

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**9 Months Ended December 31, 2005**

**Name of the Company :** SEGA SAMMY HOLDINGS INC.  
**Code number :** 6460  
 (URL <http://www.segasammy.co.jp>)  
**Representative :** Hajime Satomi  
 Chairman & CEO  
**Any inquiry to :** Shunichi Shimizu  
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**1. Significant Accounting Policies in the Preparation of Third-Quarter Operating Results**

- (1) Adoption of the simplified method of accounting: Yes  
 The simplified method is applied to the computation of income taxes.
- (2) Changes to accounting policies in the most-recent consolidated fiscal year: None
- (3) Changes in the scope of consolidation and application of the equity method: Yes  
 18 companies were newly consolidated as subsidiaries and 6 companies as consolidated subsidiary were excluded. 3 affiliated companies were newly accounted by using the equity method and 1 affiliated company were excluded by using the equity method.

**2. Consolidated Operating Results for the 9 Months Ended December 31, 2005**

**(1) RESULTS OF CONSOLIDATED OPERATIONS**

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 9 months ended December 31, 2005	420,817	5.4	101,213	10.0	63,485	37.3
For 9 months ended December 31, 2004	399,443	—	91,985	—	46,224	—
For Year ended March 31, 2005	515,668	—	105,089	—	50,574	—

	Net income	Net income per
	per share	share (Diluted)
	Yen	Yen
For 9 months ended December 31, 2005	253.11	252.46
For 9 months ended December 31, 2004	375.17	363.57
For Year ended March 31, 2005	410.53	400.95

(Note) ① Percentages for net sales, operating income and net income represent change from the prior period.

② A 1-for-2 stock split was conducted on November 18, 2005. Net income per share and diluted net income per share are calculated as if the stock split had taken place at the beginning of the fiscal year.

**[Qualitative Data Regarding Business Results]**

In the pachislot and pachinko machine business, SEGA SAMMY posted sales of 465 thousand units of pachislot machines in the first nine months of fiscal 2005 (compared to 534 thousand units in the same period a year earlier), a significant improvement from the previous period. This mainly comprised 77 thousand units of "Ultraman Club ST" and 122 thousand units of "Aladdin 2 Evolution," both of which were released as sequels of the hit originals. Moreover, although falling below the planned figure, pachinko machines recorded sales of 259 thousand units (compared to 201 thousand units in the same period a year earlier), enabling the pachislot and pachinko machine business to make a significant contribution to Group results. In particular, "CR Hokuto No Ken," which fully leverages the game entertainment features of the pachislot machine "Hokuto No Ken," became Sammy Corporation's best-ever selling machine with 178 thousand units.

Meanwhile, in the amusement machine sales business, "Star Horse2 NEW GENERATION," the most recent version of the "Star Horse" series, and "MJ3," a network mahjong game, posted favorable sales.

In the amusement center operations business, “The King of Beetle MUSHIKING” which boasts great popularity mainly among elementary school children, and “Oshare Majo Love and Berry,” both saw steady growth in the number of machines installed and trading cards sold, helping to support segment performance. Leveraging the business model used for developing these two titles, “DINOSAUR KING” was also launched during the period under review. Moreover, the Group opened 14 new amusement centers in the first nine months of fiscal 2005, including those operated by newly consolidated subsidiary TMS Entertainment Group and closed down 48, for a total of 472 amusement centers in operation as of the end of the period under review.

The consumer business achieved total game software sales of 11,470 thousand units. This comprised 3,190 thousand units in Japan and in Asia, 3,950 thousand in the U.S., and 4,330 thousand in Europe. This was attributable to favorable sales of titles such as “The King of Beetle MUSHIKING: Road to Greatest Champion,” “Ryu Ga Gotoku,” and “Noryoku Trainer Portable” in Japan. Overseas sales of “Shadow the Hedgehog” and other Sonic series during the Christmas season also contributed to the results.

Finally, the toy, mobile phone content, and animation businesses reported solid sales.

As a result of the above, during the first nine months of fiscal 2005, the SEGA SAMMY Group posted consolidated net sales of ¥420,817 million (up 5.4% year on year), operating income of ¥101,213 million (up 10.0%), and net income of ¥63,485 million (up 37.3%).

## (2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2005	534,076	311,689	58.4	1,237.21
December 31, 2004	445,551	220,590	49.5	1,867.93
March 31, 2005	438,991	258,954	59.0	2,067.91

(Note) A 1-for-2 stock split was conducted on November 18, 2005.

### [Qualitative Data Regarding Financial Position]

Total assets was increased to ¥534,076 million from ¥438,991 million as the previous fiscal year-end, due to higher operating receivables stemming from seasonal and other factors as of the end of the third quarter under review. Total shareholders' equity also rose to ¥311,689 million, due to an increase in retained earnings of ¥63,485 million generated from net income during the quarter, which offset dividend payments of ¥13,776 million. The equity ratio remained almost the same as the end of the previous fiscal year at 58.4%.

### 3. Projection for Consolidated Result for Fiscal Year 2005 (April 1, 2005 ~ March 31, 2006)

	Net Sales	Operating income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
Entire - year	570,000	120,500	68,000

(Reference) Projected net income per share for the entire-year is ¥267.81 Yen.

Net sales for the year ending March 31, 2006 are expected to amount to ¥570,000 million, up ¥3,000 million from the previously publicized forecast, due to favorable sales of Sammy-brand pachislot machines "Aladdin 2 Evolution" in the pachislot and pachinko machine business and high-value added products in the amusement machine sales business, including large medal-game machines "Star Horse2 NEW GENERATION", continued smash hits of kids' card games "The King of Beetle MUSHIKING" and "Oshare Majo Love and Berry" in the amusement center operation business and bumper sales during the Christmas season in the consumer business, among others.

With regard to profits, in the pachislot and pachinko machine business, costs have been reduced due to reutilization of materials and good sales in every business segment have contributed, among others. As a result, operating income and net income are expected to increase by ¥20,500 million and ¥12,000 million in comparison with the previously publicized forecast to amount to ¥120,500 million and ¥68,000 million, respectively.

### 4. Other information

An action by Aruze Corporation against Sammy Corporation ("Sammy"), a subsidiary of SEGA SAMMY HOLDINGS INC., was filed with the Tokyo District Court as of December 27, 2005. (Sammy was served with the bill of complaint as of January 11, 2006) Aruze Corporation has filed the action for the payment of ¥21,000,000,000 in damages, alleging that drum-rotating game machines (or pachislot machines) "Hokuto no Ken" manufactured and marketed by Sammy have infringed its patent rights Sammy believes that it has not infringed the patent rights of Aruze Corporation in this case and intends to claim its legitimacy to defend itself in court.

# CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND DECEMBER 31, 2004 AND MARCH 31, 2005

(Unit : Millions of Yen)

	Current period (As of December 31, 2005)		Prior period (As of December 31, 2004)		Prior year (As of March 31, 2005)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(Assets)		%		%		%
I Current Assets						
Cash and deposits	115,151		146,258		152,277	
Notes and accounts receivable - trade	139,964		80,607		76,922	
Inventories	39,843		33,430		32,001	
Others	50,566		26,719		21,260	
Total current assets	345,525	64.7	287,016	64.4	282,461	64.3
II Fixed assets						
Tangible fixed assets	84,647	15.8	74,426	16.7	73,187	16.7
Intangible fixed assets	17,610	3.3	7,617	1.7	10,040	2.3
Investments and other assets	86,292	16.2	76,491	17.2	73,300	16.7
Total fixed assets	188,550	35.3	158,535	35.6	156,529	35.7
Total assets	534,076	100.0	445,551	100.0	438,991	100.0
(Liabilities)						
I Current liabilities						
Short-term bank loans and current portion of long - term debt	8,342		12,460		10,023	
Notes and accounts payable - trade	82,287		61,863		57,139	
Redeemable bond within a year	2,200		3,128		3,278	
Others	57,913		40,341		39,826	
Total current liabilities	150,743	28.2	117,793	26.4	110,268	25.1
II Non-current liabilities						
Long-term debt, less current portion	8,405		14,677		11,118	
Bonds payable	24,610		27,017		25,788	
Corporate bond with stock acquisition rights	132		39,899		5,322	
Others	19,837		17,527		19,036	
Total non-current liabilities	52,984	9.9	99,121	22.3	61,265	14.0
Total liabilities	203,728	38.1	216,914	48.7	171,533	39.1
Minority interests	18,658	3.5	8,045	1.8	8,503	1.9
(Shareholders' equity)						
Common stock	29,887	5.6	10,000	2.2	27,291	6.2
Capital surplus	171,003	32.0	159,014	35.7	176,302	40.2
Retained earnings	190,965	35.8	129,404	29.1	133,760	30.5
Adjustment on revaluation of land	(6,541)	(1.2)	(6,541)	(1.5)	(6,541)	(1.5)
Net unrealized holding gains on securities	8,867	1.7	11,140	2.5	10,792	2.4
Foreign currency translation adjustments	(8,981)	(1.7)	(9,415)	(2.1)	(9,425)	(2.1)
Treasury stock	(73,511)	(13.8)	(73,010)	(16.4)	(73,225)	(16.7)
Total shareholders' equity	311,689	58.4	220,590	49.5	258,954	59.0
Total liabilities and Shareholders' equity	534,076	100.0	445,551	100.0	438,991	100.0

SEGA SAMMY HOLDINGS INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE 9 MONTHS ENDED DECEMBER 31, 2005 AND FOR THE 9 MONTHS ENDED DECEMBER 31, 2004 AND YEAR ENDED MARCH 31, 2005

(Unit : Millions of Yen)

	Current period (From April 1, 2005 to December 31, 2005)		Prior period (From April 1, 2004 to December 31 2004)		Prior year (From April 1, 2004 to March 31, 2005)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net sales	420,817	100.0	399,443	100.0	515,668	100.0
Cost of sales	239,192	56.8	225,934	56.6	304,109	59.0
Gross profit	181,625	43.2	173,509	43.4	211,558	41.0
Selling, general and administrative expenses	80,411	19.1	81,524	20.4	106,469	20.6
Operating income	101,213	24.1	91,985	23.0	105,089	20.4
Other income	4,461	1.0	5,729	1.4	8,023	1.6
Other expenses	4,107	1.0	18,162	4.5	23,631	4.6
	353	0.0	(12,432)	(3.1)	(15,607)	(3.0)
Income before income taxes and minority interests	101,567	24.1	79,552	19.9	89,482	17.4
Total income taxes	36,883	8.7	32,816	8.2	38,089	7.4
Net income before minority interests	64,684	15.4	46,735	11.7	51,393	10.0
Minority interests	1,199	0.3	511	0.1	819	0.2
Net income	63,485	15.1	46,224	11.6	50,574	9.8

## SEGMENT INFORMATION

Operations by product

Current period (From April 1, 2005 to December 31, 2005)

(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	212,004	54,189	77,876	61,952	14,794	420,817	—	420,817
(2) Inter segment	463	2,618	3	239	749	4,137	(4,137)	—
Total	212,468	56,870	77,880	62,191	15,544	424,954	(4,137)	420,817
Cost and expenses	129,800	46,325	69,839	59,987	16,361	322,315	(2,711)	319,603
Operating income (loss)	82,667	10,544	8,040	2,203	(817)	102,639	(1,426)	101,213

Prior period (From April 1, 2004 to December 31, 2004)

(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	220,734	49,714	62,235	49,053	17,706	399,443	—	399,443
(2) Inter segment	25	13,838	70	50	523	14,508	(14,508)	—
Total	220,759	63,553	62,305	49,103	18,229	413,952	(14,508)	399,443
Cost and expenses	132,257	57,144	57,273	54,168	18,394	319,237	(11,778)	307,458
Operating income (loss)	88,502	6,409	5,032	(5,064)	(164)	94,714	(2,729)	91,985

Prior year (From April 1, 2004 to March 31, 2005)

(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	280,109	63,304	83,193	65,341	23,719	515,668	—	515,668
(2) Inter segment	32	16,535	125	115	746	17,555	(17,555)	—
Total	280,141	79,840	83,319	65,456	24,466	533,223	(17,555)	515,668
Cost and expenses	176,210	72,416	77,847	74,266	25,007	425,748	(15,169)	410,578
Operating income (loss)	103,930	7,423	5,472	(8,809)	(541)	107,475	(2,386)	105,089