

FunBiz

Vol. 6

CONSOLIDATED SIX-MONTH REPORT (April 1, 2009 – September 30, 2009)



Hajime Satomi
Chairman of the Board and Chief
Executive Officer

I am pleased to have this opportunity to report the performance of SEGA SAMMY HOLDINGS in the six-month period ended September 30, 2009.

Consolidated net sales totaled ¥154,395 million, and the Company posted an operating loss of ¥318 million, an ordinary loss of ¥729 million, and a net loss of ¥6,323 million.

In each segment, major product launches have been scheduled for the second half of the fiscal year, leading to the year-on-year decline in net sales in the six-month period under review. However, in the Pachinko and Pachislot Machine Business segment, profit margins improved due to a revision of our pricing strategy and to an increase in the pachinko board sales percentage. In the Amusement Machine Sales Business segment and the Consumer Business segment, R&D expenditure was constrained, and in the Amusement

Center Operations segment, capital expenditures, depreciation and amortization expense, and personnel costs were reduced. As a result, we recorded a year-on-year improvement in operating, ordinary, and net results. In order to provide stable payments of dividends to shareholders, cash dividends were set at ¥15 per share.

In the Pachinko and Pachislot Machine Business segment, the launch of major titles led to year-on-year gains in unit sales of both pachinko machines and pachislot machines. Due to the revision of our pricing strategy, the prices of certain products increased. In conjunction with a higher pachinko board sales percentage, this resulted in a substantial year-on-year improvement in profit margins. In the second half of the fiscal year, we plan to launch multiple major titles with innovative gameplay, as we maintain a sustained focus on profitability.

In the Amusement Machine Sales Business segment, net sales were down from the same period of the previous year, when major titles made a contribution to results, and the segment recorded an operating loss. However, *BORDER BREAK*, which was launched in September under a revenue-sharing model, is recording favorable machine utilization, and in the second half of the fiscal year, we plan to launch *Shining Force CROSS*, one of the year's major titles, under the same revenue-sharing model. The utilization of these products is expected to contribute to revenues for the full-year period.

In the Amusement Center Operations segment, existing-center sales were down year-on-year, and the number of centers was reduced. As a result, net sales declined, but due to efforts to cut operating expenses,

operating results improved. In the second half of the fiscal year, the segment will move ahead with the planned closure or sale of centers with low profitability or future potential. At the same time, the segment will work to further improve its earnings capacity by bolstering its operations.

In the Consumer Business segment, sales were down in comparison with the same period of the previous year, when major titles were launched, and an operating loss was recorded. The segment continued to implement R&D expense reduction initiatives during the six-month period to improve profitability. In the second half of the fiscal year, we plan to launch major titles, such as *Mario and Sonic at the Olympic Winter Games™*, which is principally targeted at Europe and North America, and *BAYONETTA™*, which will be positioned as a global title.

We expect the future course of the Group's operating environment to remain unclear. However, we will push ahead with firm resolve in the further strengthening of our revenue and profit structure. At the same time, we will steadily sow seeds for the future and strive to improve corporate value over the medium-to-long term.

I would like to ask our shareholders for their continued understanding and support.

November 2009

A handwritten signature in black ink that reads "Hajime Satomi". The signature is written in a cursive, flowing style.

Chairman of the Board and
Chief Executive Officer



Launch of *Pachislot Psalms of Planets Eureka Seven* – Sammy's Masterpiece

With absolutely no compromises – in specifications, staging, or any other elements – Sammy has pushed its capabilities to the absolute limit and launched *Pachislot Psalms of Planets Eureka Seven*, a pachislot machine that can truly be called Sammy's masterpiece. The main concept is the "third bonus." This new-format machine has recreated the sense of anticipation and staging of the era of No. 4 machines while transcending the conventional concept of No. 5 machines. With functions specially selected from successive generations of Sammy machines, *Pachislot Psalms of Planets Eureka Seven* offers gameplay that make it possible for even beginners to play, such as the use of *Oshijun Navi*. In addition, this machine is the only one to include epilog and prolog video linked to the TV animation series and theatrical releases of *Psalms of Planets Eureka Seven*, so it can also be enjoyed by *Eureka* fans.

Pachislot Psalms of Planets Eureka Seven
© 2005 BONES / Project EUREKA · MBS
© Sammy
© 2009 NBGI



BORDER BREAK
© SEGA

Launch of *BORDER BREAK*, a Next-Generation Game Machine Using a New Computer Graphics Board

BORDER BREAK, which features high-speed robot team battle, was launched in fall 2009. This game machine uses *RINGEDGE*, a new computer graphics board for arcade machines. Moreover, through the utilization of *ALL.Net*, 20 people around the country can compete in two teams of 10 with a high degree of realism. The use of the game point (GP) system enables anyone to play with a guarantee of a specified period of play time, while the utilization of IC cards makes it possible to customize the robots and the characters before playing. In addition, with features such as communication among players through touch panels, *BORDER BREAK* offers operability and gameplay that enable players to truly "experience a game together."



Puyo Puyo 7
© SEGA

Puyo Puyo 7 Launched for Three Platforms

Puyo Puyo 7, the latest installment in the *Puyo Puyo* series of action puzzle games that is highly popular throughout Japan, was launched for three platforms – the Nintendo DS®, the Wii®, and the PSP®. *Puyo Puyo 7* introduces a new mode called *Daihenshin* (Transformation), and the *Puyo Shobu* gets underway with entirely new worlds and modes. Diverse new features have been added, such as rule explanations that can be easily understood by beginners and a "School" mode that offers practice drills.

Bakugan Limited Liability Partnership Established Through Investment by SEGA SAMMY Group Companies

Several Group companies – SEGA TOYS CO., LTD., TMS ENTERTAINMENT, LTD., SEGA CORPORATION, Sammy Corporation, and Sammy NetWorks Co., Ltd. – established Bakugan Limited Liability Partnership (Bakugan LLP) through joint investment. The new company will handle the Group's *BAKUGAN*-related business in the domestic market. *BAKUGAN* is a new action card game where players can enjoy battling each other by combining *BAKUGAN* action figures, which instantly transform from spherical shapes into characters, with trading cards. *BAKUGAN* has been marketed in about 80 countries around the world, including markets in Asia, North America, Europe, and the Middle East, and in February 2009 it won the "Toy of the Year" award, the highest honor in the U.S. toy industry. Bakugan LLP, which will have overall responsibility for the development of *BAKUGAN* operations in Japan, will strive to maximize *BAKUGAN*'s IP value.



BAKUGAN
© SEGA TOYS / SPIN MASTER / BAKUGAN2 PROJECT



SONIC NIGHT OF THE WEREWOLF
© SEGA © SSVE

CG Animation Production Subsidiary Established

SEGA SAMMY VISUAL ENTERTAINMENT INC., which will handle CG animation production and rights operations, was established on June 1, 2009, as one part of the Group's growth strategy. CG animation is closely related to the operations of the SEGA SAMMY Group, and accordingly the new company is expected to generate Group synergies. One source of those synergies will be the effective utilization in CG animation of the management resources developed in existing operations. Another source will be the use in existing operations of the IP assets newly developed in the CG animation business. In accordance with its management vision "The Best Stories for Children Around the World," SEGA SAMMY VISUAL ENTERTAINMENT will strive to become the number one family-oriented animation studio in the Asia-Pacific region within five years.

CSR Report 2009 Issued

The SEGA SAMMY Group, which considers corporate social responsibility (CSR) to be one of its most important management objectives, actively implements CSR activities. The Group has issued CSR Report 2009, which presents major activities undertaken in fiscal 2009 for stakeholders, including customers, suppliers, investors and shareholders, employees, and society. As an environmental conservation initiative, the Group decided to conserve paper resources by making the report available on its website rather than issue a printed version. The report is available at the URL below.

CSR Report URL: http://www.segasammy.co.jp/english/pr/corp/csr_report.html



Sammy and KYORAKU SANGYO Enter a Cooperative Alliance to Reactivate the Pachinko and Pachislot Machine Industry

Sammy and KYORAKU SANGYO CO., LTD. have jointly announced a project under which the two companies will work together to reactivate the pachinko and pachislot machine industry. Under this project, which was made public three years after it was initially formulated, Sammy and KYORAKU SANGYO are taking steps to create an environment that makes it easy for players to move back and forth between pachinko machines and pachislot machines by ensuring compatibility in content worlds and staging. In this way, the companies are striving to boost machine utilization. This will be achieved through the launch of Sammy's *Pachislot Ashita No Joe* and KYORAKU SANGYO's *Pachinko Ashita No Joe*, which are based on the *Ashita No Joe* TV animation, which will mark its 40th anniversary this year. Through this project, Sammy, which has strengths in the development of highly innovative pachislot machines, and KYORAKU SANGYO, which actively develops pachinko machines that are fan favorites, will move beyond the status of competitors and work together to contribute to the further progress of the pachinko and pachislot machine industry.



Joint project announcement



Pachinko CR Souten-No-Ken
© 2001 Buronson & Tetsuo Hara
© Approved No. SAG-309
© Sammy

Launch of Sammy Pachinko Machine Based on Popular *Souten-No-Ken* Manga

This winter, Sammy will launch *Pachinko CR Souten-No-Ken*, which is based on the popular *Souten-No-Ken* manga that is currently being serialized in the weekly *Shukan Comic Bunch*. A key feature of the machine is the inclusion of *BATTLE BONUS EVOLUTION*, an advanced *BATTLE BONUS* system. When players hit the jackpots, they are drawn into an unprecedented vortex of *BATTLE BONUS* with 15 rounds and right shooting. Moreover, the new two-part battle staging will generate sustained enthusiasm among players in *BATTLE BONUS* mode.

Launch of Kids' Card Game Machine Based on *Sengoku Busho*

Aiming to reactivate and expand the kids' card game market, SEGA will launch nine new kids' card game machines in fiscal 2010. One of those is *Rekishi Taisen Gettenka*, which has a historical theme and uses military heroes as unique characters. It enables the enjoyment of a high-speed game while facilitating an interest in Japanese history. The game can be enjoyed not only by one player but also through cooperative play among multiple players. In this way, the game can help to support parent-child communication.



Rekishi Taisen Gettenka
© SEGA

Pachinko and Pachislot Machine Business

In the pachinko and pachislot machine industry, the trend toward the replacement of older pachinko machines with models offering more diverse gameplay remained strong in the six-month period under review.

In the pachislot machine business, certain machines with innovative gameplay were the focus of strong demand, but the market did not undergo a full-scale recovery, and further initiatives to reactivate the market are needed in the future.

In the pachinko machine business, the Group sold such Sammy-brand titles as *Pachinko CR Kyutei Nyokan Chamgum no Chikai* and *CR GAMERA THE BATTLE PACHINKO*. Total sales of pachinko machines were up year-on-year, reaching more than 167 thousand units for the six-month period. In addition, profit margins improved due to such factors as an increase in the board sales percentage.

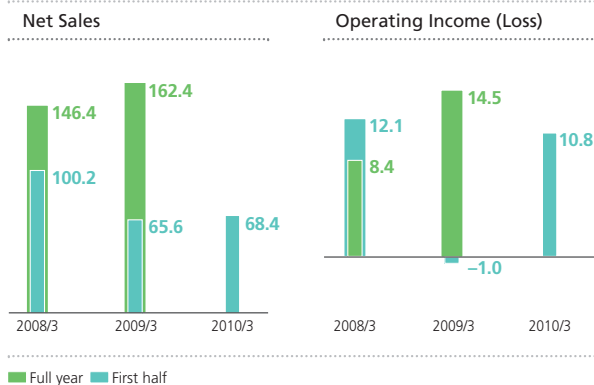
In the pachislot machine business, brisk sales were recorded by Sammy-brand titles *Pachislot Psalms of Planets Eureka Seven*, which features innovative gameplay and is one of the year's major titles, and *Pachislot Urusei Yatsura 2*. Consequently, total sales of pachislot machines were up year-on-year, amounting to more than 57 thousand units for the six-month period. Furthermore, profit margins improved on account

of higher sales prices in both the pachinko machine business and the pachislot machine business.

As a result, the segment recorded net sales of ¥68,453 million, up 4.3% year-on-year, and operating income of ¥10,897 million, compared with an operating loss of ¥1,065 million in the same period of the previous year.

Pachinko and Pachislot Machine Business

(Billions of yen)



Amusement Machine Sales Business

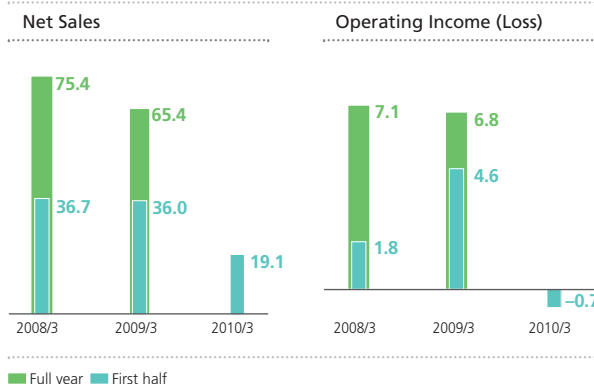
The amusement industry continues to face difficult operating conditions due to such factors as sluggish consumer spending. To reactivate the market in the future, there is a need for the development and supply of innovative new games that can meet the needs of diversifying customers, such as families and casual players, and can lead the market forward.

In the amusement machine sales business, *BORDER BREAK*, one of the year's major video game titles, recorded strong machine utilization. This title was sold under a revenue-sharing model (*All-NET P-ras*) that is designed to facilitate improved investment efficiency for amusement center operators and long-term, stable earnings for the Group. No major titles were scheduled for launch in the six-month period under review, and as a result both net sales and profits were down year-on-year.

Consequently, net sales in this segment declined 46.8%, to ¥19,192 million, and operating loss was ¥737 million, compared with operating income of ¥4,641 million in the same period of the previous fiscal year.

Amusement Machine Sales Business

(Billions of yen)



Amusement Center Operations

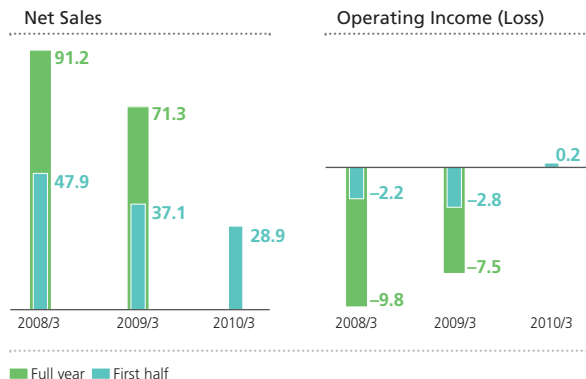
In amusement center operations, sales at existing SEGA amusement centers in Japan were down 7.7% year-on-year due to such factors as sluggish consumer spending.

Facing difficult business conditions, the Group continues to close domestic amusement centers with low profitability or future potential. In the six-month period under review, the Group closed 46 amusement centers and opened 1. Consequently, the Group had a total of 277 amusement centers at the end of the six-month period.

As a result, the segment recorded net sales of ¥28,948 million, a decline of 22.1% year-on-year, and an operating income of ¥223 million, compared with an operating loss of ¥2,822 million in the same period of the previous fiscal year.

Amusement Center Operations

(Billions of yen)



Consumer Business

In the home video game software industry, the expansion in game software demand resulting from the adoption of new game platforms has leveled off. A factor in the future reactivation of the market will be the extent of progress made in the uptake of new platforms stemming from price reductions.

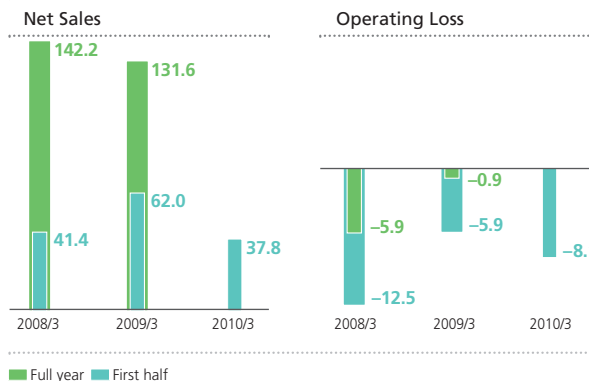
In the consumer business, sales of new home video game software titles were basically firm, but overseas sales of repeat titles sales were weak. Consequently, the Group sold 2.3 million units in the United States, 2.0 million units in Europe, and 1.09 million units in Japan and other regions, for a total of 5.4 million units. The recording of certain content production expenses has been deferred to the second half of the fiscal year ending March 31, 2010, or thereafter.

In the toy sales business, overseas sales were favorable but domestic sales were sluggish. In the mobile phone and PC content business, sales were brisk, centered on games for PCs. In the animated films business, results were down year-on-year, principally due to lower revenues from the production of animated films.

As a result, the segment recorded a 39.0% year-on-year decline in net sales, to ¥37,801 million, and an operating loss of ¥8,193 million, compared with an operating loss of ¥5,916 million in the same period of the previous fiscal year.

Consumer Business

(Billions of yen)



CONSOLIDATED BALANCE SHEETS

(Millions of yen)

| Item | Current period (As of September 30, 2009) | Prior year (As of March 31, 2009) |
|--------------------------------------|--|--------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 96,647 | 106,436 |
| Notes and accounts receivable—trade | 59,260 | 80,468 |
| Short-term investment securities | 44,892 | 26,798 |
| Merchandise and finished goods | 12,847 | 7,656 |
| Work in process | 5,464 | 2,914 |
| Raw materials and supplies | 28,121 | 30,971 |
| Other | 26,160 | 32,191 |
| Allowance for doubtful accounts | (592) | (698) |
| Current assets | 272,802 | 286,740 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Land | 22,565 | 22,590 |
| Other, net | 39,896 | 42,525 |
| Property, plant and equipment | 62,462 | 65,116 |
| Intangible assets | | |
| Goodwill | 6,430 | 6,949 |
| Other | 6,095 | 6,292 |
| Intangible assets | 12,526 | 13,242 |
| Investments and other assets | | |
| Investment securities | 28,995 | 27,732 |
| Other | 32,796 | 35,466 |
| Allowance for doubtful accounts | (4,492) | (4,360) |
| Investments and other assets | 57,298 | 58,838 |
| Noncurrent assets | 132,287 | 137,197 |
| | | |
| | | |
| | | |
| | | |
| | | |
| Assets | 405,090 | 423,938 |

| Item | Current period (As of September 30, 2009) | Prior year (As of March 31, 2009) |
|---|--|--------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 38,309 | 51,298 |
| Short-term loans payable | 5,683 | 5,467 |
| Income taxes payable | 4,586 | 3,131 |
| Provision | 2,632 | 2,905 |
| Other | 42,385 | 34,390 |
| Current liabilities | 93,597 | 97,194 |
| Noncurrent liabilities | | |
| Bonds payable | 47,260 | 52,834 |
| Long-term loans payable | 6,910 | 6,740 |
| Provision for retirement benefits | 11,478 | 10,873 |
| Provision for directors' retirement benefits | 1,044 | 2,152 |
| Other | 12,061 | 11,610 |
| Noncurrent liabilities | 78,754 | 84,211 |
| Liabilities | 172,352 | 181,405 |
| | | |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 29,953 | 29,953 |
| Capital surplus | 171,081 | 171,082 |
| Retained earnings | 109,315 | 119,417 |
| Treasury stock | (73,689) | (73,685) |
| Shareholders' equity | 236,659 | 246,767 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (1,275) | (1,619) |
| Deferred gains or losses on hedges | 150 | — |
| Revaluation reserve for land | (5,966) | (5,966) |
| Foreign currency translation adjustment | (17,502) | (16,865) |
| Valuation and translation adjustments | (24,593) | (24,451) |
| Subscription rights to shares | 1,188 | 1,222 |
| Minority interests | 19,483 | 18,994 |
| Net assets | 232,738 | 242,532 |
| Liabilities and net assets | 405,090 | 423,938 |

Note: Figures are rounded down to the nearest million yen.

CONSOLIDATED STATEMENT OF OPERATIONS

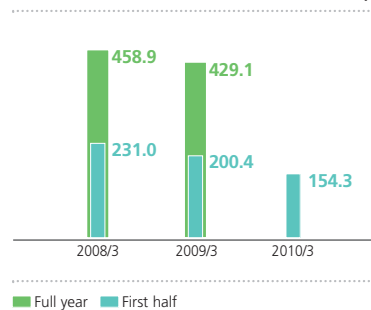
(Millions of yen)

| Item | Current period (From April 1, 2009 to September 30, 2009) | Prior period (From April 1, 2008 to September 30, 2008) |
|--|---|---|
| Net sales | 154,395 | 200,446 |
| Cost of sales | 106,931 | 151,354 |
| Gross profit | 47,463 | 49,091 |
| Selling, general and administrative expenses | 47,782 | 56,670 |
| Operating income | (318) | (7,578) |
| Non-operating income | 897 | 2,109 |
| Non-operating expenses | 1,307 | 3,015 |
| Ordinary income | (729) | (8,484) |
| Extraordinary income | 1,913 | 1,659 |
| Extraordinary loss | 2,531 | 2,463 |
| Income before income taxes and minority interests | (1,346) | (9,289) |
| Income taxes—current | 3,973 | 451 |
| Refund of income taxes | — | (722) |
| Minority interests in income | 1,002 | 535 |
| Net income | (6,323) | (9,554) |

Note: Figures are rounded down to the nearest million yen.

Net Sales

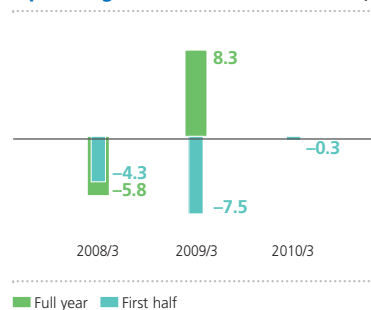
(Billions of yen)



Net sales for the six-month period amounted to ¥154,395 million, down 23.0% year-on-year. This decline was attributable to the concentration of major title launches in the second half of the fiscal year in the pachinko and pachislot machine business, the amusement machine sales business, and the consumer business.

Operating Income (Loss)

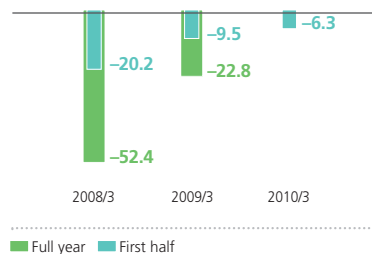
(Billions of yen)



In the pachislot and pachinko machine business, profit margins improved due to a revision of our pricing strategy and to an increase in the pachinko board sales percentage. In amusement center operations, personnel costs and other expenses were reduced, and in the amusement machine sales business and the consumer business, R&D expenses and content production expenses were reduced. As a result, the Group posted an operating loss of ¥318 million, compared with an operating loss of ¥7,578 million in the same period of the previous fiscal year.

Net Loss

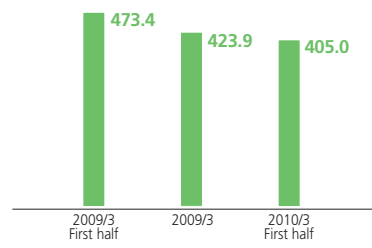
(Billions of yen)



The Group recorded extraordinary income of ¥1,913 million, including reversal of recovery costs of amusement arcades, and extraordinary loss of ¥2,531 million, including loss on sales of stocks of subsidiaries and affiliates. As a result, the Group's posted net loss was ¥6,323 million.

Total Assets

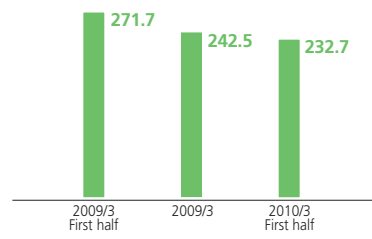
(Billions of yen)



Notes and accounts receivable—trade declined by ¥21,207 million, and notes and accounts payable—trade decreased by ¥12,988 million. On the other hand, due to the purchase of negotiable certificates of deposit, short-term investment securities increased by ¥18,093 million, and cash and deposits decreased ¥9,789 million. Total assets as of the end of the six-month period were ¥405,090 million, a decrease of ¥18,847 million from the previous fiscal year-end.

Net Assets

(Billions of yen)



Net assets were 232.38 billion yen, a decrease of 9.9 billion yen from the previous fiscal year end. This decline is primarily attributable to the reduction of a net loss and to the payment of dividends.

CORPORATE DATA

As of September 30, 2009

Company Name

SEGA SAMMY HOLDINGS INC.

Head Office

Shiodome Sumitomo Building,
1-9-2 Higashi Shimbashi,
Minato-ku, Tokyo 105-0021, Japan

URL

<http://www.segasammy.com>

Business Activities

Performs group management and related activities as the holding company for companies forming a comprehensive entertainment group

Date of Establishment

October 1, 2004

Capital

¥29,953 million

Common Stock

Authorized: 800,000,000 shares

Issued: 283,229,476 shares

Number of Employees

103

Directors and Corporate Auditors

| | |
|---|------------------|
| Chairman, President and Representative Director (CEO) | Hajime Satomi |
| Executive Vice President and Representative Director | Keishi Nakayama |
| Director | Okitane Usui |
| Director and CCO (Chief Creative Officer) | Hisao Oguchi |
| Directors | Yuji Iwanaga |
| | Takeshi Natsuno |
| Standing Corporate Auditor | Tomio Kazashi |
| Corporate Auditors | Toshio Hirakawa |
| | Hisashi Miyazaki |
| | Mineo Enomoto |

SHAREHOLDER INFO

As of September 30, 2009

Composition of Shareholders

90,496

Number of Shareholders



| | |
|---------------|---------------------------------|
| 15.87% | Financial institutions |
| 0.68% | Securities companies |
| 33.56% | Foreign institutions |
| 6.58% | Other companies |
| 32.25% | Japanese individuals and others |
| 11.06% | SEGA SAMMY HOLDINGS INC. |

Principal Shareholders

| Name of shareholder | Number of shares held | (%) |
|---|-----------------------|-------|
| Hajime Satomi | 43,569,338 | 15.38 |
| SEGA SAMMY HOLDINGS INC. | 31,311,138 | 11.05 |
| Mellon Bank, NA Treaty Clients Omnibus | 18,274,461 | 6.45 |
| FSC Co., Ltd. | 14,172,840 | 5.00 |
| The Master Trust Bank of Japan, Ltd. (Trustee) | 13,248,600 | 4.67 |
| The Bank of New York Mellon as Depository Bank for Depository Receipt Holders | 12,583,234 | 4.44 |
| Japan Trustee Services Bank, Ltd. (Trustee) | 8,561,600 | 3.02 |
| State Street Bank and Trust Company | 8,030,604 | 2.83 |
| State Street Bank and Trust Company 505225 | 5,020,021 | 1.77 |
| Mellon Bank NA as Agent for Its Client Mellon Omnibus US Pension | 2,773,056 | 0.97 |

SHARE INFORMATION

Securities Code

6460

Unit of Trading

100 shares

Fiscal Year-End

March 31

Ordinary General Meeting of Shareholders

June

Date of Record

March 31

September 30 for interim dividends, if paid
Advance, public notification is given when required for other
dividend payments.

Method of Announcements

Internet
(<http://www.segasammy.co.jp/english/index.html>)

In the event that announcements cannot be provided through
the Internet, they will be listed in the Nihon Keizai Shimbun.

Shareholder Register Manager

Mitsubishi UFJ Trust and Banking Corporation

Contact

Securities Agent Department,
Mitsubishi UFJ Trust and Banking Corporation
7-10-11, Higashisuna, Koto-ku,
Tokyo 137-8081, Japan

Agency

Mitsubishi UFJ Trust and Banking Corporation branches in Japan

American Depositary Receipts

Depository bank:

The Bank of New York Mellon
101 Barclay Street,
New York, NY 10286, U.S.A.

Telephone: (212) 815-2042

U.S. Toll Free: 888-269-2377
(888-BNY-ADRS)

Symbol: SGAMY

CUSIP: 815794102

Exchange: OTC

Ratio: 4:1



SEGA SAMMY
H O L D I N G S

SEGA SAMMY HOLDINGS INC.

Shiodome Sumitomo Building, 1-9-2 Higashi Shimbashi,
Minato-ku, Tokyo 105-0021, Japan