July 31, 2015

F L A S H R E P O R T
CONSOLIDATED FINANCIAL STATEMENTS［Japanese GAAP］
3 Months Ended June 30, 2015

Name of the Company : SEGA SAMMY HOLDINGS INC.
Code number : 6460
(URL http://www.segasammy.co.jp/)
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Filing of Quarterly Report: August 7, 2015 (plan)

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2015

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes from the prior period)

	Net sales		Operating income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
For 3 months ended June 30, 2015	52,935	(41.2)	(9,455)	―	(7,930)	―
For 3 months ended June 30, 2014	90,085	―	8,953	―	5,161	―

(Note) Comprehensive income
For 3 months ended June 30, 2015 : ¥(5,427) million (―%)
For 3 months ended June 30, 2014 : ¥1,543 million (―%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2015	(33.79)	―
For 3 months ended June 30, 2014	21.18	21.10

(Note) Due to retroactive application associated with a change in accounting policy, year-on-year changes for the first quarter of the fiscal year ended March 31, 2015 are omitted.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2015	503,334	306,791	59.9
March 31, 2015	528,659	322,452	60.0

(Reference) Shareholders' equity
June 30, 2015 : ¥301,643 million
March 31, 2015: ¥317,330 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, 2015	－	20.00	－	20.00	40.00
Year ending March 31, 2016	－				
Year ending March 31, 2016 (plan)		20.00	－	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, 2016

(Percentage represents changes from the prior period/year)

	Net sales		Operating income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half ending September 2015	200,000	26.4	14,000	412.6	11,000	－	46.33
Entire – year	420,000	14.5	25,000	42.9	19,000	－	80.02

(Note) Revision of the forecast from latest announcement: No
Due to retroactive application associated with a change in accounting policy, year-on-year changes are comparisons with figures after retroactive application.

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)
June 30, 2015 : 266,229,476
March 31, 2015 : 266,229,476

2. Number of treasury stock at the end of the period
June 30, 2015 : 31,830,437
March 31, 2015: 28,801,789

3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
For 3 months ended June 30, 2015: 234,705,140
For 3 months ended June 30, 2014: 243,662,458

(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 5.

Operating Results and Financial Position

Effective from the first quarter of the fiscal year ending March 31, 2016, accounting policies were changed and comparison with the same period of the previous year is based on figures in which the changes are retrospectively reflected. For details of the changes in accounting policies, please refer to “(3) Other, Changes in accounting policies” on page 5.

(1) Overview

During the first quarter of the fiscal year ending March 31, 2016, the Japanese economy continued a gradual recovery as a whole backed by such developments as improving corporate performances and employment through the effects of monetary and fiscal policies. With regard to individual consumption, individual consumption as a whole is holding firm on the back of steady improvements including the employment environment. However, the economy still remained in the condition requiring further time for full recovery due to uncertainty towards a downswing in overseas economies arising from factors such as the slowdown of growth in the economies of emerging countries and European debt crisis.

In this climate, with regard to the pachislot and pachinko industry, a change in application of the model test procedure of pachislot machines by the Security Communications Association, which conducts model tests for pachislot and pachinko machines, led to a decrease in the number of new titles launched in the market. However, replacement demand for new pachislot machines was relatively robust, partly owing to sales of major titles. Replacement demand for new pachinko machines remained relatively strong centering on major titles whose popularity is expected to continue. In order to revitalize the market in the future, it is essential to develop and supply machines that will appeal to a wide range of end users.

Regarding the environment surrounding the Entertainment Contents Business, while the market for digital games for smart devices is expanding in Japan in line with the spread of smartphones, the markets for packaged game software, amusement centers and amusement machines are shrinking.

In the resort industry, thanks to an increase in the number of foreign visitors to Japan spurred by the weak yen, revenues of amusement parks and theme parks continue to exceed the previous year’s level. With a view to establishing Japan as a popular tourist destination, a bill concerning the promotion of the establishment of specified integrated resort areas (Integrated Resort Promotion Bill) was submitted to the Diet.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2016 amounted to ¥52,935 million, a decrease of 41.2% for the same period in the previous fiscal year. The Group posted an operating loss of ¥9,455 million (operating income of ¥8,953 million for the same period in the previous fiscal year) and loss attributable to owners of parent of ¥7,930 million (profit attributable to owners of parent of ¥5,161 million for the same period in the previous fiscal year).

In order to review the Group’s earnings structure from a medium- to long-term perspective, as well as to address the issues of each business, the Company implemented an organizational restructuring within the Group (*) on April 1, 2015. Effective from the first quarter of the fiscal year ending March 31, 2016, the Group’s businesses were reorganized into three businesses: (i) the Pachislot and Pachinko Machines Business, (ii) the Entertainment Contents Business, and (iii) the Resort Business. In line with this reorganization, the former Amusement Machine Sales Business, Amusement Center Operations Business and Consumer Business have been integrated into the Entertainment Contents Business. Operations of theme parks, previously included in the Amusement Center Operations Business, and operations of resort facilities, previously included in Other Businesses, have been integrated into the Resort Business.

(*) As of April 1, 2015, SEGA CORPORATION was divided and SEGA Holdings Co., Ltd., SEGA Interactive Co., Ltd., and SEGA LIVE CREATION Inc. were established through an incorporation-type demerger. In addition, SEGA CORPORATION merged with SEGA Networks Co., Ltd. and changed its trade name to SEGA Games Co., Ltd.

Result of each segment is as follows

In line with the reorganization within the Group as of April 1, 2015, effective from the first quarter of the fiscal year ending March 31, 2016, the classification of the reporting segments has been changed. Comparison and analysis of results for the first quarter of the fiscal year ending March 31, 2016 are based on the segment classification after the change. For details of segment information, please refer to “SEGMENT INFORMATION, (2) Change of reporting segments, etc.” on page 12.

《Pachislot and Pachinko Machines》

In the pachislot machine business, the Group launched no new title in the first quarter of the fiscal year ending March 31, 2016. (Overall sales of pachislot machines were 82 thousand units for the same period of the previous year.)

In the pachinko machine business, the Group sold “Pachinko CR Aura Battler Dunbine” and “Dejihane CR Bakemonogatari” series under the Sammy brand and “CR GAMERA” under the Taiyo Elec brand. Overall sales of pachinko machines were 22 thousand units. (Overall sales of pachinko machines were 47 thousand units for the same period of the previous year.)

As a result, net sales in this segment were ¥7,806 million (a decrease of 83.5% for the same period in the previous fiscal year) and operating loss was ¥6,725 million (operating income of ¥12,560 million for the same period in the previous fiscal year).

《Entertainment Contents》

With regard to the Entertainment Contents Business, in the field of digital game software, which the Group positions as the growth driver, sales of the existing titles for smart devices, such as “CHAIN CHRONICLE – Kizuna no Shintairiku,” “Puyopuyo!! Quest” and “PHANTASY STAR ONLINE 2,” launched over three years ago, were robust. New titles, such as “Hortensia SAGA” launched in April and “MONSTER GEAR” launched in May, got off to a flying start, and the lineup of titles was further enhanced. The number of titles distributed domestically in the field of digital game software (free-to-play types) was 46 as of the end of June 2015.

In the packaged game software field, sales amounted to 1,830 thousand copies in spite of the lack of sales of major titles. In the amusement machine field, whereas no major titles were sold, sales of CVT KITs and distribution revenue from revenue sharing titles were recorded.

In the amusement center operations field, like-for-like sales were robust at 101.4% compared with the same period of the previous year owing to reinforced management of prizes etc. at the existing game center operations. In April 2015, as a new business format, the Group opened “KidsBee Kohoku Minamo Ten” (Yokohama, Kanagawa Prefecture), which is a buffet restaurant where all three generations of families can enjoy the dining experience.

In the animated film and toy fields, theater film “Detective Conan: Sunflowers of inferno” recorded the highest-ever box-office revenue for the series. Moreover, “Jewel watch,” which is a new product featuring the character “Jewelpet” jointly developed by the Group and Sanrio Company, Ltd. was well-received, including winning the grand prix in the Girls’ Toy category of the Japan Toy Award 2015 organized by the Japan Toy Association.

As a result, net sales in this segment were ¥41,911 million (an increase of 4.1% for the same period in the previous fiscal year) and operating loss was ¥739 million (operating loss of ¥1,366 million for the same period in the previous fiscal year).

《Resort》

In the Resort Business, the Group is investing in order to prepare for entry to the integrated resort business field. The Group worked to reinforce management capabilities, including collaboration with popular content, such as “Hozuki no Reitetsu” at the indoor theme park “Tokyo Joypolis,” and facilities utilization remained robust. At the supercharged nature experience “Orbi Yokohama,” facilities utilization was low despite implementation of “Moudokuten in Minatomirai.” At “Phoenix Seagaia Resort,” one of the leading resorts in Japan whose amenities include hotels, golf courses and international conference venues, facilities utilization remained robust thanks to implementation of sales and marketing measures coinciding with the opening of the Miyazaki-to-Oita section of the Higashikyushu Expressway and the launch of regular flights between Hong Kong and Miyazaki.

Overseas, the Group operates existing casino facilities in Incheon, South Korea, through PARADISE SEGASAMMY Co., Ltd. (associate accounted for using the equity method), a joint venture between Paradise Co., Ltd., a major tourism enterprise in South Korea, and the Company.

As a result, net sales in this segment were ¥3,450 million (an increase of 19.0% for the same period in the previous fiscal year) and operating loss was ¥591 million (operating loss of ¥793 million for the same period in the previous fiscal year).

(2) Forecast of Consolidated Operating Results

The Company recorded an operating loss and a loss attributable to owners of parent mainly because no new pachislot titles were launched during the first quarter of the fiscal year ending March 31, 2016.

In the second quarter, in the Pachislot and Pachinko Machines Business the Group will launch several new titles, including “Pachislot Hokuto No Ken Tomo,” a major title, and “Pachinko CR Shin-Juoh 2” and “Pachinko CR TOMORROW'S JOE.” In the Entertainment Contents Business, in the digital game software field, both existing titles, such as “PHANTASY STAR ONLINE 2,” “CHAIN CHRONICLE – Kizuna no Shintairiku,” and “Puyopuyo!! Quest,” and titles launched in the first quarter of this fiscal year, such as “Hortensia SAGA” and “MONSTER GEAR,” are expected to be sources of earnings. New titles to be launched in the second quarter, such as “XUCCESS HEAVEN” and “CHAOS DRAGON,” are also expected to contribute to earnings.

Consequently, no change has been made to the forecast of consolidated operating results for the first half of the fiscal year ending March 31, 2016 and for the full year announced on May 11, 2015.

A modified forecast for consolidated operating results will be released promptly if adjustment is necessary.

(3) Other

(Changes in accounting policies)

a. Adoption of accounting standard for business combinations, etc.

Effective from the first quarter of the fiscal year ending March 31, 2016, the Company adopted “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013), and other related accounting standards and changed the presentation of net income and changed the presentation of minority interests to non-controlling interests. To reflect these changes in the presentations, quarterly consolidated financial statements for the first quarter of the previous fiscal year and consolidated financial statements for the previous fiscal year have been reclassified.

b. Change in revenue recognition for sales of merchandise and finished goods

Some of the Company’s subsidiaries previously recognized revenue primarily on a shipping basis. Effective from the first quarter of the fiscal year ending March 31, 2016, the revenue recognition method was changed to on a delivery basis. From the first quarter of the fiscal year ending March 31, 2016, the Company’s systems for identifying delivery dates were improved in line with the reinforcement of product delivery management mainly in the Pachislot and Pachinko Machines Business. Taking this improvement as an opportunity, the Company reconsidered the revenue recognition standard and judged that recognition of revenues upon delivery more accurately reflects actual transactions.

This change in the accounting policy is retroactively applied and quarterly consolidated financial statements for the first quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year are presented after retroactive application of the change.

As a result, compared with the figures prior to retroactive application of the revised revenue recognition method, the following changes are made. On the consolidated statement of income and comprehensive income for the first quarter of the previous fiscal year, net sales decreased by ¥941 million, gross profit decreased by ¥382 million, and operating income and income before income taxes decreased by ¥354 million, respectively. The beginning balance of retained earnings for the previous year decreased by ¥103 million, as cumulative effects of the change in the accounting policy are to be reflected in net assets at the beginning of the previous fiscal year.

The impact on segment information is described in the related section.

c. Change in revenue presentation in the field of digital game software

Regarding sales in the field of digital game software and platform fees and other associated expenses, some of the Company’s subsidiaries previously recorded a net amount by offsetting net sales, the cost of sales and selling, general and administrative expenses. Effective from the first quarter of the fiscal year ending March 31, 2016, those subsidiaries changed the method to the recording of a gross amount of net sales, the cost of sales and selling, general and administrative expenses. Owing to the Company’s decision to promote business development in the field of digital game software, which is positioned as a growth field in the Entertainment Contents Business, through reallocation of resources and new investment including overseas, quantitative materiality of the field of digital game software will increase from now on. Thus, the Company considered accounting treatment that more clearly presents the situation of the Company’s business activities and concluded that presenting a gross amount of net sales and recording platform fees and other associated expenses as part of the cost of sales and selling, general and administrative expenses will more clearly represent the results of operations.

The change in the accounting policy is retroactively applied and the quarterly consolidated financial statements for the first quarter of the previous fiscal year are presented after retroactive application of the change.

As a result of this change, compared with the figures prior to retroactive application of the revised accounting treatment, net sales and gross profit for the first quarter of the previous fiscal year increased by ¥2,660 million and ¥147 million, respectively, but there is no impact on operating income and income before income taxes.

The impact on segment information is described in the related section.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2015 AND MARCH 31, 2015

（Unit : Millions of yen）

	Prior year (As of March 31, 2015)	Current period (As of June 30, 2015)
	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	102,260	88,887
Notes and accounts receivable – trade	38,526	26,256
Allowance for doubtful accounts	(389)	(396)
Short-term investment securities	97,210	83,153
Merchandise and finished goods	6,988	8,662
Work in process	12,281	14,572
Raw materials and supplies	9,967	12,161
Other	31,177	30,111
Total current assets	298,021	263,408
Noncurrent assets		
Property, plant and equipment		
Land	39,822	39,895
Other, net	60,450	62,213
Total property, plant and equipment	100,272	102,108
Intangible assets		
Goodwill	14,668	14,331
Other	14,402	15,390
Total intangible assets	29,071	29,722
Investments and other assets		
Investment securities	70,051	76,552
Other	32,032	32,095
Allowance for doubtful accounts	(790)	(553)
Total investments and other assets	101,293	108,094
Total noncurrent assets	230,637	239,925
Total assets	528,659	503,334

SEGA SAMMY HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2015 AND MARCH 31, 2015

(Unit : Millions of yen)

	Prior year (As of March 31, 2015)	Current period (As of June 30, 2015)
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	26,964	19,369
Short - term loans payable	13,842	13,747
Income taxes payable	3,240	1,702
Provision	5,082	2,669
Asset retirement obligations	133	32
Other	37,442	34,731
Total current liabilities	86,707	72,251
Noncurrent liabilities		
Bonds payable	56,200	61,200
Long - term loans payable	32,918	31,851
Net defined benefit liability	3,716	3,317
Provision for directors’ retirement benefits	121	—
Asset retirement obligations	2,435	3,918
Provision for dismantling of fixed assets	3,395	3,395
Other	20,710	20,609
Total noncurrent liabilities	119,498	124,291
Total liabilities	206,206	196,543
(Net assets)		
Shareholders’ equity		
Capital stock	29,953	29,953
Capital surplus	119,282	119,297
Retained earnings	198,704	185,894
Treasury stock	(49,335)	(54,752)
Total shareholders’ equity	298,604	280,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,794	19,049
Deferred gains or losses on hedges	10	14
Revaluation reserve for land	(4,699)	(4,651)
Foreign currency translation adjustment	3,414	4,699
Remeasurements of defined benefit plans	2,206	2,139
Total accumulated other comprehensive income	18,726	21,251
Subscription rights to shares	832	814
Non-controlling interests	4,289	4,333
Total net assets	322,452	306,791
Total liabilities and net assets	528,659	503,334

SEGA SAMMY HOLDINGS INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

FOR 3 MONTHS ENDED JUNE 30, 2014 AND 2015

（Unit：Millions of yen）

	Prior period From April 1, 2014 To June 30, 2014	Current period From April 1, 2015 To June 30, 2015
	Amount	Amount
Net sales	90,085	52,935
Cost of sales	52,449	36,226
Gross profit	37,635	16,709
Selling, general and administrative expenses	28,681	26,164
Operating income (loss)	8,953	(9,455)
Other income (expenses) :		
Interest income	73	124
Dividends income	567	469
Share of profit of entities accounted for using equity method	108	44
Foreign exchange gains	10	―
Gain on investments in partnership	40	81
Interest expenses	(208)	(226)
Bond issuance cost	(55)	(40)
Foreign exchange losses	―	(192)
Gain on sales of noncurrent assets	―	6
Gain on sales of investment securities	128	1
Gain on liquidation of subsidiaries and associates	―	291
Loss on sales of noncurrent assets	(67)	(0)
Loss on sales of shares of subsidiaries and associates	(255)	―
Loss on valuation of shares of subsidiaries and associates	―	(130)
Other income	349	733
Other expenses	(153)	(195)
Subtotal	538	968
Income (loss) before income taxes	9,492	(8,486)
Income taxes-current	4,496	(593)
Total income taxes	4,496	(593)
Profit (loss)	4,995	(7,893)
Profit (loss) attributable to owners of parent	5,161	(7,930)
Profit (loss) attributable to non-controlling interests	(166)	36
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,249)	1,249
Deferred gains or losses on hedges	(7)	4
Revaluation reserve for land	―	48
Foreign currency translation adjustment	366	1,408
Remeasurements of defined benefit plans, net of tax	(72)	(67)
Share of other comprehensive income of associates accounted for using equity method	(489)	(176)
Total other comprehensive income	(3,452)	2,466
Comprehensive income	1,543	(5,427)
Comprehensive income attributable to owners of parent	1,749	(5,405)
Comprehensive income attributable to non-controlling interests	(205)	(21)

SIGNIFICANT CHANGES IN THE AMOUNT OF SHAREHOLDERS' EQUITY

(Unit: Millions of Yen)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2015 (Note 1)	29,953	119,282	198,704	(49,335)	298,604
Changes of items for the 3 months ended June 30, 2015					
Dividends from retained earnings			(4,748)		(4,748)
Profit (loss) attributable to owners of parent			(7,930)		(7,930)
Effect of changes in accounting period of subsidiaries			(129)		(129)
Purchase of treasury stock (Note 2)				(5,542)	(5,542)
Disposal of treasury stock		14		125	139
Change of scope of consolidation			(1)		(1)
Total changes of items for the 3 months ended June 30, 2015	―	14	(12,810)	(5,417)	(18,212)
Balances as of June 30, 2015	29,953	119,297	185,894	(54,752)	280,391

(Notes) 1. Balances as of April 1, 2015 are presented after retroactive application of the changes in the accounting policy.

2. This refers primarily to the purchase of treasury stocks worth ¥5,536 million (3,098,400 shares) according to the resolution at the meeting of Board of Directors held on February 12, 2015.

Outline of the resolution

(1) Type of shares to be acquired: Common shares

(2) Total number of shares to be acquired: 10,000,000 shares (upper limit)

(3) Total acquisition costs: ¥20,000 million (upper limit)

(4) Acquisition period: From February 18, 2015 through May 29, 2015

SEGMENT INFORMATION

1. Prior period (From April 1, 2014 to June 30, 2014)

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

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Note)	Amount in consolidated financial statements
	Pachislot Pachinko	Entertainment Contents	Resort			
Net sales						
(1) Sales to third parties	47,246	39,951	2,887	90,085	—	90,085
(2) Inter-segment sales and transfers	171	316	12	500	(500)	—
Total	47,417	40,267	2,900	90,585	(500)	90,085
Segment income (loss)	12,560	(1,366)	(793)	10,400	(1,446)	8,953

(Notes) 1. Elimination of inter-segment transactions of ¥46 million and general corporate expenses of ¥(1,493) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(1,446) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustment has been made to segment income (loss) and operating income in the consolidated financial statements.

2. Current period (From April 1, 2015 to June 30, 2015)

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

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Note)	Amount in consolidated financial statements
	Pachislot Pachinko	Entertainment Contents	Resort			
Net sales						
(1) Sales to third parties	7,686	41,807	3,441	52,935	—	52,935
(2) Inter-segment sales and transfers	119	103	8	232	(232)	—
Total	7,806	41,911	3,450	53,167	(232)	52,935
Segment income (loss)	(6,725)	(739)	(591)	(8,056)	(1,398)	(9,455)

(Notes) 1. Elimination of inter-segment transactions of ¥49 million and general corporate expenses of ¥(1,447) million which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥(1,398) million. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustment has been made to segment income (loss) and operating income in the consolidated financial statements.

(2) Change of reporting segments, etc.

(Change in classification of reporting segments)

Effective from the first quarter of the fiscal year ending March 31, 2016, in line with the reorganization, the classification of the reporting segments has been revised. The reporting segments, which previously consisted of the "Pachislot and Pachinko Machines Business," the "Amusement Machines Sales Business," the "Amusement Center Operations Business," and the "Consumer Business," now consist of the "Pachislot and Pachinko Machines Business," the "Entertainment Contents Business," and the "Resort Business," in line with the reorganization within the Group as of April 1, 2015.

Segment information for the first quarter of the previous fiscal year is based on the segment classification after the change.

(Change in revenue recognition for sales of merchandise and finished goods)

As described in "Changes in accounting policies," some of the Company's subsidiaries changed revenue recognition for sales of merchandise and finished goods. The change in the accounting policy is retroactively applied and the segment information for the first quarter of the previous fiscal year is presented after retroactive application of the change.

As a result of this change, compared with figures prior to retroactive application, net sales and segment income (loss) for the first quarter of the previous fiscal year changed as follows: in the "Pachislot and Pachinko Machines Business," net sales decreased by ¥975 million and segment income decreased by ¥348 million; in the "Entertainment Contents Business," net sales increased by ¥33 million and segment loss increased by ¥5 million.

(Change in revenue presentation in the field of digital game software)

As described in "Changes in accounting policies," some of the Company's subsidiaries changed revenue presentation in the field of digital game software. The change in the accounting policy is retroactively applied and the segment information for the first quarter of the previous fiscal year is presented after retroactive application of the change.

As a result of this change, compared with figures prior to retroactive application, net sales for the first quarter of the previous fiscal year increased by ¥2,660 million in the "Entertainment Contents Business" but there is no impact on segment income (loss).