

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS
6 Months Ended September 30, 2008

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
Representative: Hajime Satomi
 Chairman of the Board and Chief Executive Officer
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Filing of Quarterly Report: November 13, 2008 (plan)
 Start of cash dividend payments: December 2, 2008 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 6 Months Ended September 30, 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 6 months ended September 30, 2008	200,446	—	(7,578)	—	(9,554)	—
For 6 months ended September 30, 2007	231,053	(18.5)	(4,384)	—	(20,266)	—

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 6 months ended September 30, 2008	(37.92)	—
For 6 months ended September 30, 2007	(80.44)	—

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
September 30, 2008	473,412	271,767	52.7	990.09
March 31, 2008	469,642	281,627	55.3	1,030.09

(Reference) Shareholders' equity:

September 30, 2008: ¥249,433 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			30.00
Year ended March 31, 2009 (plan)			—	15.00	

(Note) Revision of the forecast in the second 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	470,000	2.4	15,000	—	5,000	—	19.85

(Note) Revision of the projection in the second quarter of the year ended March 31, 2009: 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)
 - September 30, 2008 : 283,229,476
 - March 31, 2008 : 283,229,476
 2. Number of treasury stock at the end of the period
 - September 30, 2008 : 31,299,283
 - March 31, 2008 : 31,292,007
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 6 months ended September 30, 2008: 251,934,166
 - For 6 months ended September 30, 2007: 251,947,261

[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 half of the fiscal year ending March 31, 2009, uncertainty surrounding the Japanese economy mounted, mainly reflecting turmoil in financial markets worldwide triggered by fallout from the U.S. sub-prime loan crisis, and the ongoing impact from the previous year of high raw material prices on individual consumption.

In this environment, the momentum in the pachislot and pachinko industry to replace older pachinko machines with models offering more diverse gameplay held firm 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, the market continues to confront a 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, the demand for software is increasing steadily, particularly overseas, reflecting the growing popularity of the current generation of game platforms.

In this business environment, the SEGA SAMMY Group recorded sharply higher unit sales in the pachinko machine business compared to the previous fiscal year. This growth reflected the launch of one of the year’s major titles in the second quarter, as well as business contributions from TAIYO ELEC Co., Ltd., which the Company consolidated in the second half of the previous fiscal year. In pachislot machines, unit sales declined compared to the first half of the previous fiscal year, which oversaw increased replacement demand for machines conforming to new regulatory standards.

In the amusement machine sales business, the Company launched the latest version of a popular trading card game as well as a new large medal game machine.

In the consumer business, sales of video game software were brisk, with sales volume above previous-year levels in both the overseas and domestic markets. In the amusement center operations business, however, the level of revenue at existing amusement centers declined compared to a year earlier.

As a result of the foregoing, net sales for the first half of the fiscal year ending March 31, 2009 totaled ¥200,446 million; the Company posted operating loss of ¥7,578 million, and net loss of ¥9,554 million.

Results by business segments were as follows.

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Company released a major title for the year, “Pachinko CR Hokuto No Ken,” under the Sammy brand, selling a cumulative total of more than 120 thousand units by the close of the first half of the year alone. Also, other titles such as “CR SAMURAI CHAMPLOO”, sold under the TAIYO ELEC brand, brought overall pachinko machine sales to 154 thousand units for the period. In the pachislot machine business, although the Company launched “Pachislot Momotaro Dentetsu” under the Sammy brand and “Pachislot THE BLUE HEARTS” under the Ginza brand, the release of other models planned for the second quarter was delayed until the second half of the year. Consequently, overall pachislot machine sales amounted to 55 thousand units for the period. As a result, the segment recorded net sales of ¥65,655 million and operating loss of ¥1,065 million for the period under review.

《Amusement Machine Sales》

In the amusement machine sales business, the Company released major titles for the year that included the “WORLD CLUB Champion Football Intercontinental Clubs 2006-2007” trading card game, the latest installment in this popular series, and “GALILEO FACTORY”, a large medal game. The segment recorded net sales of ¥36,083 million, and operating income of ¥4,641 million.

《Amusement Center Operations》

In amusement center operations, although same-store sales, particularly in suburban areas, were hit by sluggish personal consumption, and performed at a lower level in year-on-year terms, signs of a recovery continued to emerge from the first quarter through the second quarter of the year. While the Company has closed 19 amusement centers in Japan that have shown low profitability and low prospects for improvement, as a result of 3 new amusement center openings, the number of amusement centers totaled 347 at the end of the period. Segment net sales were ¥37,173 million with operating loss of ¥2,822 million.

《Consumer Business》

In the consumer business, overseas home video game software sales were driven by favorable sales of titles released in the previous fiscal year, such as “Mario & Sonic at the Olympic Games,” and titles such as “Iron Man,” licensed from the popular film of the same name. In Japan, sales of “PHANTASY STAR PORTABLE” and “Valkyria Chronicles” were strong. Consequently, the segment recorded total video game sales of 12,760 thousand copies for the period, with 5,410 thousand copies sold in the U.S., 5,340 thousand copies sold in Europe, and 2,000 thousand copies sold in Japan and other regions. Nevertheless, with the domestic and overseas release of many major titles slated for the second half of the year, net sales in the segment amounted to ¥62,018 million, with operating loss of ¥5,916 million.

(2) Consolidated Financial Position

Total assets as of September 30, 2008 were ¥473,412 million, an increase of ¥3,769 million from the prior year end. This was primarily attributable to increase of cash due to issuance of bonds, and a decrease in noncurrent assets such as land. The current ratio remained at a high level of 265.2%.

Net assets were ¥271,767 million, a decrease of ¥9,860 million from the prior year end, largely due to net loss. As a result, the equity ratio was 52.7%, down 2.6 points from the prior fiscal year-end.

(3) Projection for Consolidated Results

No amendments have been made to the full-year consolidated forecasts for the current fiscal year announced on May 13, 2008. In the pachislot and pachinko machine business, the Company plans to release major new titles being developed under a new development framework, and anticipates a likely production increase for “Pachinko CR Hokuto No Ken” released in the second quarter of the year. In the amusement machine sales business, the Company expects to provide products that will lead the market by meeting customer needs as a market share leader. In amusement center operations business, the Company pursues strengthening the sales in existing amusement centers, as well as the closing and sale of amusement centers with low profitability or low prospects for growth. In the consumer business, the Company plans to release major titles of the year such as “Sonic Unleashed,” primarily for markets in Europe and the U.S., and “Ryu Ga Gotoku 3”, one of the popular series for the domestic market.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2008 AND MARCH 31, 2008

(Unit : Millions of Yen)

	Current period (As of September 30,2008)	Prior year (As of March 31,2008)
	Amount	Amount
(A s s e t s)		
I Current Assets		
Cash and deposits	117,257	101,539
Notes and accounts receivable – trade	78,163	72,541
Allowance for doubtful accounts	(609)	(571)
Short-term investment securities	26,473	2,495
Merchandise and finished goods	10,834	13,727
Work in process	5,856	3,181
Raw materials and supplies	31,107	34,526
Other	37,480	47,597
Total current assets	306,565	275,038
II Noncurrent assets		
Property, plant and equipment		
Land	23,863	48,810
Other	54,540	55,218
Total property, plant and equipment	78,403	104,029
Intangible assets		
Goodwill	12,030	13,524
Other	6,990	6,692
Total intangible assets	19,021	20,217
Investments and other assets		
Investment securities	37,996	35,608
Other	38,861	42,180
Allowance for doubtful accounts	(7,436)	(7,430)
Total investments and other assets	69,421	70,358
Total noncurrent assets	166,846	194,604
Total assets	473,412	469,642

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2008 AND MARCH 31, 2008

(Unit : Millions of Yen)

	Current period (As of September 30,2008)	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	56,822	49,496
Short - term loans payable	18,805	27,455
Income taxes payable	4,031	3,180
Provision	2,343	3,051
Other	33,593	49,679
Total current liabilities	115,595	132,863
II Noncurrent liabilities		
Bonds payable	55,513	25,679
Long - term loans payable	7,348	6,988
Provision for retirement benefits	9,638	9,269
Provision for directors' retirement benefits	2,049	2,094
Other	11,499	11,119
Total noncurrent liabilities	86,048	55,151
Total liabilities	201,644	188,014
(N e t A s s e t s)		
I Shareholder's equity		
Capital stock	29,953	29,953
Capital surplus	171,088	171,092
Retained earnings	136,845	150,888
Treasury stock	(73,685)	(73,680)
Total shareholders' equity	264,201	278,253
II Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,181	597
Deferred gains or losses on hedges	(1)	(2)
Revaluation reserve for land	(6,287)	(6,980)
Foreign currency translation adjustment	(12,660)	(12,347)
Total valuation and translation adjustments	(14,767)	(18,733)
III Subscription rights to shares	1,269	1,070
IV Minority interests	21,064	21,038
Total net assets	271,767	281,627
Total liabilities and net assets	473,412	469,642

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 6 MONTHS ENDED SEPTEMBER 30, 2008

(Unit : Millions of Yen)

	Current period From April 1,2008 To September 30,2008
	Amount
Net sales	200,446
Cost of sales	151,354
Gross profit	49,091
Selling, general and administrative expenses	56,670
Operating loss	(7,578)
Other income (expenses) :	
Interest income	341
Dividends income	213
Interest on refund	514
Interest expenses	(441)
Equity in losses of affiliates	(94)
Loss on valuation of derivatives	(468)
Bond issuance cost	(487)
Loss from elimination of work in progress under development	(789)
Gain on sales of noncurrent assets	556
Reversal of allowance for doubtful accounts	80
Gain on sale of investment in affiliated companies	382
Reversal of recovery costs of video game arcades	519
Loss on sales of noncurrent assets	(35)
Impairment loss	(1,557)
Loss on valuation of investment securities	(249)
Other income	1,159
Other expenses	(1,356)
Sub total	(1,710)
Loss before income taxes and minority interests	(9,289)
Income taxes-current	451
Refund of income taxes	(722)
Income taxes	(270)
Minority interests in income	535
Net loss	(9,554)

SEGMENT INFORMATION

Operations by product

Current period (From April 1, 2008 to September 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	65,233	34,420	37,168	61,935	1,688	200,446	—	200,446
(2) Inter segment	421	1,663	4	83	517	2,689	(2,689)	—
Total	65,655	36,083	37,173	62,018	2,205	203,136	(2,689)	200,446
Operating income (loss)	(1,065)	4,641	(2,822)	(5,916)	236	(4,926)	(2,652)	(7,578)

(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.

(Reference)

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR 6 MONTHS ENDED SEPTEMBER 30, 2007

(Unit : Millions of Yen)

	Prior period From April 1,2007 To September 30,2007	
	Amount	Percentage
		%
Net sales	231,053	100.0
Cost of sales	172,827	74.8
Gross profit	58,226	25.2
Selling, general and administrative expenses	62,610	27.1
Operating (loss) income	(4,384)	(1.9)
Other income (expenses) :		
Interest and dividend income	661	
Gain on investments in partnerships	458	
Gain on the prior – term adjustment	423	
Gain on sales of fixed assets	54	
Reversal of allowance for doubtful receivables	260	
Gain on sale of investment securities	485	
Gain on change in equity of a subsidiary	13	
Interest expenses	(289)	
Sales discount	(253)	
Equity in losses of affiliates	(180)	
Bad debt expenses	(234)	
Loss on investment in partnerships	(194)	
Loss from the prior – term adjustment	(71)	
Loss on disposal of fixed assets	(451)	
Loss on sale of fixed assets	(4)	
Impairment loss	(4,226)	
Loss from revaluation of investment securities	(63)	
Loss on disposal of software under development	(818)	
Others	251	
Sub total	(4,181)	(1.8)
(Loss) income before income taxes and minority interest	(8,565)	(3.7)
Income taxes – current	17,198	7.5
- deferred	(5,530)	(2.4)
Total income taxes	11,668	5.1
Net (loss) income before minority interests	(20,234)	(8.8)
Minority interests	32	0.0
Net (loss) income	(20,266)	(8.8)

SEGMENT INFORMATION

Operations by product

Prior period (From April 1, 2007 to September 30, 2007)

(Unit: Millions of yen)

	Pachinko Pachislot	Amusement machine sales	Amusement center operations	C o n s u m e r b u s i n e s s	Others	Total	Corporate and eliminations	Consolidated
Net sales -								
(1) Outside customers	99,791	34,353	47,905	41,210	7,792	231,053	—	231,053
(2) Inter segment	499	2,377	1	234	917	4,029	(4,029)	—
Total	100,291	36,731	47,906	41,444	8,709	235,083	(4,029)	231,053
Operating income (loss)	12,174	1,898	(2,294)	(12,545)	(214)	(980)	(3,403)	(4,384)