

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**Year Ended March 31, 2013**

**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  
**Any inquiry to :** Akira Sugano  
 Senior Executive Officer  
 Manager of the Administrative Division  
 Shiodome Sumitomo Building 21F,  
 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo  
 Tel (03) 6215-9955

Annual Meeting of Shareholders: June 18, 2013 (plan)  
 Filing of Financial Report : June 19, 2013 (plan)  
 Start of cash dividend payments : May 28, 2013 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the Year Ended March 31, 2013**

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes from the prior year)

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For Year ended March 31, 2013	321,407	(18.7)	19,073	(67.3)	33,460	53.3
For Year ended March 31, 2012	395,502	(0.3)	58,384	(15.1)	21,820	(47.4)

(Note) Comprehensive income:

For Year ended March 31, 2013: ¥47,481 million (60.1 %)  
 For Year ended March 31, 2012: ¥29,656 million ((44.5) %)

	Net income per share	Net income per share (Diluted)	Return on equity	Operating income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
For Year ended March 31, 2013	137.14	136.85	11.0	3.7	5.9
For Year ended March 31, 2012	86.73	86.54	7.7	12.2	14.8

(Reference) Equity in earnings of affiliates:

For Year ended March 31, 2013: ¥ 15 million  
 For Year ended March 31, 2012: ¥ (8) million

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2013	528,504	320,034	59.7	1,304.44
March 31, 2012	497,451	296,376	58.9	1,167.59

(Reference) Shareholders' equity

March 31, 2013: ¥315,752 million  
 March 31, 2012: ¥293,105 million

### (3) CONSOLIDATED CASH FLOWS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For Year ended March 31, 2013	18,603	6,396	(1,116)	174,210
For Year ended March 31, 2012	38,023	(59,012)	914	146,599

### 2. Cash Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends paid to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended March 31, 2012	—	20.00	—	20.00	40.00	10,043	46.1	3.5
Year ended March 31, 2013	—	20.00	—	20.00	40.00	9,672	29.2	3.2
Year ending March 31, 2014 (plan)	—	20.00	—	20.00	40.00		20.6	

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

(Percentage represents changes from the prior year)

	Net sales		Operating income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half ending September, 2013	198,000	45.0	17,500	121.7	9,000	132.3	37.18
Entire - year	485,000	50.9	73,000	282.7	47,000	40.5	194.17

#### **4. Other**

- (1) Significant changes in subsidiaries (scope of consolidation) during the year ended March 31, 2013: No
- (2) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the consolidated financial statements:
  1. Changes associated with revision in accounting standards: No
  2. Other changes: Yes
- (3) Number of shares outstanding (common stock)
  1. Number of shares outstanding at the end of the period (including treasury stock)
    - March 31, 2013: 266,229,476
    - March 31, 2012: 266,229,476
  2. Number of treasury stock at the end of the period
    - March 31, 2013: 24,169,675
    - March 31, 2012: 15,194,836
  3. Average number of shares during the period
    - For Year ended March 31, 2013: 243,981,508
    - For Year ended March 31, 2012: 251,577,472

#### **[Caution With Regard to Operating Results Outlook]**

- This report is outside the scope of audit in accordance with the Financial Instruments and Exchange Law, and the audit of financial statements in accordance with the Law has not been completed as of the disclosure of this report.

- The forward-looking statements, such as results forecasts, included in this document are based on information available to 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 "Overview" on page 4.

# **1. Operating Results and Financial Position**

## **(1) Overview**

During the fiscal year ended March 31, 2013, the depreciation of the yen and rising stock prices led to growing hopes for an economic recovery in the wake of new economic policies by the government's new administration. However, uncertainty continued to prevail overall, as the world economy decelerated and the effects of deteriorating Japan-China relations were felt.

In this climate, the pachislot and pachinko industry witnessed continuing recovery in the pachislot machine market, thanks to a recovery in their utilization rate and an increase in the quantity installed in pachinko parlors. Meanwhile, pachinko machines did not perform quite as strongly, with slight declines in the quantity installed, despite strong replacement demand mainly among the major titles.

In the amusement machine and amusement center industry, the solid market was driven mainly by the prize category. 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 weakened for packaged games due to the severe economic environment mainly in the U.S. and Europe. Meanwhile, SEGA SAMMY Group (the Group) needs to adapt to a changing business environment in which market demand for digital games geared toward social networking services (SNS) and smartphones is expanding further.

In this business environment, net sales for the fiscal year ended March 31, 2013 amounted to ¥321,407 million (a decrease of 18.7% from the previous fiscal year). The Group posted an operating income of ¥19,073 million (a decrease of 67.3% from the previous fiscal year).

The Group recorded gains such as gain on sales of investment securities and gain on transfer of benefit obligation relating to employees' pension fund, losses related to the subsidiary in the U.S. such as impairment loss of goodwill and loss on liquidation of subsidiaries and affiliates. In addition to above, the Group recorded deferred tax asset related to the tax loss which was resulted from the completion of liquidation of some of the subsidiaries in the U.S. for the amount that will be deductible from the future taxable income.

As a result, the Group recorded a net income of ¥33,460 million (an increase of 53.3% from the previous fiscal year).

The Group reached an agreement with Paradise Group, which conducts tourism and other services business in South Korea, on the business of a resort complex development including casinos in the Incheon City area of South Korea. The agreement concerns establishment of a joint venture that will conduct planning, development, and operation of the project. Establishment of the joint venture has been completed.

In addition, The Group won the public bid for the development plan of "Centum City", a cutting-edge complex city equipped with functions such as information, communication, video, entertainment and international business, held by the Busan Metropolitan City, South Korea on January 3, 2013.

Furthermore, the Company resolved to acquire treasury stocks at the Board of Directors' meeting held on May 31, 2012, and during the period of June 7 to July 31, 2012, the Company acquired 10,000,000 shares (the upper limit of total shares which may be acquired) at acquisition costs of ¥16,192 million.

Result of each segment is as follows

#### 《Pachislot and Pachinko Machines》

In the pachinko machine business, although the sales of “Pachinko CR Hokuto No Ken 5 Hasha” under the Sammy brand was favorable, overall sales of the pachinko machines were 216 thousand units and fell short of the previous fiscal year due to a stagnant market environment. In the pachislot machine business, although the Group launched “Pachislot Shin-Onimusha Sairin” under the RODEO brand and sales was generally solid, overall sales of the pachislot machines were 202 thousand units and fell short of the previous fiscal year as a result of the rescheduling of the launch of certain titles.

As a result, net sales in this segment were ¥142,796 million (a decrease of 32.7% from the previous fiscal year) and operating income was ¥23,534 million (a decrease of 66.9% from the previous fiscal year).

#### Main Pachinko Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachinko CR Hokuto No Ken 5 Hasha	(Sammy)	121
Pachinko CR Shin-Juoh	(Sammy)	22
Pachinko CR SOUTEN-NO-KEN TENJU	(Sammy)	20
Pachinko CR GAOGAOKING	(Sammy)	11
CR Chameleon	(Taiyo Elec)	6

#### Main Pachislot Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachislot Shin-Onimusha Sairin	(Rodeo)	41
Pachislot Monster Hunter	(Rodeo)	38
Pachislot CODE GEASS Lelouch of the Rebellion	(Sammy)	31
Pachislot Ring ni Kakero 1 -The Twelve Gods of Greek Series-	(Sammy)	25
Pachislot Sakigake Otokojuku	(Rodeo)	24

#### 《Amusement Machine Sales》

In the amusement machine sales business, the sales of CTV KITS and expendables such as cards for the “WORLD CLUB Champion Football Series” were solid. Although distribution revenue from revenue sharing titles remained solid, the sales of major new titles were absent. As a result, net sales in this segment were ¥42,620 million (a decrease of 19.6% from the previous fiscal year) and operating income was ¥1,902 million (a decrease of 74.3% from 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, in reaction to the relatively strong performance driven primarily by the prize category in the previous fiscal year, sales at existing SEGA amusement centers in Japan dipped and registered 93.8% of the level compared to the previous fiscal year.

The Group opened 3 amusement centers and closed 8 amusement centers in the domestic market in the fiscal year. Consequently, the Group operated a total of 236 amusement centers in Japan at the end of the period.

As a result, net sales in this segment were ¥42,728 million (a decrease of 4.2% from the previous fiscal year). Due to the decrease in depreciation expense in connection with the changes to the accounting policies, operating income was ¥1,194 million (an increase of 235.7% from the previous fiscal year).

## 《Consumer Business》

In the consumer business, the Group launched titles such as “Ryu ga Gotoku 5: Yume,Kanaeshimono” which targets the domestic market, “Sonic & All-Stars Racing Transformed” and “Aliens™: Colonial Marines” for overseas markets in the packaged game software field. However, a reduction of number of titles carried out as part of the structural reform policies implemented in Europe and the U.S. starting from the end of the previous fiscal year led to a year-on-year decline in total volume of packaged software sales to 10,780 thousand copies, which includes 4,200 thousand copies in the U.S., 4,420 thousand copies in Europe, and 2,140 thousand copies in Japan.

In the field of digital game software for mobile phones, smartphones, and PC downloading, the number of registered users of the PC online RPG “Phantasy Star Online 2”, which launched its services in July, exceeded 2.5 million, and revenue from paid items exceeded forecasted levels. Our title line-up for smartphones was expanded with the introduction of numerous additions including “Dragon Coins”, “Kingdom Conquest II” and “The Clan Battle of Fate” which was developed jointly with Pokelabo, Inc.

Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777townSP” service was enhanced.

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

In the animated films business, distribution revenue and film distribution for the movie “ANPANMAN: Revive Banana Island!” were favorable.

As a result, net sales in this segment were ¥84,740 million (a decrease of 2.0% from the previous fiscal year) and operating loss was ¥732 million (operating loss of ¥15,182 million for the previous fiscal year).

SEGA CORPORATION, a subsidiary of the Company, acquired all of shares of Relic Entertainment, Inc. and some IPs owned by THQ Inc. on January 24, 2013 in order to further reinforce PC game development capabilities in the U.S. and European regions.

Sammy NetWorks Co., Ltd., a subsidiary of the Company, acquired the shares of Butterfly Corporation, which develops pachislot and pachinko hall style mobile online service, etc. and made the company into a subsidiary on January 25, 2013.

## **Outlook for the Fiscal Year ending March 31, 2014**

While expectations mounted toward the economic policies of the new administration, the Japanese economy during the fiscal year ending March 31, 2014, is expected to maintain a moderate recovery pace for the time being.

Under such circumstance, the market in the pachislot and pachinko industry is likely to remain solid for the pachislot machine business, which was already on a recovery track, while the pachinko machine business is expected to remain weak. In its pachislot and pachinko machines business, the Group will seek to further expand product diversity and reinforce its overall lineup in both machine categories. For the fiscal year ending March 31, 2014, the Group forecasts sales of 478 thousand pachislot machines, up 275 thousand from the current fiscal year, and 324 thousand pachinko machines, up 107 thousand from the current fiscal year.

In the amusement machine sales business, we will maintain our current efforts to ensure consistent profits through the revenue-sharing model, while adapting to the changes in the industry and strengthening our product lineup accordingly.

In the amusement center operations business, we will further reinforce management capabilities of amusement centers and enhance their competitiveness locally through proactive renovation work, while proactively expanding into new areas. For the fiscal year ending March 31, 2014, the Group plans to open 4 new amusement centers and to close 9 amusement centers.

The packaged game software field in the consumer business will undergo rationalization, in an effort to establish a structure that can consistently generate profit. We also intend to make our game software compatible with the next-generation game machines, which are due to be launched. Estimated total volume of packaged software sales is 11,660 thousand copies, including 4,310 thousand copies in the U.S., 4,690 thousand in Europe and 2,640

thousand in Japan. In the field of digital game software, we will endeavor to shift our business structure with a view to adapting to changes in the business environment, including greater focus on the development of the field of digital game software for mobile phones, smartphones and PC downloading.

In the toy division, we will reinforce our sales activities for mainstay products such as “Anpanman Series” and “Jewelpod”, while our value chain will be reviewed as part of measures to enhance profitability.

In the animated films business, we will continue to engage in business development focused on the production of new titles in film and television.

In light of the above, the Group is forecasting consolidated net sales of ¥485,000 million (an increase of 50.9% from the previous fiscal year), operating income of ¥73,000 million (an increase of 282.7% from the previous fiscal year), and net income of ¥47,000 million (an increase of 40.5% from the previous fiscal year) for the fiscal year ending March 31, 2014.

#### **[Caution With Regard to Operating Results Outlook]**

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.

## **(2) Consolidated Financial Position**

### 1) Assets, liabilities and net assets

#### (Assets and liabilities)

During the current fiscal year, current assets decreased ¥9,074 million due to a decrease in notes and accounts receivable-trade and short-term investment securities. Meanwhile, non current assets increased ¥40,127 million due to the factors including increase in investment securities from the increase of the value of the investment securities and increase of property, plant and equipment because of construction of the new plant for the pachislot and pachinko machines business.

Current liabilities decreased ¥28,760 million due to the redemption of current portion of bonds. Meanwhile, non current liabilities increased ¥36,154 million due to financing through borrowing and issuance of bonds.

As a result, total assets as of the end of the current fiscal year increased ¥31,053 million from the end of the previous fiscal year, to ¥528,504 million.

#### (Net assets)

During the current fiscal year, shareholder's equity increased thanks to the posting of net income for the current fiscal year and an increase in valuation difference on available-for-sale securities and foreign currency translation adjustment, while dividend payments and acquisition of treasury stock reduced shareholder's equity. As a result, net assets as of the end of the current fiscal year increased ¥23,658 million from the end of the previous fiscal year, to ¥320,034 million.

#### (Financial ratio)

The current ratio at the end of the current fiscal year still remained at high level of 307.4%, 59.9 points increase from the end of the previous fiscal year due to decrease in current liabilities is more than that of current assets.

The equity ratio at the end of the current fiscal year increased 0.8 points from the end of the previous fiscal year, to 59.7%.

### 2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased ¥27,611 million from the end of the previous fiscal year, to ¥174,210 million.

Cash flows in respect of each area of activities in the current fiscal year are as follows

#### (Cash flows from operating activities)

Meanwhile, ¥25,631 million income before income taxes and minority interests, ¥18,181 million of depreciation and amortization and ¥10,819 million decrease of notes and accounts receivable-trade, notes and accounts payable-trade decreased ¥10,197 million, inventories increased ¥7,590 million and ¥16,336 million payment of corporate tax resulted in ¥18,603 million (¥38,023 million in the previous fiscal year) net cash provided by operating activities in the current fiscal year.

#### (Cash flows from investing activities)

Meanwhile, ¥42,650 million provided by redemption of short-term investment, expenditures of ¥21,896 million for the acquisition of property, plant and equipment, ¥8,068 million for the acquisition of intangible assets, ¥5,139 million for the acquisition of stocks of subsidiaries and affiliates resulted in ¥6,396 million net cash provided by investing activities in the current fiscal year, compared with ¥59,012 million net cash used in investing activities in the previous fiscal year.

#### (Cash flows from financing activities)

Meanwhile, financing of ¥33,000 million through long-term debt, expenditures of ¥9,858 million for cash dividends paid (including cash dividends paid to minority shareholders), ¥16,220 million for purchase of treasury stock and ¥10,472 million for repayment of long-term debt resulted in ¥1,116 million net cash used in financing activities in the current fiscal year, compared with ¥914 million net cash provided by financing activities in the previous fiscal year.

<Cash Flow Indices>

	March 2009	March 2010	March 2011	March 2012	March 2013
Equity ratio	52.4%	55.8%	60.0%	58.9%	59.7%
Equity ratio (fair market value)	51.3%	67.4%	79.4%	87.5%	87.5%
Redemption of debt	218.9%	137.9%	58.9%	192.4%	524.9%
Interest coverage ratio	35.1 times	73.0 times	134.1 times	58.1 times	22.9 times

Notes: Equity ratio: (Net assets — Subscription rights to shares — Minority interests) / total assets

Equity ratio (fair market value): Market capitalization / total assets

Redemption of debt: Interest-bearing debt / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

1. All indicators are calculated using the consolidated financial results.
2. Market capitalization is calculated by multiplying the year-end share price with the number of shares issued and outstanding at year-end (excluding treasury stock).
3. Operating cash flow refers to Cash Flows from Operating Activities in the Consolidated Statements of Cash Flows.
4. Interest-bearing debt is the portion of debt recorded in the Consolidated Balance Sheets on which interest is being paid.
5. Interest payments refer to interest paid as shown in the Consolidated Statements of Cash Flows.

**(3) Basic Policy Concerning Distribution of Earnings for the Fiscal Year ended March 31, 2013 and the Fiscal Year ending March 31, 2014**

SEGA SAMMY HOLDINGS gives priority to returning profits to shareholders. The Company's basic policy is to pay an appropriate dividend that is commensurate with earnings.

For the distribution of surplus, the Company paid second quarter and plans to pay year-end dividends of ¥20 per share, respectively. This reflects the Group's policy of paying dividends to shareholders stably.

For the fiscal year ending March 31, 2014, the Company plans to pay second quarter and year-end dividends of ¥20 per share, respectively.

Furthermore, the Company's policy is to use retained earnings effectively to bolster its financial position and operating base as well as for investments in line with business expansion.

**2. Overview of the SEGA SAMMY Group**

This information is omitted since nothing significant has changed from the one set forth in the Annual Securities Report filed on June 20, 2012.

### **3. Management Policies**

#### **(1) Basic Management Policies**

SEGA CORPORATION and Sammy Corporation on October 1, 2004 integrated their operations to build an even more powerful base as a comprehensive global entertainment organization. Combining the resources of the two companies, a holding company called SEGA SAMMY HOLDINGS was established with the aim of maximizing corporate value. Since then, the Group has been taking various measures to build a business framework that responds quickly and flexibly to changes in the operating environment and accelerate growth.

The core business domain of the SEGA SAMMY Group is the comprehensive entertainment business, comprising pachislot and pachinko machines, amusement machine sales, amusement center operations, and the consumer business.

Within this sphere, the Group targets markets worldwide in the quest to maximize and cross-fertilize its entertainment content and resources, ultimately aiming to promote business operations that target every age group. Moreover, the SEGA SAMMY Group is enhancing its presence in every applicable business field in a drive to become the world's leading name in comprehensive entertainment. To this end, the Group is committed to winning the trust and meeting the expectations of its stakeholders.

#### **(2) Medium- to Long-term Strategies and Other Issues**

The SEGA SAMMY Group is engaged in a diverse array of entertainment businesses, ranging from pachislot and pachinko machines to commercial amusement machines, amusement center operation and home videogame software, as well as services through internet and for mobile handsets. Operations also extend to toys and animation. Our goal is to have strong competitiveness in these fields as our core businesses. Additionally, we are aiming to make a full-fledged entry into the resort complex business and are ready to make this a new core business.

#### **(3) Issues to be Addressed**

In the pachislot and pachinko machines business, pachinko parlor operators are facing increasingly harsh business conditions due to the widespread practice of lowering ball rental fees and a decline in the number of players. There has also been a tendency for demand to concentrate on large major titles that promise greater profitability. Under these circumstances, the Group will strive to adapt to the changes in the business environment through efforts including the development and supply of products with innovative gameplay that meet market needs.

In the amusement machine business, the Group will seek a broad range of users by not only providing various products from high value added items to household items that meet user needs but also simultaneously enhancing investment efficiency for operators and securing sources of long-term and stable earnings for the Company as a machine manufacturer. In overseas markets, the Group must provide products that meet local needs at competitive prices.

In the amusement center operations business, the Group's challenge will be to recover profits by strengthening management capabilities and competitiveness at its amusement centers, as well as by attracting new customers.

In the packaged game software field of the consumer business, one prevailing management issue is how to address the expanding market for new content for the field of digital game software for mobile phones, smartphones and PC downloading, among others, along with the improvement in profitability through the streamlining of development efforts by focusing on a smaller number of titles. In the toy business and the animated films business, further reinforcement of our business by intra-Group collaboration and other measures is our focus.

#### **(4) Other Important Items for the Company's Business Management**

Not applicable.

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2012 AND 2013

(Unit : Millions of Yen)

	Prior year (As of March 31, 2012)	Current year (As of March 31, 2013)
	Amount	Amount
( A s s e t s )		
Current assets		
Cash and deposits	127,721	176,540
Notes and accounts receivable-trade	73,554	63,886
Allowance for doubtful accounts	(593)	(386)
Short-term investment securities	66,509	4,260
Merchandise and finished goods	6,677	5,931
Work in process	6,992	12,773
Raw materials and supplies	20,890	23,850
Income taxes receivable	6,740	8,428
Deferred tax assets	6,347	10,965
Other	12,805	12,319
Total current assets	327,645	318,570
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	91,568	102,332
Accumulated depreciation	(69,197)	(70,270)
Buildings and structures, net	22,370	32,062
Machinery, equipment and vehicles	11,260	20,326
Accumulated depreciation	(9,422)	(10,944)
Machinery, equipment and vehicles, net	1,838	9,381
Amusement machines and facilities	49,024	50,282
Accumulated depreciation	(43,322)	(41,939)
Amusement machines and facilities, net	5,701	8,343
Land	29,457	27,229
Construction in progress	12,608	2,555
Other	44,674	48,273
Accumulated depreciation	(38,477)	(40,786)
Other, net	6,197	7,487
Total property, plant and equipment	78,173	87,060
Intangible assets		
Goodwill	10,790	10,206
Other	10,517	12,706
Total intangible assets	21,308	22,913
Investments and other assets		
Investment securities	52,725	72,797
Long-term loans receivable	291	663
Lease and guarantee deposits	13,057	12,492
Deferred tax assets	357	5,172
Other	5,131	9,831
Allowance for doubtful accounts	(1,239)	(997)
Total investments and other assets	70,324	99,960
Total noncurrent assets	169,805	209,933
Total assets	497,451	528,504

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2012 AND 2013

(Unit : Millions of Yen)

	Prior year (As of March 31, 2012)	Current year (As of March 31, 2013)
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	59,917	50,142
Short-term loans payable	10,194	12,867
Current portion of bonds	23,515	5,843
Income taxes payable	5,550	1,494
Accrued expenses	10,914	10,825
Provision for bonuses	4,405	3,893
Provision for directors' bonuses	917	654
Provision for business restructuring	4,737	907
Asset retirement obligations	199	229
Deferred tax liabilities	0	0
Other	12,046	16,778
Total current liabilities	132,398	103,637
Noncurrent liabilities		
Bonds payable	11,943	29,500
Long-term loans payable	25,052	44,926
Provision for retirement benefits	14,527	9,277
Provision for directors' retirement benefits	293	138
Deferred tax liabilities	3,498	5,124
Deferred tax liabilities for land revaluation	846	745
Asset retirement obligations	1,943	2,165
Other	10,572	12,953
Total noncurrent liabilities	68,676	104,831
Total liabilities	201,075	208,469
(Net Assets)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,397	119,335
Retained earnings	175,173	198,924
Treasury stock	(26,067)	(40,540)
Total shareholders' equity	298,456	307,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,872	27,385
Revaluation reserve for land	(4,541)	(4,705)
Foreign currency translation adjustment	(19,681)	(14,601)
Total accumulated other comprehensive income	(5,350)	8,078
Subscription rights to shares	991	1,146
Minority interests	2,279	3,136
Total net assets	296,376	320,034
Total liabilities and net assets	497,451	528,504

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED MARCH 31, 2012 AND 2013

(Unit : Millions of Yen)

	Prior year From April 1, 2011 To March 31, 2012	Current year From April 1, 2012 To March 31, 2013
	Amount	Amount
Net sales	395,502	321,407
Cost of sales	233,839	204,468
Gross profit	161,663	116,938
Selling, general and administrative expenses	103,279	97,865
Operating income	58,384	19,073
Other income (expenses) :		
Interest income	386	507
Dividends income	495	752
Equity in earnings of affiliates	—	15
Gain on investments in partnership	507	193
Income from operation of lease asset	88	67
Gain on valuation of derivatives	18	318
Foreign exchange gains	—	1,925
Interest expenses	(676)	(836)
Equity in losses of affiliates	(8)	—
Sales discounts	(33)	(139)
Commission fee	(481)	(204)
Provision of allowance for doubtful accounts	(2)	—
Loss on investments in partnership	(140)	(229)
Foreign exchange losses	(210)	—
Penalty payment for cancellation of game center lease agreement	(2)	(45)
Bond issuance cost	(125)	(373)
Gain on sales of noncurrent assets	163	667
Gain on sales of subsidiaries and affiliates' stocks	173	—
Gain on sales of investment securities	56	1,917
Reversal of recovery costs of video game arcades	1	—
Gain on negative goodwill	2,152	—
Gain on liquidation of subsidiaries and affiliates	489	20
Gain on transfer of benefit obligation relating to employees' pension fund	—	6,345
Loss on sales of noncurrent assets	(2)	(11)
Impairment loss	(3,341)	(2,986)
Loss on valuation of investment securities	(189)	(6)
Loss on liquidation of subsidiaries	(5)	—
Amortization of goodwill	(3,363)	—
The settlement payment for patent licensing	(3,500)	—
Restructuring loss	(6,308)	(489)
Loss on liquidation of subsidiaries and affiliates	—	(1,795)
Other	(1,554)	946
Subtotal	(15,414)	6,558

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED MARCH 31, 2012 AND 2013

(Unit : Millions of Yen)

	Prior year From April 1, 2011 To March 31, 2012	Current year From April 1, 2012 To March 31, 2013
	Amount	Amount
Income before income taxes and minority interests	42,969	25,631
Income taxes-current	13,056	4,038
Income taxes-deferred	7,465	(12,201)
Total income taxes	20,522	(8,163)
Income before minority interests	22,446	33,795
Minority interests in income	626	334
Net income	21,820	33,460
Minority interests in income	626	334
Income before minority interests	22,446	33,795
Other comprehensive income		
Valuation difference on available-for-sale securities	7,526	8,512
Deferred gains or losses on hedges	0	—
Revaluation reserve for land	112	—
Foreign currency translation adjustment	(434)	4,325
Share of other comprehensive income of associates accounted for using equity method	5	847
Total other comprehensive income	7,210	13,686
Comprehensive income	29,656	47,481
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	29,038	47,053
Comprehensive income attributable to minority interests	618	427

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2012 AND 2013

Prior year (From April 1, 2011 to March 31, 2012)

(Unit : Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2011	29,953	119,784	164,669	(25,329)	289,077
Changes of items during the period					
Dividends from surplus			(10,057)		(10,057)
Net income			21,820		21,820
Increase by share exchanges		(394)		7,724	7,329
Purchase of treasury stock				(8,469)	(8,469)
Disposal of treasury stock		(0)		6	6
Change of scope of consolidation		8	55		63
Reversal of revaluation reserve for land			(1,314)		(1,314)
Total changes of items during the period	—	(386)	10,503	(737)	9,378
Balances as of March 31, 2012	29,953	119,397	175,173	(26,067)	298,456

(Unit : Millions of Yen)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balances as of April 1, 2011	11,350	(0)	(5,969)	(19,264)	(13,883)
Changes of items during the period					
Dividends from surplus					
Net income					
Increase by share exchanges					
Purchase of treasury stock					
Disposal of treasury stock					
Change of scope of consolidation					
Reversal of revaluation reserve for land			1,314		1,314
Net changes of items other than shareholders' equity	7,522	0	112	(416)	7,218
Total changes of items during the period	7,522	0	1,427	(416)	8,532
Balances as of March 31, 2012	18,872	—	(4,541)	(19,681)	(5,350)

(Unit : Millions of Yen)

	Subscription rights to shares	Minority interests	Total net assets
Balances as of April 1, 2011	406	9,861	285,461
Changes of items during the period			
Dividends from surplus			(10,057)
Net income			21,820
Increase by share exchanges			7,329
Purchase of treasury stock			(8,469)
Disposal of treasury stock			6
Change of scope of consolidation			63
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	585	(7,581)	221
Total changes of items during the period	585	(7,581)	10,914
Balances as of March 31, 2012	991	2,279	296,376

Current year (From April 1, 2012 to March 31, 2013)

(Unit : Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2012	29,953	119,397	175,173	(26,067)	298,456
Changes of items during the period					
Dividends from surplus			(9,851)		(9,851)
Net income			33,460		33,460
Purchase of treasury stock				(16,220)	(16,220)
Disposal of treasury stock		(61)		1,747	1,686
Change of scope of consolidation			(21)		(21)
Reversal of revaluation reserve for land			163		163
Total changes of items during the period	—	(61)	23,751	(14,472)	9,217
Balances as of March 31, 2013	29,953	119,335	198,924	(40,540)	307,673

(Unit: Millions of Yen)

	Accumulated other comprehensive income			
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balances as of April 1, 2012	18,872	(4,541)	(19,681)	(5,350)
Changes of items during the period				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock				
Change of scope of consolidation				
Reversal of revaluation reserve for land		(163)		(163)
Net changes of items other than shareholders' equity	8,513	—	5,079	13,593
Total changes of items during the period	8,513	(163)	5,079	13,429
Balances as of March 31, 2013	27,385	(4,705)	(14,601)	8,078

(Unit : Millions of Yen)

	Subscription rights to shares	Minority interests	Total net assets
Balances as of April 1, 2012	991	2,279	296,376
Changes of items during the period			
Dividends from surplus			(9,851)
Net income			33,460
Purchase of treasury stock			(16,220)
Disposal of treasury stock			1,686
Change of scope of consolidation			(21)
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	155	856	14,604
Total changes of items during the period	155	856	23,658
Balances as of March 31, 2013	1,146	3,136	320,034

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2012 AND 2013

(Unit : Millions of Yen)

	Prior year From April 1, 2011 To March 31, 2012	Current year From April 1, 2012 To March 31, 2013
	Amount	Amount
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	42,969	25,631
Depreciation and amortization	16,158	18,181
Impairment loss	3,341	2,986
Amount of transfer of equipment by amusement center operation business	(3,796)	(3,054)
Loss (gain) on sales of noncurrent assets	(161)	(655)
Loss on retirement of noncurrent assets	217	232
Loss (gain) on sales of stocks of subsidiaries and affiliates	(173)	2
Loss on liquidation of subsidiaries	5	—
Loss (gain) on liquidation of subsidiaries and affiliates	(489)	1,774
Loss (gain) on sales of investment securities	(49)	(1,917)
Loss (gain) on valuation of investment securities	189	6
Loss (gain) on investments in partnership	(366)	36
Amortization of goodwill	6,363	2,225
Gain on negative goodwill	(2,152)	—
Increase (decrease) in allowance for doubtful accounts	(57)	(420)
Increase (decrease) in provision for directors' bonuses	(39)	(267)
Increase (decrease) in provision for point card certificates	(5)	—
Increase (decrease) in provision for retirement benefits	877	(5,263)
Increase (decrease) in provision for directors' retirement benefits	(910)	(169)
Increase (decrease) in provision for bonuses	573	(540)
Interest and dividends income	(882)	(1,259)
Interest expenses	676	836
Foreign exchange losses (gains)	(126)	(2,230)
Equity in (earnings) losses of affiliates	8	(15)
Decrease (increase) in notes and accounts receivable-trade	(16,632)	10,819
Decrease (increase) in inventories	2,186	(7,590)
Increase (decrease) in notes and accounts payable-trade	22,519	(10,197)
Increase (decrease) in guarantee deposits received	176	86
Other, net	2,001	(1,513)
Subtotal	72,423	27,723
Interest and dividends income received	855	1,274
Interest expenses paid	(654)	(813)
Income taxes paid	(40,396)	(16,336)
Income taxes refund	5,796	6,754
Net cash provided by (used in) operating activities	38,023	18,603

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2012 AND 2013

(Unit : Millions of Yen)

	Prior year From April 1, 2011 To March 31, 2012	Current year From April 1, 2012 To March 31, 2013
	Amount	Amount
Net cash provided by (used in) investing activities		
Payments into time deposits	(380)	(1,127)
Proceeds from withdrawal of time deposits	1,097	2,058
Purchase of short-term investment securities	(44,102)	(100)
Proceeds from redemption of securities	22,066	42,650
Purchase of trust beneficiary right	(6,097)	(5,494)
Proceeds from sales of trust beneficiary right	5,114	5,879
Purchase of property, plant and equipment	(24,005)	(21,896)
Proceeds from sales of property, plant and equipment	988	3,830
Purchase of intangible assets	(6,469)	(8,068)
Purchase of investment securities	(1,961)	(5,025)
Proceeds from sales of investment securities	105	7,274
Proceeds from redemption of investment securities	1,000	150
Payments for investment in partnerships	(176)	(162)
Proceeds from distribution of investment in partnerships	631	264
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(7,551)	(3,226)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(165)	—
Proceeds from liquidation of subsidiaries	2,100	16
Purchase of stocks of subsidiaries and affiliates	(306)	(5,139)
Payments of loans receivable	(118)	(510)
Collection of loans receivable	135	164
Purchase of money held in trust	—	(5,800)
Payments for lease deposits	(1,022)	(377)
Collection of lease deposits	680	1,034
Proceeds from transfer of business	0	184
Other, net	(577)	(180)
Net cash provided by (used in) investing activities	(59,012)	6,396
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,500)	—
Proceeds from long-term loans payable	34,430	33,000
Repayment of long-term loans payable	(6,157)	(10,472)
Proceeds from issuance of bonds	7,474	23,026
Redemption of bonds	(13,642)	(23,515)
Proceeds from exercise of stock option	—	1,365
Proceeds from stock issuance to minority shareholders	—	299
Cash dividends paid	(10,043)	(9,839)
Cash dividends paid to minority shareholders	(199)	(19)
Purchase of treasury stock	(8,430)	(16,220)
Other, net	(1,017)	1,257
Net cash provided by (used in) financing activities	914	(1,116)
Effect of exchange rate change on cash and cash equivalents	22	3,599
Net increase (decrease) in cash and cash equivalents	(20,052)	27,482
Cash and cash equivalents at beginning of period	165,983	146,599
Increase in cash and cash equivalents from newly consolidated subsidiary	667	128
Cash and cash equivalents at end of period	146,599	174,210

## **Changes in Important Matters that Form the Basis for Preparing Consolidated Financial Statements**

### **1. Changes in accounting policies which is difficult to distinguish from changes in accounting estimates**

Previously, the method of depreciation for property, plant, and equipment mainly employed by the Company and its domestic consolidated subsidiaries was the declining-balance method. However, as a result of a review of the economic reality prompted by planned major capital investment, we have changed to the straight-line method from the fiscal year ended March 31, 2013.

Specifically, construction of the new pachislot and pachinko plant and distribution center aims to ensure stable manufacture and supply of products, and closing unprofitable amusement centers have been completed, so amusement center machines can be expected to operate stably for the most part during their useful lives. Therefore, the operating rate of the Group's property, plant, and equipment will not change significantly, and the Group's repair costs and other equipment maintenance expenses are mostly level; thus, the depreciation method has been determined through comprehensive consideration of these and other factors.

Comparing results with the previous method, gross profit was increased by ¥5,317 million, operating income and income before income taxes and minority interests were increased by ¥6,624 million, respectively, for the fiscal year ended March 31, 2013.

The effect to the segment information is stated in the SEGMENT INFORMATION.

### **2. Changes in accounting estimates**

Previously, the Company and its domestic consolidated subsidiaries determined the useful life of property, plant, and equipment mainly according to standards identical to the methods stipulated under the Corporation Tax Act in Japan. However, as a result of a review of the economic reality prompted by planned major capital investment, the determination of useful life of property, plant, and equipment has been changed from the fiscal year ended March 31, 2013.

Specifically, we have completed construction of the new pachislot and pachinko plant and distribution center, and closed unprofitable amusement centers. As a result, we can consider the period of physical use for property, plant, and equipment such as manufacturing facilities and amusement center machines, as well as the period of earning contributions arising from the use of that property, plant, and equipment, to be more stable. Therefore, useful life has been determined through comprehensive consideration of economic life.

Comparing results with the previous method, gross profit was decreased by ¥889 million, operating income and income before income taxes and minority interests were decreased by ¥1,308 million, respectively, for the fiscal year ended March 31, 2013.

The effect to the segment information is stated in the SEGMENT INFORMATION.

### **(Additional information)**

Pursuant to the Defined-Benefit Corporate Pension Act, some of the subsidiaries received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the pension fund on May 1, 2013 and the portion related to past services on March 1, 2013. Following the approval, the Group recorded ¥6,345 million gains as gain on transfer of benefit obligation relating to employees' pension fund.

## SEGMENT INFORMATION

### 1. Outline of reporting segments

Reporting segments of the Group are the organizational units for which separated financial information is available, and on the basis of which the Board of Directors makes decision on the allocation of management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service, is carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the business run by each company, in which “Pachislot and Pachinko Machines”, “Amusement Machine Sales”, “Amusement Center Operations” and “Consumer Business” are the reporting segments.

Line of business at each reporting segment is as follows:

- (1) Pachislot and Pachinko Machines ... Development, manufacture and sales of pachislot and pachinko machines and design for parlors
- (2) Amusement Machine Sales ... Development, manufacture and sales of game machines used in amusement arcades
- (3) Amusement Center Operations ... Development, operation, rent and maintenance of amusement centers
- (4) Consumer Business ... Development and sales of home video game software;  
development, manufacture and sales of toys;  
planning and production of entertainment contents through mobile phone etc.;  
Planning, production and sales of animated movies

### 2. Basis of measurement for net sales, income (loss), assets and other items by each reporting segment

Previously, the method of depreciation for property, plant, and equipment mainly employed by the Company and its domestic consolidated subsidiaries was the declining-balance method. However, we have changed to the straight-line method from the fiscal year ended March 31, 2013 as stated in the “Changes in accounting policies which is difficult to distinguish from changes in accounting estimates”.

Previously, the Company and its domestic consolidated subsidiaries determined the useful life of property, plant, and equipment mainly according to standards identical to the methods stipulated under the Corporation Tax Act in Japan. However, the determination of useful life of property, plant, and equipment has been changed from the fiscal year ended March 31, 2013 as stated in the “Changes in accounting estimates”.

Effect to the segment income is as follows

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other
Changes of depreciation method	2,110	203	3,644	212	23
Changes of useful life	(1,138)	(6)	(101)	(61)	—

3. Information on the amounts of net sales, income or loss, assets, and other items by each reporting segment

Prior year (From April 1, 2011 to March 31, 2012)

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
Sales to third parties	212,189	49,929	44,608	85,688	392,415	3,087	395,502
Inter-segment sales and transfers	144	3,071	0	745	3,960	918	4,879
Total	212,334	53,000	44,608	86,433	396,376	4,006	400,382
Segment income (loss)	71,040	7,415	355	(15,182)	63,628	234	63,862
Segment assets	172,244	31,902	37,256	81,689	323,093	13,878	336,972
Other items							
Depreciation	4,249	1,620	6,184	4,079	16,134	115	16,250
Increases in property, plant and equipment and intangible assets	12,726	1,388	8,328	10,763	33,207	181	33,389

(Note) “Other” is the business segment not included in the reporting segments, but includes Information provider services, etc. Additionally, “Other” in the segment assets includes the assets of the Resort business.

Current year (From April 1, 2012 to March 31, 2013)

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
Sales to third parties	142,281	39,134	42,707	83,874	307,997	13,409	321,407
Inter-segment sales and transfers	515	3,485	20	865	4,887	879	5,766
Total	142,796	42,620	42,728	84,740	312,885	14,288	327,173
Segment income (loss)	23,534	1,902	1,194	(732)	25,899	(484)	25,415
Segment assets	138,014	31,843	41,915	103,703	315,476	14,338	329,814
Other items							
Depreciation	5,416	1,570	4,671	6,040	17,699	478	18,177
Increases in property, plant and equipment and intangible assets	11,914	2,308	7,923	8,393	30,539	1,559	32,098

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

4. Major differences between the total amount of all reporting segments and the amounts on the consolidated financial statements (Difference adjustment)

(Unit: Millions of Yen)

Net sales	Previous year	Current year
Total net sales in the reporting segments	396,376	312,885
Segment net sales in Other	4,006	14,288
Elimination of inter segment transactions	(4,879)	(5,766)
Net sales in the consolidated financial statements	395,502	321,407

(Unit: Millions of Yen)

Income (loss)	Previous year	Current year
Total income in the reporting segments	63,628	25,899
Segment income (loss) in Other	234	(484)
Elimination of inter segment transactions	(215)	(61)
General corporate expenses (note)	(5,263)	(6,280)
Operating income in the consolidated financial statements	58,384	19,073

(Note) General corporate expenses are mainly consisted of the expenses of the group management incurred by the holding company.

(Unit: Millions of Yen)

Assets	Previous year	Current year
Total assets in the reporting segments	323,093	315,476
Segment assets in Other	13,878	14,338
General corporate assets (note)	166,372	201,720
Other adjustments	(5,893)	(3,031)
Total assets in the consolidated financial statements	497,451	528,504

(Note) General corporate assets are mainly consisted of excess funds at the holding company, etc. and other assets, etc. of the holding company.

(Unit: Millions of Yen)

Other items	Total assets in the reporting segments		Other		Adjustments		Amount in the consolidated financial statement	
	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year
Depreciation	16,134	17,699	115	478	(91)	3	16,158	18,181
Increases in property, plant and equipment and intangible assets	33,207	30,539	181	1,559	2,752	772	36,141	32,871

(Note) Adjustments are corporate and elimination of inter segment transactions.

(Material Subsequent Events)

At its meeting of Board of Directors held on April 16, 2013, the Company resolved to establish a subsidiary in Busan Metropolitan City, South Korea, and to conclude a city-owned property sales contract to enable land acquisition by said subsidiary.

1. Purpose of the establishment of the subsidiary and the conclusion of the city-owned property sales contract  
The Company established a subsidiary and concluded a city-owned property sales contract, as per the following, for the purpose of developing a complex in Centum-city, Haeundae-gu, Busan Metropolitan City, South Korea.

2. Overview of the subsidiary

Trade name: SEGA SAMMY BUSAN INC.

Representative: Hajime Satomi

Address: (U-dong), 48, Centum Jungang-ro, Haeundae-gu, Busan Metropolitan City, South Korea

Date of foundation: April 18, 2013

Business description: Development and operation of a complex comprising hotel, entertainment facilities, commercial facilities, etc.

Capital: 124 billion won (approximately ¥10,900 million)

Shareholding ratio: 100% (of which: 25% is held indirectly)

3. Overview of the city-owned property sales contract

Name of contracting company: SEGA SAMMY BUSAN INC.

Name of contract counterparty: Busan Metropolitan City

Contract date: April 26, 2013

Details of contract: Acquisition of property (site) owned by Busan Metropolitan City, South Korea by SEGA SAMMY BUSAN INC.

Sale price: 113.6 billion won