

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
3 Months Ended June 30, 2010

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: August 6, 2010 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2010

(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, 2010	91,340	51.1	14,951	—	7,036	—
For 3 months ended June 30, 2009	60,461	(19.0)	(7,820)	—	(10,293)	—

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2010	27.93	—
For 3 months ended June 30, 2009	(40.86)	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
June 30, 2010	414,802	259,343	57.6	948.47
March 31, 2010	423,161	256,770	55.8	937.80

(Reference) Shareholders' equity

June 30, 2010 : ¥238,930 million

March 31, 2010: ¥236,245 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, 2010	—	15.00	—	15.00	30.00
Year ending March 31, 2011	—				
Year ending March 31, 2011 (plan)		20.00	—	20.00	40.00

(Note) Revision of the forecast in the first quarter of the year ending March 31, 2011: No

3. Projection for Consolidated Results for the Year ending March 31, 2011

(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 2010	205,000	32.8	34,000	—	17,000	—	67.48
Entire – year	400,000	4.0	40,000	9.0	22,000	8.5	87.33

(Note) Revision of the projection in the first quarter of the year ending March 31, 2011: Yes

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during period: No
- (2) Adoption of the simplified method of accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the quarterly consolidated financial statements:
 1. Changes associated with revision in accounting standards: Yes
 2. Other changes: No
- (4) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)
 - June 30, 2010 : 283,229,476
 - March 31, 2010 : 283,229,476
 2. Number of treasury stock at the end of the period
 - June 30, 2010 : 31,317,329
 - March 31, 2010: 31,315,801
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 3 months ended June 30, 2010: 251,912,948
 - For 3 months ended June 30, 2009: 251,922,275

(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.

Operating Results and Financial Position

(1) Overview

During the first quarter of the fiscal year ending March 31, 2011, the Japanese economy remained unpredictable, given the volatility in the financial markets mainly in Europe, let alone still sluggish employment situation and weak personal consumption, although there are signs of turnaround including recovery trends in corporate earnings.

In this climate, although the pachislot and pachinko industry witnessed the replacement of older pachinko machines at a rather weak pace, there is increasing hope for recovery in the pachislot market, as the older machines were smoothly replaced with a few newly launched machines that enjoyed high market reputation.

In the amusement machine and amusement center industry, conditions remained difficult. While awaiting the development and launch of new innovative machines that could boost the market, the industry itself is undergoing a changeover to new business models which simultaneously enhance investment efficiency for amusement center operators and secure sources of stable earnings for amusement machine manufacturers.

In the home video game software industry, the demand was generally weak in the U.S. and European markets due to the headwind like sluggish personal consumption. The Group needs to adapt to changing business environment in which the market demand for new content geared to social networking service (SNS) and smartphone is expanding.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2011 amounted to ¥91,340 million, an increase of 51.1% for the same period in the previous fiscal year. The Group posted an operating income of ¥14,951 million, compared with an operating loss of ¥7,820 million for the same period year ago. Due to the factors including the asset retirement obligations, the Group recorded a net income of ¥7,036 million, compared with a net loss of ¥10,293 million for the same period in the previous fiscal year.

Results by business segments were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group recorded sales of “Dejihane CR SOUTEN-NO-KEN” under the Sammy brand and “CR Cinderella Boy 2” under the Taiyo Elec brand, resulting in the sale of a total of 49 thousand units, a decrease from the same period year ago. In the meantime, the Group remained committed as same as the previous fiscal year, to the reduction of procurement costs for parts and materials, especially those related to liquid crystal display.

In the pachislot machine business, a title with an innovative gameplay “Pachislot SOUTEN-NO-KEN” was launched under the Sammy brand, which registered sales of 71 thousand units thanks to a warm market response. Meanwhile, “Pachislot Shin Onimusha” launched in the previous fiscal year under the RODEO brand maintained strong sales in the year under review. As a result, overall pachislot machine sales amounted to 109 thousand units, far exceeding the results of the same period in the previous fiscal year, despite the fact that the launch of some titles was postponed to the second quarter and later. Meanwhile thanks to an initiative to promote reuse of components, especially those related to liquid crystal display, there was an improvement in profit margins as well.

As a result, net sales in this segment were ¥49,039 million (an increase of 148.2% for the same period in the previous fiscal year) and operating income was ¥15,133 million (compared with an operating loss of ¥1,037 million for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, “HATSUNE MIKU Project DIVA Arcade” started to be sold under a revenue share model (ALL.Net P-ras) for the purpose of improving investment efficiency of the operators of amusement centers and securing long-term stable earnings for the Group, while operation of “BORDER BREAK” launched in the previous fiscal year remained solid. At the same time, sales of CVT KIT of the popular series “SANGOKUSHI WAR 3 WAR BEGINS” became robust.

As a result, net sales in this segment were ¥10,442 million (an increase of 24.0% for the same period in the previous fiscal year) and operating income was ¥1,399 million (compared with an operating loss of ¥1,077 million for the same period in the previous fiscal year).

《Amusement Center Operations》

In the amusement center operations business, sales at existing SEGA amusement centers in Japan were weakened by sluggish personal consumption, at 97.2% of the level during the same period in the previous fiscal year. In the first quarter, the Group closed 6 amusement centers and opened 1 new amusement center in the domestic market. Consequently, the Group operated a total of 255 amusement centers at the end of the period.

As a result, net sales in this segment were ¥11,104 million (a decrease of 21.5% for the same period in the previous fiscal year) and operating income was ¥177 million (compared with an operating loss of ¥125 million for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, the Group recorded sales of home video game software such as “IRON MAN 2” and “Alpha Protocol”, this year’s major titles for the U.S. and European markets. While domestic sales were mostly firm, in the overseas markets, sales of new titles remained slow as affected by the adverse market condition. As a result, the Group sold 1,680 thousand video game copies in the U.S., 1,330 thousand copies in Europe and 270 thousand copies in Japan and other regions, for a total of 3,290 thousand copies.

In the toy sales division, domestic sales of main products as well as sales of “BAKUGAN” at both domestic and overseas market remained solid. The mobile phone and PC content business also remained solid, thanks primarily to downloadable games for PCs. In the animated films business, distribution revenue remained favorable thanks to the sound box office sales of the 14th theater film “Detective Conan” while overseas royalty revenue from “BAKUGAN” stayed robust.

As a result, net sales in this segment were ¥20,859 million (an increase of 15.4% for the same period in the previous fiscal year), and an operating loss was ¥636 million (compared with an operating loss of ¥4,500 million for the same period in the previous fiscal year).

(2) Projection for Consolidated Results

For the projection for consolidated results, please refer to “Notice of Adjustment to the Forecasts of First-Half Consolidated Operating Results for the Year Ending March 31, 2011” scheduled to be announced on July 30, 2010.

(3) Other

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

1. Application of Accounting Standard for Asset Retirement Obligations

Effective from the first quarter of the fiscal year ending March 31, 2011, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, issued March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued March 31, 2008) have been applied. Accordingly, operating income decrease ¥36 million, while income before income taxes and minority interests decrease ¥1,216 million. In addition, the amount of asset retirement obligation change is ¥2,146 million following the application of the subject accounting standard and guidance.

2. Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective from the first quarter of the fiscal year ending March 31, 2011, “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, issued March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method “ (ASBJ PITF No.24, issued March 10, 2008) have been applied. This change has no impact on the consolidated statement of operations.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 AND MARCH 31, 2010

(Unit : Millions of Yen)

	Current period (As of June 30,2010)	Prior year (As of March 31,2010)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	117,913	101,324
Notes and accounts receivable – trade	45,944	67,027
Allowance for doubtful accounts	(613)	(712)
Short-term investment securities	67,512	73,400
Merchandise and finished goods	8,053	6,500
Work in process	12,166	7,914
Raw materials and supplies	22,263	22,358
Other	19,637	20,917
Total current assets	292,879	298,730
Noncurrent assets		
Property, plant and equipment		
Land	22,612	22,632
Other, net	36,270	36,398
Total property, plant and equipment	58,882	59,030
Intangible assets		
Goodwill	6,274	6,767
Other	6,901	6,592
Total intangible assets	13,175	13,360
Investments and other assets		
Investment securities	27,788	28,605
Other	25,256	26,597
Allowance for doubtful accounts	(3,179)	(3,162)
Total investments and other assets	49,865	52,040
Total noncurrent assets	121,923	124,431
Total assets	414,802	423,161

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 AND MARCH 31, 2010

(Unit : Millions of Yen)

	Current period (As of June 30,2010)	Prior year (As of March 31,2010)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	38,639	37,387
Short - term loans payable	2,994	3,489
Income taxes payable	6,183	2,449
Provision	1,614	3,357
Asset retirement obligations	181	-
Other	32,049	46,133
Total current liabilities	81,661	92,817
Noncurrent liabilities		
Bonds payable	39,768	41,501
Long - term loans payable	5,742	6,173
Provision for retirement benefits	12,421	12,218
Provision for directors' retirement benefits	1,116	1,096
Asset retirement obligations	1,967	-
Other	12,780	12,583
Total noncurrent liabilities	73,797	73,573
Total liabilities	155,459	166,390
(N e t A s s e t s)		
Shareholder's equity		
Capital stock	29,953	29,953
Capital surplus	171,079	171,080
Retained earnings	135,376	132,128
Treasury stock	(73,695)	(73,694)
Total shareholders' equity	262,714	259,468
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	878	346
Deferred gains or losses on hedges	113	24
Revaluation reserve for land	(5,966)	(5,966)
Foreign currency translation adjustment	(18,809)	(17,626)
Total valuation and translation adjustments	(23,784)	(23,222)
Subscription rights to shares	1,189	1,188
Minority interests	19,223	19,335
Total net assets	259,343	256,770
Total liabilities and net assets	414,802	423,161

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR 3 MONTHS ENDED JUNE 30, 2009 AND 2010

(Unit : Millions of Yen)

	Prior period From April 1,2009 To June 30,2009	Current period From April 1,2010 To June 30,2010
	Amount	Amount
Net sales	60,461	91,340
Cost of sales	45,802	52,949
Gross profit	14,658	38,391
Selling, general and administrative expenses	22,479	23,439
Operating income (loss)	(7,820)	14,951
Other income (expenses) :		
Interest income	133	115
Dividends income	61	213
Equity in earnings of affiliates	—	15
Gain on valuation of derivatives	—	105
Foreign exchange gains	264	—
Interest expenses	(188)	(176)
Equity in losses of affiliates	(14)	—
Loss on valuation of derivatives	(98)	—
Bond issuance cost	(205)	—
Foreign exchange losses	—	(377)
Gain on sales of noncurrent assets	3	22
Reversal of allowance for doubtful accounts	137	55
Reversal of recovery costs of video game arcades	346	106
Gain on outlawed debt	—	27
Loss on sales of noncurrent assets	(10)	(12)
Loss on valuation of investment securities	(301)	—
Loss on sales of stocks of subsidiaries and affiliates	(653)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	(1,179)
Other income	235	280
Other expenses	(634)	(443)
Sub total	(924)	(1,246)
Income (loss) before income taxes and minority interests	(8,744)	13,704
Income taxes-current	545	6,368
Income taxes	545	6,368
Income before minority interests	—	7,336
Minority interests in income	1,002	300
Net income (loss)	(10,293)	7,036

SEGMENT INFORMATION

Operations by product

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

(Unit: Millions of Yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Other	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
 - (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.
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.

(Additional Information)

Effective from the first quarter of this fiscal year, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, issued March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, issued March 21, 2008) have been applied.

1. Outline of reporting segments

Reporting segments of the Group are the organizational units for which separated financial information is available, and on the basis of which the Board of Directors makes decision on the allocation of management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service, is carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the business run by each company, in which "Pachinko and pachislot", "Amusement machine sales", "Amusement center operations" and "Consumer business" are the reporting segments.

Line of business at each reporting segment is as follows:

- (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.

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

Current period (From April 1, 2010 to June 30, 2010)

(Unit: Millions of Yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	Consumer business	Sub-Total	Other (note)	Total
Net sales -							
(1) Outside customers	48,975	9,737	11,104	20,797	90,641	725	91,340
(2) Inter segment	63	704	0	62	831	(831)	—
Total	49,039	10,442	11,104	20,859	91,445	(105)	91,340
Segment income (loss)	15,133	1,399	177	(636)	16,075	(1,123)	14,951

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

3. Major differences between the total amount of income (loss) in the reporting segments and the operating income in the consolidated statement of operations for the first quarter of the fiscal year (Difference adjustment)

(Unit: Millions of Yen)

Income	Amount
Total income in the reporting segments	16,075
Segment income in Other	55
Elimination of inter segment transactions	(37)
General corporate expenses (note)	(1,140)
Operating income in the consolidated statement of operations for the first quarter of the fiscal year	14,951

(Note) General corporate expenses is mainly consisted of the expenses of the group management incurred by the holding company.