certainty of realizing earnings by clarifying decision-making processes at the development stages of each project in line with efforts to review and enhance the development structure. This change will enable the appropriate disclosure of income for a given fiscal period by directly matching content production expenses, which have tended to grow sharply in recent years, with commensurate earnings.

As a consequence of this change, work in process under inventories increased by ¥941 million, advance payments decreased by ¥281 million, foreign currency translation adjustment decreased by ¥4 million, while operating loss, and loss before income taxes and minority interests each decreased by ¥654 million.

The impact of this change on segment information is discussed in the Segment Information section of this report.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009 AND MARCH 31, 2009

(Unit : Millions of Yen)

	Current period (As of June 30,2009)	Prior year (As of March 31,2009)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	97,067	106,436
Notes and accounts receivable – trade	42,879	80,468
Allowance for doubtful accounts	(589)	(698)
Short-term investment securities	32,494	26,798
Merchandise and finished goods	8,404	7,656
Work in process	2,582	2,914
Raw materials and supplies	29,064	30,971
Other	45,253	32,191
Total current assets	257,156	286,740
Noncurrent assets		
Property, plant and equipment		
Land	22,577	22,590
Other, net	40,853	42,525
Total property, plant and equipment	63,430	65,116
Intangible assets		
Goodwill	7,393	6,949
Other	6,040	6,292
Total intangible assets	13,434	13,242
Investments and other assets		
Investment securities	29,518	27,732
Other	32,610	35,466
Allowance for doubtful accounts	(4,646)	(4,360)
Total investments and other assets	57,482	58,838
Total noncurrent assets	134,347	137,197
Total assets	391,504	423,938

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009 AND MARCH 31, 2009

(Unit : Millions of Yen)

	Current period (As of June 30,2009)	Prior year (As of March 31,2009)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	31,977	51,298
Short - term loans payable	3,490	5,467
Income taxes payable	1,086	3,131
Provision	1,365	2,905
Other	40,541	34,390
Total current liabilities	78,461	97,194
Noncurrent liabilities		
Bonds payable	49,869	52,834
Long - term loans payable	6,513	6,740
Provision for retirement benefits	11,199	10,873
Provision for directors' retirement benefits	1,061	2,152
Other	12,597	11,610
Total noncurrent liabilities	81,241	84,211
Total liabilities	159,702	181,405
(N e t A s s e t s)		
Shareholder's equity		
Capital stock	29,953	29,953
Capital surplus	171,081	171,082
Retained earnings	105,345	119,417
Treasury stock	(73,687)	(73,685)
Total shareholders' equity	232,692	246,767
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11	(1,619)
Deferred gains or losses on hedges	(77)	—
Revaluation reserve for land	(5,966)	(5,966)
Foreign currency translation adjustment	(15,789)	(16,865)
Total valuation and translation adjustments	(21,821)	(24,451)
Subscription rights to shares	1,193	1,222
Minority interests	19,737	18,994
Total net assets	231,801	242,532
Total liabilities and net assets	391,504	423,938

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 3 MONTHS ENDED JUNE 30, 2008 AND 2009

(Unit : Millions of Yen)

	Prior period From April 1,2008 To June 30,2008	Current period From April 1,2009 To June 30,2009
	Amount	Amount
Net sales	74,601	60,461
Cost of sales	58,493	45,802
Gross profit	16,108	14,658
Selling, general and administrative expenses	26,398	22,479
Operating loss	(10,290)	(7,820)
Other income (expenses) :		
Interest income	170	133
Dividends income	159	61
Foreign exchange gains	523	264
Interest expenses	(243)	(188)
Equity in losses of affiliates	(34)	(14)
Loss on valuation of derivatives	(660)	(98)
Bond issuance cost	—	(205)
Gain on sales of noncurrent assets	54	3
Reversal of allowance for doubtful accounts	77	137
Reversal of recovery costs of video game arcades	—	346
Loss on sales of noncurrent assets	(35)	(10)
Impairment loss	(368)	—
Loss on valuation of investment securities	(135)	(301)
Loss on sales of stocks of subsidiaries and affiliates	—	(653)
Other income	760	235
Other expenses	(410)	(634)
Sub total	(142)	(924)
Loss before income taxes and minority interests	(10,432)	(8,744)
Income taxes-current	753	545
Refund of income taxes	(722)	—
Income taxes	31	545
Minority interests in income	69	1,002
Net loss	(10,533)	(10,293)

SEGMENT INFORMATION

Operations by product

Prior period (From April 1, 2008 to June 30, 2008)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	12,083	13,759	17,422	30,500	836	74,601	—	74,601
(2) Inter segment	205	761	1	34	264	1,267	(1,267)	—
Total	12,288	14,520	17,424	30,534	1,100	75,869	(1,267)	74,601
Operating income (loss)	(4,350)	703	(1,577)	(4,115)	79	(9,261)	(1,028)	(10,290)

(Note)

1. The Company has 5 operating segments based on its management control structure, and nature of products and market.
2. Main products and line of business by segment
 - (1) Pachinko and pachislot … Development, manufacture and sale of Pachinko and pachislot machines and design for parlors
 - (2) Amusement machine sales … Development, manufacture and sale of game machines used in an amusement arcades
 - (3) Amusement center operations … Development, operation, rent and maintenance of Amusement center
 - (4) Consumer business … Development and sale of home video game software,
Development, manufacture, and sale of toys
Project and production of entertainment contents through cellular phone etc.
Planning, production and sale of animated movies.
 - (5) Others … Information provider services, etc.

Current period (From April 1, 2009 to June 30, 2009)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	19,682	7,865	14,136	18,046	730	60,461	—	60,461
(2) Inter segment	72	554	2	28	219	877	(877)	—
Total	19,754	8,419	14,139	18,074	950	61,339	(877)	60,461
Operating income (loss)	(1,037)	(1,077)	(125)	(4,500)	107	(6,634)	(1,186)	(7,820)

(Note)

1. The Company has 5 operating segments based on its management control structure, and nature of products and market.
2. Main products and line of business by segment
 - (1) Pachinko and pachislot … Development, manufacture and sale of Pachinko and pachislot machines and design for parlors
 - (2) Amusement machine sales … Development, manufacture and sale of game machines used in an amusement arcades
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 - (4) Consumer business … Development and sale of home video game software,
Development, manufacture, and sale of toys
Project and production of entertainment contents through cellular phone etc.
Planning, production and sale of animated movies.
 - (5) Others … Information provider services, etc.
3. Content production expenses related to game software and amusement machines conducted primarily by the consolidated subsidiary SEGA CORPORATION have previously been accounted for as cost of sales at the time that such expenses are incurred (when production work is outsourced, these expenses are first posted as advance payments, and later treated as cost of sales at the time that production work is inspected). However, from the first quarter of the fiscal year ending March 31, 2010, goods recognized as products for commercialization will be posted under inventories as work in process, with opting to treat the amount of such expenses equivalent to the actual sales volume recorded among projected sales volume as cost of sales.
The rationale for this change is to redeploy a framework capable of properly evaluating the certainty of realizing earnings by clarifying decision-making processes at the development stages of each project in line with efforts to review and enhance the development structure. This change will enable the appropriate disclosure of income for a given fiscal period by directly matching content production expenses, which have tended to grow sharply in recent years, with commensurate earnings.
As a consequence of this change, cost and expenses decreased by ¥143 million in Amusement machine sales, ¥511 million in Consumer business, also each operating loss decreased by the same amount respectively.