

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
6 Months Ended September 30, 2013

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
 (URL <http://www.segasammy.co.jp/>)
Representative: Hajime Satomi
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Filing of Quarterly Report: November 12, 2013 (plan)
 Start of cash dividend payments: December 2, 2013 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 6 Months Ended September 30, 2013

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes 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, 2013	162,209	18.8	12,398	57.1	11,348	192.9
For 6 months ended September 30, 2012	136,583	(10.5)	7,892	(48.0)	3,874	(2.7)

(Note) Comprehensive income

For 6 months ended September 30, 2013 : ¥28,687 million (—%)

For 6 months ended September 30, 2012 : ¥ (718) million (—%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 6 months ended September 30, 2013	46.76	46.38
For 6 months ended September 30, 2012	15.74	15.70

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2013	529,654	345,094	64.3
March 31, 2013	528,504	320,034	59.7

(Reference) Shareholders' equity

September 30, 2013 : ¥340,678 million

March 31, 2013 : ¥315,752 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, 2013	—	20.00	—	20.00	40.00
Year ending March 31, 2014	—	20.00			
Year ending March 31, 2014 (plan)			—	20.00	40.00

(Note) Revision of the forecast from latest announcement: No

3. Forecast of Consolidated Operating Results for the Year ending March 31, 2014

(Percentage represents changes 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
Entire – year	485,000	50.9	73,000	282.7	47,000	40.5	194.17

(Note) Revision of the forecast from latest announcement: No

4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during period: Yes
 (Included) Company name: SEGA SAMMY BUSAN INC.
 (Excluded) Company name: Sega Sammy Resort Limited Liability Partnership
- (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: No
 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)
 - September 30, 2013 : 266,229,476
 - March 31, 2013 : 266,229,476
 2. Number of treasury stock at the end of the period
 - September 30, 2013 : 23,217,515
 - March 31, 2013 : 24,169,675
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 6 months ended September 30, 2013: 242,681,907
 - For 6 months ended September 30, 2012: 246,197,354

(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 SEGA SAMMY HOLDINGS INC. (the "Company") at the time of the announcement and assumptions considered reasonable. Actual results could differ materially, depending on a range of factors. For the assumptions prerequisite to the results forecasts and the points to be noted in the use of the forecasts, please see "Forecast of Consolidated Operating Results" on page 4.

Operating Results and Financial Position

(1) Overview

During the first half of the fiscal year ending March 31, 2014, there were growing hopes that the Japanese economy would break out of deflation and experience economic recovery amid the trend toward yen depreciation and rising stock prices backed by the effects of the economic policies set out by the government's new administration. However, uncertainty still prevailed due to worries of a slowing economy from the consumption tax rise that will be implemented in April next year.

In this climate, with regard to the pachislot and pachinko industry, as orders tended to concentrate on some mainstay products due to pachinko parlor operators becoming increasingly selective about machines, there has been continuing strong replacement demand for new pachislot machines, while replacement demand for new pachinko machines has been rather weak. In order to revitalize the market in the future, it is essential to develop and supply machines that will be supported by end users.

In the amusement machine and amusement center industry, the market was sluggish due to the absence of major market-driving titles, along with the diversification of ways to play on smartphones and other devices. In the future, however, development and supply of innovative new game machines in line with diversifying customer needs is expected to revitalize the market.

In the home video game software industry, demand expanded in the market for digital games geared toward social networking services (SNS) and smartphones, while the market for packaged games softened.

In this business environment, net sales for the first half of the fiscal year ending March 31, 2014 amounted to ¥162,209 million, an increase of 18.8% for the same period in the previous fiscal year. The Group posted an operating income of ¥12,398 million, an increase of 57.1% for the same period in the previous fiscal year. Due to the factors including gains such as Gain on sales of noncurrent assets and losses such as Cost of corrective measures from a title in the digital game, the Group recorded a net income of ¥11,348 million (an increase of 192.9% for the same period in the previous fiscal year).

In addition, as announced on September 18, 2013, a newly established subsidiary, which is a wholly owned subsidiary of SEGA CORPORATION, a subsidiary of the Company, concluded a business transfer agreement with Index Corporation. Court approval was given and the business transfer took place on November 1, 2013.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachislot machine business, as a result of the launch of “Pachislot Kaiji 3” under the GINZA brand in the second quarter, overall sales for the first half of the fiscal year exceeded results for the same period in the previous fiscal year, reaching 143 thousand units.

In the pachinko machine business, there were solid performances by “Pachinko CR Rookies” under the Sammy brand along with “CR Gorenger” under the Taiyo Elec brand. However, due to a policy where part of the products were rescheduled for launch in the latter half of the fiscal year, overall sales of pachinko machines fell short of results for the same period in the previous fiscal year, reaching 54 thousand units.

As a result, net sales in this segment were ¥71,338 million (an increase of 30.5% for the same period in the previous fiscal year) and operating income was ¥15,176 million (an increase of 45.8% for the same period in the previous fiscal year).

《Amusement Machine Sales》

In the amusement machine sales business, the launch of new revenue sharing title “CODE OF JOKER,” sales of CVT KITs from “StarHorse3 Season II BLAZE OF GLORY” and distribution revenue from the revenue sharing titles remained solid. However, as the launch of major titles for this fiscal year is scheduled for the latter half of the fiscal year, net sales in this segment were ¥19,875 million (a decrease of 0.0% for the same period in the previous fiscal year) and operating loss was ¥8 million (operating income of ¥895 million for the same period in the previous fiscal year).

《Amusement Center Operations》

In the amusement center operations business, efforts to reinforce management capabilities of existing amusement centers continued from the previous fiscal year. However, due to the absence of industry-driving titles, sales at existing amusement centers in Japan dipped and registered 95.0% of the level compared to the same period of the previous fiscal year.

In the second quarter, the Group closed 1 amusement center and opened 2 new amusement centers in the domestic market. Consequently, the Group operated a total of 202 amusement centers at the end of the period.

Meanwhile, from the fiscal year ending March 31, 2014, numbers counted as amusement centers in the domestic market are based on amusement centers (game arcades) directly operated by the Group.

Additionally, SEGA CORPORATION opened a “nature” themed experience-based entertainment park “Orbi Yokohama,” under a partnership between SEGA CORPORATION and BBC Worldwide Limited, on August 19, 2013.

As a result, net sales in this segment were ¥21,971 million (an increase of 1.2% for the same period in the previous fiscal year) and operating income was ¥273 million (a decrease of 66.8% for the same period in the previous fiscal year).

《Consumer Business》

In the consumer business, the Group launched titles such as “Total War : ROME II” in the packaged game software field and sales were generally solid. As a result, a year-on-year increase in total volume of packaged software sales to 3,230 thousand copies, which includes 1,300 thousand copies in the U.S., 1,520 thousand copies in Europe, and 400 thousand copies in Japan.

Performance remained favorable in the field of digital game software for mobile phones, smartphones, and PC downloading, with the number of registered IDs for the online RPG “Phantasy Star Online 2” exceeding 3 million cumulatively on August 19, 2013. Among titles for smartphones, “CHAIN CHRONICLE” continues to perform robustly, exceeding 0.8 million downloads cumulatively on September 18, 2013.

Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777townSP” service and service for DeNA Co., Ltd.’s “Moba7” were enhanced.

In the toy division, sales of mainstay products such as “Jewelpod Diamond Premium” were strong.

In the animated films business, distribution revenue from the 17th theater film “Detective Conan Private Eye in the Distant Sea” and film distribution were favorable.

As a result, net sales in this segment were ¥44,095 million (an increase of 23.5% for the same period in the previous fiscal year) and operating income was ¥1,118 million (operating loss of ¥780 million for the same period in the previous fiscal year).

(2) Forecast of Consolidated Operating Results

No amendments have been made to the forecast of consolidated operating results for the year ending March 31, 2014 announced on September 20, 2013. A modified forecast for consolidated operating results will be released promptly if adjustment is needed.

(3) Other

(Significant changes in subsidiaries during period)

SEGA SAMMY BUSAN INC. became the Company’s consolidated subsidiaries because of its establishment in the first quarter.

Sega Sammy Resort Limited Liability Partnership was excluded from the scope of consolidation in the second quarter because of its completion of liquidation.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC. CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2013 AND MARCH 31, 2013

(Unit : Millions of yen)

	Prior year (As of March 31, 2013)	Current period (As of September 30, 2013)
	Amount	Amount
(A s s e t s)		
Current Assets		
Cash and deposits	176,540	110,418
Notes and accounts receivable – trade	63,886	40,264
Allowance for doubtful accounts	(386)	(293)
Short-term investment securities	4,260	66,365
Merchandise and finished goods	5,931	9,209
Work in process	12,773	15,719
Raw materials and supplies	23,850	19,730
Other	31,713	22,054
Total current assets	318,570	283,468
Noncurrent assets		
Property, plant and equipment		
Land	27,229	37,202
Other, net	59,830	61,828
Total property, plant and equipment	87,060	99,030
Intangible assets		
Goodwill	10,206	9,553
Other	12,706	12,124
Total intangible assets	22,913	21,678
Investments and other assets		
Investment securities	72,797	100,668
Other	28,159	25,707
Allowance for doubtful accounts	(997)	(899)
Total investments and other assets	99,960	125,476
Total noncurrent assets	209,933	246,186
Total assets	528,504	529,654

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2013 AND MARCH 31, 2013

(Unit : Millions of yen)

	Prior year (As of March 31, 2013)	Current period (As of September 30, 2013)
	Amount	Amount
(L i a b i l i t i e s)		
Current liabilities		
Notes and accounts payable - trade	50,142	28,688
Short - term loans payable	12,867	12,870
Income taxes payable	1,494	3,984
Provision	5,455	4,680
Asset retirement obligations	229	191
Other	33,448	21,689
Total current liabilities	103,637	72,105
Noncurrent liabilities		
Bonds payable	29,500	38,650
Long - term loans payable	44,926	40,259
Provision for retirement benefits	9,277	9,085
Provision for directors' retirement benefits	138	123
Asset retirement obligations	2,165	2,338
Other	18,823	21,998
Total noncurrent liabilities	104,831	112,455
Total liabilities	208,469	184,560
(N e t a s s e t s)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,335	119,327
Retained earnings	198,924	205,171
Treasury stock	(40,540)	(38,951)
Total shareholders' equity	307,673	315,500
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,385	42,680
Deferred gains or losses on hedges	—	11
Revaluation reserve for land	(4,705)	(4,705)
Foreign currency translation adjustment	(14,601)	(12,808)
Total accumulated other comprehensive income	8,078	25,178
Subscription rights to shares	1,146	1,057
Minority interests	3,136	3,358
Total net assets	320,034	345,094
Total liabilities and net assets	528,504	529,654

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

(Unit : Millions of yen)

	Prior period From April 1, 2012 To September 30, 2012	Current period From April 1, 2013 To September 30, 2013
	Amount	Amount
Net sales	136,583	162,209
Cost of sales	81,595	97,311
Gross profit	54,988	64,897
Selling, general and administrative expenses	47,095	52,499
Operating income	7,892	12,398
Other income (expenses) :		
Interest income	250	183
Dividends income	402	467
Equity in earnings of affiliates	90	—
Gain on valuation of derivatives	22	—
Foreign exchange gains	—	886
Gain on investments in partnership	36	887
Interest expenses	(420)	(420)
Equity in losses of affiliates	—	(131)
Bond issuance cost	(141)	(64)
Foreign exchange losses	(701)	—
Commission fee	(33)	(28)
Gain on sales of noncurrent assets	339	3,576
Loss on sales of noncurrent assets	(0)	(2)
Impairment loss	(253)	(225)
Loss on valuation of investment securities	(40)	(16)
Cost of corrective measures	—	(347)
Other income	495	777
Other expenses	(587)	(449)
Subtotal	(541)	5,093
Income before income taxes and minority interests	7,351	17,491
Income taxes-current	3,256	6,068
Total income taxes	3,256	6,068
Income before minority interests	4,094	11,423
Minority interests in income	220	75
Net income	3,874	11,348
Minority interests in income	220	75
Income before minority interests	4,094	11,423
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,854)	15,293
Deferred gains or losses on hedges	—	11
Foreign currency translation adjustment	(958)	2,072
Share of other comprehensive income of associates accounted for using equity method	0	(114)
Total other comprehensive income	(4,812)	17,263
Comprehensive income	(718)	28,687
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(940)	28,447
Comprehensive income attributable to minority interests	222	239

SEGMENT INFORMATION

1. Prior period (From April 1, 2012 to September 30, 2012)

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

(Unit: Millions of yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
(1) Sales to third parties	54,375	18,741	21,712	35,395	130,225	6,358	136,583
(2) Inter-segment sales and transfers	269	1,137	0	306	1,714	438	2,152
Total	54,644	19,879	21,713	35,702	131,939	6,796	138,736
Segment income (loss)	10,406	895	822	(780)	11,344	(180)	11,163

(Note) “Other” is the business segment not included in the reporting segments, but includes the resort complex business and information provider services, etc.

(2) Major differences between the total amount of income (loss) in the reporting segments and the operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2012 (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	11,344
Segment loss in Other	(180)
Elimination of inter segment transactions	(37)
General corporate expenses (note)	(3,233)
Operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2012	7,892

(Note) “General corporate expenses” mainly consists of Group management expenses incurred by the holding company.

2. Current period (From April 1, 2013 to September 30, 2013)

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

(Unit: Millions of yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
(1) Sales to third parties	71,240	18,025	21,963	43,843	155,073	7,135	162,209
(2) Inter-segment sales and transfers	97	1,850	8	251	2,207	329	2,537
Total	71,338	19,875	21,971	44,095	157,280	7,465	164,746
Segment income (loss)	15,176	(8)	273	1,118	16,559	(496)	16,062

(Note) “Other” is the business segment not included in the reporting segments, but includes the resort complex business and information provider services, etc.

(2) Major differences between the total amount of income (loss) in the reporting segments and the operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2013 (reconciliation of the difference)

(Unit: Millions of yen)

Income (loss)	Amount
Total income in the reporting segments	16,559
Segment loss in Other	(496)
Elimination of inter segment transactions	74
General corporate expenses (note)	(3,738)
Operating income in the consolidated statement of income and comprehensive income for the 6 months ended September 30, 2013	12,398

(Note) “General corporate expenses” mainly consists of Group management expenses incurred by the holding company.