

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
9 Months Ended December 31, 2008

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: February 13, 2009 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 9 Months Ended December 31, 2008

(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 9 months ended December 31, 2008	309,018	—	(2,757)	—	(10,840)	—
For 9 months ended December 31, 2007	342,092	(15.4)	(1,528)	—	(15,766)	—

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2008	(43.03)	—
For 9 months ended December 31, 2007	(62.58)	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
December 31, 2008	449,050	254,358	52.2	929.90
March 31, 2008	469,642	281,627	55.3	1,030.09

(Reference) Shareholders' equity:

December 31, 2008: ¥234,267 million

March 31, 2008 : ¥259,519 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, 2008	—	30.00	—	15.00	45.00
Year ended March 31, 2009	—	15.00	—	—	—
Year ended March 31, 2009 (plan)	—	—	—	15.00	30.00

(Note) Revision of the forecast in the third quarter of the year ended March 31, 2009: No

3. Projection for Consolidated Results for the Year ended March 31, 2009

(Percentage for net sales, operating income and net income represent change from the prior year)

	Net sales		Operating income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Entire – year	435,000	(5.2)	2,500	—	(21,500)	—	(85.34)

(Note) Revision of the projection in the third quarter of the year ended March 31, 2009: 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: Yes
- (4) Number of shares outstanding (common stock)
 1. Number of shares outstanding at the end of the period (including treasury stock)
 - December 31, 2008 : 283,229,476
 - March 31, 2008 : 283,229,476
 2. Number of treasury stock at the end of the period
 - December 31, 2008 : 31,302,189
 - March 31, 2008 : 31,292,007
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 9 months ended December 31, 2008: 251,932,752
 - For 9 months ended December 31, 2007: 251,945,273

[Caution With Regard to Operating Results Outlook]

- Commencing with the current period, the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. Also, the quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”
- 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 three quarters of the fiscal year ending March 31, 2009, the Japanese economy faced more severe hardships as pressure on corporate earnings from the ongoing and sharp rise in the yen, the country’s worsening job picture, and other factors amid continued turmoil in the global financial markets, raised concerns that the real economy would slow further.

In this environment, the momentum in the pachislot and pachinko industry to replace older pachinko machines with models offering more diverse gameplay remained strong as the industry responds to recent revisions to regulations pertaining to the Entertainment Establishments Control Law of Japan. Meanwhile, the partial amendment in March 2008 of Standards for Interpretation of Technical Specifications is expected to invigorate the pachislot machine market by stimulating the development and supply of highly original pachislot machines with an emphasis on outstanding gameplay.

In the amusement center industry, fueled by economic uncertainty, the market continues to confront an increasingly harsh business environment due mainly to sluggish individual consumption. The market awaits the appearance of new game machines that will lead the market by meeting a wide range of customer needs, including those of families and casual players.

In the home video game software industry, while the demand growth for software has leveled off in Japan, reflecting the widespread purchase of the current generation of game platforms, demand continues to hold firm in Europe and North America.

As a result, consolidated net sales totaled ¥309,018 million during the first three quarters of the current fiscal year. The Company posted an operating loss for the first three quarters of ¥2,757 million, and a net loss of ¥10,840 million for the first three quarters, due to such factors as the sales of noncurrent assets, and the amortization of goodwill.

Results by business segment were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Company continued to sell its major title for the year, “Pachinko CR Hokuto No Ken,” released in the second quarter under the Sammy brand, selling a cumulative total of more than 180 thousand units, and bringing overall pachinko machine sales to 237 thousand units for the period. In the pachislot machine business, reflecting improved gameplay enabled by partial amendment of Standards for Interpretation of Technical Specifications, the Company launched well-received machines that included “Pachislot Hard Boiled” under the Sammy brand and “KAIDOU-MOKUSHIROKU KAIJI 2” under the RODEO brand. Consequently, overall pachislot machine sales amounted to 108 thousand units for the period. As a result, the segment recorded net sales of ¥106,951 million and operating income of ¥5,292 million for the period under review.

《Amusement Machine Sales》

In the amusement machine sales business, the Company continued to sell major titles released for the year that included “WORLD CLUB Champion Football Intercontinental Clubs 2006-2007,” a trading card game and “GALILEO FACTORY,” a large medal game. The segment recorded net sales of ¥52,798 million, and operating income of ¥6,221 million.

《Amusement Center Operations》

In amusement center operations, fueled by economic uncertainty, same-store sales, particularly in suburban areas, were hit by sluggish personal consumption, and performed at a lower level in year-on-year terms. While the Company has closed 22 amusement centers in Japan that have shown low profitability and low prospects for improvement, as a result of 6 new amusement center openings, the number of amusement centers totaled 347 at the end of the period. Consequently, segment net sales were ¥54,422 million with an operating loss of ¥4,970 million.

《Consumer Business》

In the consumer business, overseas home video game software sales were firm thanks to favorable year-end sales of major titles released for the fiscal year, such as “Sonic Unleashed” and “Football Manager 2009,” as well as titles such as “Mario & Sonic at the Olympic Games” released in the previous year. In contrast, sales of titles in Japan were sluggish during the year-end selling season. Consequently, the segment recorded total video game sales of 21,090 thousand copies for the period, with 8,820 thousand copies sold in the U.S., 9,130 thousand copies sold in Europe, and 3,130 thousand copies sold in Japan and other regions. As a result of the foregoing, net sales in the segment amounted to ¥96,216 million, with an operating loss of ¥5,647 million.

(2) Consolidated Financial Position

Total assets as of December 31, 2008 were ¥449,050 million, a decrease of ¥20,592 million from the prior fiscal year-end. This was primarily attributable to a decrease of ¥41,896 million in noncurrent assets, mainly due to a decrease in intangible assets such as goodwill, and property, plant and equipment such as land, despite an increase in current assets due to an increase of ¥24,701 million in short-term investment securities, such factors as negotiable certificates of deposit.

Net assets were ¥254,358 million, a decrease of ¥27,269 million from the prior fiscal year-end, largely due to a net loss, the payment of dividends, and a decrease in foreign currency translation adjustment due to fluctuations in the currency market. The current ratio remained at a high level of 271.5%, up 64.5 points from the prior fiscal year-end. As a result, the equity ratio was 52.2%, down 3.1 points from the prior fiscal year-end.

(3) Projection for Consolidated Results

Full-year consolidated forecasts for the current fiscal year are as announced in the “Notice of Adjustment to the Forecast of Whole-Year Consolidated Operating Results for the Year Ending March 31, 2009” on February 10, 2009.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2008 AND MARCH 31, 2008

(Unit : Millions of Yen)

	Current period (As of December 31,2008)	Prior year (As of March 31,2008)
	Amount	Amount
(A s s e t s)		
I Current Assets		
Cash and deposits	103,796	101,539
Notes and accounts receivable – trade	76,576	72,541
Allowance for doubtful accounts	(639)	(571)
Short-term investment securities	27,197	2,495
Merchandise and finished goods	10,271	13,727
Work in process	4,397	3,181
Raw materials and supplies	31,766	34,526
Other	42,975	47,597
Total current assets	296,342	275,038
II Noncurrent assets		
Property, plant and equipment		
Land	23,473	48,810
Other	52,117	55,218
Total property, plant and equipment	75,590	104,029
Intangible assets		
Goodwill	6,909	13,524
Other	6,838	6,692
Total intangible assets	13,747	20,217
Investments and other assets		
Investment securities	32,962	35,608
Other	38,342	42,180
Allowance for doubtful accounts	(7,935)	(7,430)
Total investments and other assets	63,369	70,358
Total noncurrent assets	152,708	194,604
Total assets	449,050	469,642

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2008 AND MARCH 31, 2008

(Unit : Millions of Yen)

	Current period (As of December 31,2008)	Prior year (As of March 31,2008)
	Amount	Amount
(L i a b i l i t i e s)		
I Current liabilities		
Notes and accounts payable - trade	64,100	49,496
Short - term loans payable	12,139	27,455
Income taxes payable	2,376	3,180
Provision	1,604	3,051
Other	28,915	49,679
Total current liabilities	109,136	132,863
II Noncurrent liabilities		
Bonds payable	55,513	25,679
Long - term loans payable	7,067	6,988
Provision for retirement benefits	9,889	9,269
Provision for directors' retirement benefits	2,105	2,094
Other	10,978	11,119
Total noncurrent liabilities	85,555	55,151
Total liabilities	194,691	188,014
(N e t A s s e t s)		
I Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	171,083	171,092
Retained earnings	131,779	150,888
Treasury stock	(73,683)	(73,680)
Total shareholders' equity	259,133	278,253
II Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(167)	597
Deferred gains or losses on hedges	—	(2)
Revaluation reserve for land	(6,287)	(6,980)
Foreign currency translation adjustment	(18,411)	(12,347)
Total valuation and translation adjustments	(24,866)	(18,733)
III Subscription rights to shares	1,272	1,070
IV Minority interests	18,818	21,038
Total net assets	254,358	281,627
Total liabilities and net assets	449,050	469,642

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 9 MONTHS ENDED DECEMBER 31, 2008

(Unit : Millions of Yen)

	Current period From April 1,2008 To December 31,2008
	Amount
Net sales	309,018
Cost of sales	226,670
Gross profit	82,347
Selling, general and administrative expenses	85,104
Operating loss	(2,757)
Other income (expenses) :	
Interest income	535
Dividends income	223
Interest on refund	518
Interest expenses	(675)
Equity in losses of affiliates	(105)
Loss on valuation of derivatives	(315)
Bond issuance cost	(487)
Loss from elimination of work in progress under development	(789)
Exchange loss	(1,423)
Gain on sales of noncurrent assets	580
Reversal of allowance for doubtful accounts	38
Gain on sale of investment in affiliated companies	382
Reversal of recovery costs of video game arcades	524
The settlement money for the cancellation of the stock transfer contract	240
Reversal of cost of product recall	279
Loss on sales of noncurrent assets	(36)
Impairment loss	(1,628)
Loss on valuation of investment securities	(373)
Amortization of goodwill	(2,434)
Other income	1,423
Other expenses	(2,494)
Sub total	(6,019)
Loss before income taxes and minority interests	(8,776)
Income taxes-current	2,187
Refund of income taxes	(722)
Income taxes	1,464
Minority interests in income	599
Net loss	(10,840)

SEGMENT INFORMATION

Operations by product

Current period (From April 1, 2008 to December 31, 2008)

(Unit: Millions of yen)

	Pachislot Pachinko	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	106,271	49,963	54,409	96,015	2,358	309,018	—	309,018
(2) Inter segment	680	2,835	13	201	776	4,507	(4,507)	—
Total	106,951	52,798	54,422	96,216	3,135	313,525	(4,507)	309,018
Operating income (loss)	5,292	6,221	(4,970)	(5,647)	296	1,193	(3,950)	(2,757)

(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) Pachislot and pachinko ... Development, manufacture and sale of Pachislot and pachinko 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.

(Reference)

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 9 MONTHS ENDED DECEMBER 31, 2007

(Unit : Millions of Yen)

	Prior period From April 1,2007 To December 31, 2007
	Amount
Net sales	342,092
Cost of sales	251,074
Gross profit	91,018
Selling, general and administrative expenses	92,546
Operating loss	(1,528)
Other income	7,917
Other expenses	9,540
	(1,622)
Loss before income taxes and minority interests	(3,150)
Total income taxes	11,783
Minority interests	832
Net loss	(15,766)

SEGMENT INFORMATION

Operations by product

Prior period (From April 1, 2007 to December 31, 2007)

(Unit: Millions of yen)

	Pachislot Pachinko	Amusement machine sales	Amusement center operations	Consumer business	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	123,636	52,149	69,274	88,451	8,580	342,092	—	342,092
(2) Inter segment	680	3,449	4	276	1,189	5,600	(5,600)	—
Total	124,316	55,598	69,278	88,727	9,770	347,692	(5,600)	342,092
Operating income (loss)	12,117	5,471	(4,948)	(9,621)	(136)	2,882	(4,410)	(1,528)