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Securities Code: 6460  
May 27, 2014

Hajime Satomi  
Chairman of the Board and Chief Executive Officer  
**SEGA SAMMY HOLDINGS INC.**  
Shiodome Sumitomo Building,  
1-9-2 Higashi Shimbashi, Minato-ku, Tokyo, Japan

Dear Shareholders:

## **Notice of the 10th Ordinary General Meeting of Shareholders to be held on June 18, 2014**

You are cordially invited to attend the 10th Ordinary General Meeting of Shareholders of SEGA SAMMY HOLDINGS INC. (the “Company”) to be held at Convention Hall, B2F, The Prince Park Tower Tokyo, 4-8-1 Shiba-koen, Minato-ku, Tokyo, 105-8563, Japan on Wednesday, June 18, 2014 at 10:00 a.m. for the purposes listed below.

If you are unable to attend the meeting in person, you may exercise your voting rights by either mail (in writing) or via the Internet. Therefore, please review the attached Reference Documents for General Meeting of Shareholders, and kindly exercise your voting rights before 6:00 p.m., Japan Standard Time, on Tuesday, June 17, 2014.

### Details of the Meeting

- 1. Date and time:** Wednesday, June 18, 2014 at 10:00 a.m.
- 2. Venue:** Convention Hall, B2F, The Prince Park Tower Tokyo  
4-8-1 Shiba-koen, Minato-ku, Tokyo, 105-8563, Japan
- 3. Agenda:**
  - Matters to be reported:**
    1. The Business Report and the Consolidated Financial Statements for the 10th fiscal year (from April 1, 2013 to March 31, 2014) and results of audits by the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements
    2. Non-Consolidated Financial Statements for the 10th fiscal year (from April 1, 2013 to March 31, 2014)

### **Matters to be resolved:**

- Proposal 1:** To amend certain parts of the Articles of Incorporation
- Proposal 2:** To elect nine (9) Directors
- Proposal 3:** To elect one (1) Corporate Auditor
- Proposal 4:** To issue share subscription rights as share options to Directors
- Proposal 5:** To issue share subscription rights as share options to employees of the Company and of its subsidiaries

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- \* If you attend the meeting in person, please submit the enclosed voting form at the reception desk at the meeting location on the day of the meeting.
  - \* Please note that persons other than shareholders of the Company such as a proxy and an accompanying person cannot attend the meeting.
  - \* Should any change need to be made to the Reference Documents for General Meeting of Shareholders, Business Report or Consolidated/Non-Consolidated Financial Statements, such changes shall be posted on the website of the Company (Japanese only).
  - \* For voting results, an extraordinary report shall be posted on the website of the Company in place of Notice of Resolutions. Information in English will be posted on our English website (<http://www.segasammy.co.jp/english/ir/event/meeting.html>).

### **Information on Disclosure on the Internet**

Pursuant to the provisions of laws and regulations and the Articles of Incorporation, the section “Outline of Resolutions Regarding Preparation of Internal Control System and so forth to Ensure Appropriate Business Execution” from the Business Report, Notes to Consolidated Financial Statements and Individual Notes are posted on the website

(<http://www.segasammy.co.jp/english/ir/event/meeting.html>) of the Company and not attached to this document.

\* The Business Report and Consolidated/Non-Consolidated Financial Statements audited by the Accounting Auditor and the Board of Corporate Auditors include the section “Outline of Resolutions Regarding Preparation of Internal Control System and so forth to Ensure Appropriate Business Execution” from the Business Report, Notes to Consolidated Financial Statements and Individual Notes, respectively, which are posted on the website of the Company.

### **Information on the Method of Receiving Convocation Notice**

You may request the receipt of convocation notice, shareholder information and other documents for future General Meetings of Shareholders by email if your email address is registered with the Company. (Please note that mobile phone email addresses are not accepted.)

If you wish to receive the above documents by email, please access the voting website designated by the Company (<http://www.evotep.jp/>) from a PC or smartphone, log on using the “logon ID” and “temporary password” printed on the enclosed voting form and follow the on-screen instructions from the “Receipt by email” screen.

The statutory convocation notice and other documents to be sent by email to the registered addresses (including the notice that such documents have been posted on the website designated by the Company) are as shown below. Convocation notice will be sent by e-mail by the Shareholder Registry Administrator.

- (1) Convocation Notice of Ordinary General Meeting of Shareholders: Date and time, venue, agenda, attached documents (including Business Report) and Reference Documents for General Meeting of Shareholders
- (2) Convocation Notice of Extraordinary Meeting of Shareholders: Date and time, venue, agenda and Reference Documents for General Meeting of Shareholders

\* Please note that, if you take the procedure after a certain period from the record date of General Meeting of Shareholders (the fiscal year end in case of Ordinary General Meeting of Shareholders and a date separately determined by the Board of Directors in case of Extraordinary Meeting of Shareholders), your email address may not be reflected for sending a convocation notice.

## Information on Exercise of Voting Rights

### Exercise of voting rights by mail (in writing)

Indicate “for” or “against” the proposals on the voting form enclosed and return the said form to the Company so that it is received no later than the deadline for exercising your voting rights, indicated above.

### Exercise of voting rights via the Internet

#### (1) Exercise of voting rights

- (i) Access the voting website designated by the Company (<http://www.evotep.jp/>), log on using the “voting rights exercise code” and “temporary password” printed on the enclosed voting form, and follow the on-screen instructions (Japanese language only) to enter “for” or “against” the proposals before the deadline for exercising your voting rights, indicated above.
- (ii) In order to prevent unauthorized access by persons other than shareholders (spoofing) and falsification of entries, you are kindly requested to change the “temporary password” once you log on to the voting website.

#### (2) Voting website

- (i) You may exercise your voting rights by accessing the voting website designated by the Company (<http://www.evotep.jp/>) from a PC, smartphone or mobile phone (i-mode, EZweb or Yahoo! Keitai). (Please note that the website cannot be accessed between 2:00 a.m. and 5:00 a.m. daily, Japan Standard Time.) (“i-mode”, “EZweb” and “Yahoo!” are trademarks or registered trademarks of NTT DOCOMO, Inc., KDDI Corporation and U.S. Yahoo! Inc., respectively.)



You may also access the voting website by using a smartphone or mobile phone equipped with a QR code reader to read the QR code on the right:

Please check the usage instructions for your smartphone or mobile phone for further details regarding the use of the QR code reader.

(“QR code” is a registered trademark of DENSO WAVE INCORPORATED.)

- (ii) You may be unable to use the voting website depending on your Internet configuration, firewall, anti-virus software and proxy server settings.
- (iii) You must have access to either i-mode, EZweb or Yahoo! Keitai services to exercise your voting rights via mobile phone. Please note that the voting website is only accessible from a mobile handset capable of communicating encrypted data (i.e. SSL) and mobile phone data for security purposes.
- (iv) Please note that any costs incurred in accessing the designated voting website (e.g. internet connection fees, etc.) shall be borne by the shareholder. Please note that any costs incurred in voting via mobile phone, including packet charges, shall also be borne by the shareholder.

### Treatment of votes cast more than once

- (i) When any shareholder exercises voting rights both by voting form and via the Internet, only the Internet vote will be deemed as valid.
- (ii) When any shareholder exercises voting rights more than once via the Internet, only the last vote will be deemed as valid. Similarly, when any shareholder exercises voting rights more than once via PC, smartphone and / or mobile phone, only the last vote will be deemed as valid.

### Electronic proxy voting platform for institutional investors

Institutional investors can use the electronic proxy voting platform that is operated by Investor Communications Japan, Inc., which is designed for institutional investors to exercise their voting rights electronically.

**For inquiries concerning the online voting system:**

[Helpdesk]

Shareholder registry administrator: Transfer Agent Department,  
Mitsubishi UFJ Trust and Banking Corporation

Direct line: 0120-173-027 (Domestic [Japan] call only)  
(Weekdays 9:00 a.m. - 9:00 p.m.)

**\* Please note that the above contact number is not for inquiries concerning shares.**

## **Business Report**

(From April 1, 2013 To March 31, 2014)

### **I Group's Current Condition**

#### **1. Business Development and Results**

During the fiscal year ended 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 monetary and financial policies. However, uncertainty still prevailed due to factors such as worries over the effect of increase in the consumption tax rate to the economy.

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 fiscal year ended March 31, 2014 amounted to ¥378,011 million (an increase of 17.6% from the previous fiscal year). The Group posted an operating income of ¥38,533 million (an increase of 102.0% from the previous fiscal year) and ordinary income of ¥40,531 million (an increase of 93.8% from the previous fiscal year).

Also, while the Group recorded extraordinary income of ¥15,795 million including gain on sales of investment securities, the Group recorded extraordinary loss of ¥8,782 million including loss on liquidation of subsidiaries and affiliates from realization of foreign currency translation adjustment resulted from the completion of the liquidation of some of the subsidiaries in the U.S. and Europe.

As a result, the Group recorded a net income of ¥30,721 million (a decrease of 8.2% from the previous fiscal year). The main reason for net income of the fiscal year fell short of the previous fiscal year is 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 would be deductible from the future taxable income in the previous fiscal year.

Result of each segment is as follows

#### **《Pachislot and Pachinko Machines》**

In the pachislot machine business, sales of “Pachislot Hokuto No Ken Chapter of Resurrection” and “Pachislot Eureka Seven 2” under the Sammy brand were solid. In spite of the rescheduling of the launch of certain titles, overall sales of the pachislot machines were 301 thousand units and exceeded results for the previous fiscal year.

In the pachinko machine business, although the Group launched “Pachinko CR Hokuto No Ken 5 Hyakuretsu” and “Pachinko CR Monster Hunter” under the Sammy brand, titles other than the major titles performed weakly due to the stagnant market environment. Overall sales of the pachinko machines were 200 thousand units and fell short of the previous fiscal year.

As a result, net sales in this segment were ¥181,984 million (an increase of 27.4% from the previous fiscal year) and operating income was ¥45,292 million (an increase of 92.4% from the previous fiscal year).

### Main Pachislot Machines and Units Sold

| Model name                                      | Brand   | Units sold<br>(Thousands) |
|---|---------|---------------------------|
| Pachislot Hokuto No Ken Chapter of Resurrection | (Sammy) | 114                       |
| Pachislot Eureka Seven 2                        | (Sammy) | 59                        |
| Pachislot Juoh                                  | (Sammy) | 43                        |
| Pachislot Bakemonogatari                        | (Sammy) | 31                        |
| Pachislot Kaiji 3                               | (GINZA) | 25                        |

### Main Pachinko Machines and Units Sold

| Model name                             | Brand        | Units sold<br>(Thousands) |
|--|--------------|---------------------------|
| Pachinko CR Hokuto No Ken 5 Hyakuretsu | (Sammy)      | 69                        |
| Pachinko CR Monster Hunter             | (Sammy)      | 32                        |
| Pachinko CR SOUTEN-NO-KEN              | (Sammy)      | 27                        |
| CR Kayou Suspense Gekijou              | (Taiyo Elec) | 18                        |
| Pachinko CR Rookies                    | (Sammy)      | 12                        |

#### 《Amusement Machine Sales》

In the amusement machine sales business, although the Group launched CVT KITs and expendables such as cards for “WORLD CLUB Champion Football” and reported distribution revenue from revenue sharing titles such as “CODE OF JOKER,” new titles including “THE WORLD of THREE KINGDOMS” struggled due to the harsh market environment. As a result, net sales in this segment were ¥43,855 million (an increase of 2.9% from the previous fiscal year) and operating loss was ¥1,264 million (operating income of ¥1,902 million for 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 96.1% of the level compared to the previous fiscal year.

The Group opened 5 amusement centers and closed 9 amusement centers in the domestic market in the fiscal year. Consequently, the Group operated a total of 198 amusement centers in Japan at the end of the period. Meanwhile, from the fiscal year ended March 31, 2014, numbers counted as amusement centers in the domestic market are based on amusement centers (game arcades) directly operated by the Group.

As a result, net sales in this segment were ¥43,227 million (an increase of 1.2% from the previous fiscal year) and operating income was ¥60 million (a decrease of 94.9% from the previous fiscal year).

#### 《Consumer Business》

In the consumer business, although the Group launched multiple titles including “Total War: ROME II” and “Football Manager 2014” in the packaged game software field, sales were low due to the harsh market environment. A year-on-year decline in total volume of packaged software sales to 8,730 thousand copies, which includes 2,800 thousand copies in the U.S., 3,770 thousand copies in Europe, and 2,150 thousand copies in Japan.

In the field of digital game software for mobile phones, smartphones, and PC downloading, performance remained favorable for the online RPG “PHANTASY STAR ONLINE 2” as well as titles for smartphones, “Puyopuyo!! Quest” and “CHAIN CHRONICLE.” Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777TOWN for Android,” “777TOWN for iOS” and service for DeNA Co., Ltd.’s “Moba7” were enhanced.

Also, the number of titles distributed domestically as of March 31, 2014 was 141 (including 73 Pay-to-play types and 68 Free-to-play types).

In the toy sales division, the Group implemented the sale of mainstay products such as “Anpanman Series” and “Jewelpod Series,” however the toy sales division as a whole performed weakly.

In the animated films division, theater film “LUPIN THE 3rd VS DETECTIVE CONAN THE MOVIE” recorded an audience of over 3 million and was favorable.

As a result, net sales in this segment were ¥100,541 million (an increase of 18.6% from the previous fiscal year) and operating income was ¥2,089 million (operating loss of ¥732 million for the previous fiscal year).

In addition, 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 on September 18, 2013 and the business transfer took place on November 1, 2013.

## 2. 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, while the Group is required to adapt to the changes in the business environment through efforts including development and supply of products with innovative gameplay that meet market needs, we also need to deal with rising development and manufacturing costs caused by products becoming more high-quality.

In the amusement machine sales business, even in the struggling market environment, 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. At the same time, the Group will also strive to achieve the optimum distribution of management resources into the growing fields of digital game software for mobile phones, smartphones and PC downloading, among others.

In the amusement center operations business, because profits from existing amusement centers will be compressed due to the effects of the increase in the consumption tax rate, the Group’s challenge will be to recover profits by strengthening management capabilities and competitiveness at its amusement centers, acquiring new customers, and by developing new business categories besides the traditional game arcades.

In the packaged game software field of the consumer business, one management issue is how to address the expanding market for new content for the field of digital game software, 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.

The Company set up a “Group Structure Reform Division” on May 9, 2014 to reassess the earnings structure of the entire group from a medium- to long-term perspective and has started the reviewing activities. In the “Group Structure Reform Division,” together with tackling issues in each existing business, we will prepare and implement measures aimed at increasing our earning capacity by the end of the fiscal year ending March 31, 2015 through implementations such as deploying our management resources on growth areas, including new areas.

## 3. Fund Procurement, etc.

### (1) Fund Procurement

The Company concluded commitment line contract aimed at securing medium- to long-term capital liquidity and otherwise providing a Group wide safety net. The company formed a syndicate arrangement with two financial institutions covering ¥20,000 million.

Regarding fund procurement for the fiscal year ended March 31, 2014, the Company procured ¥11,000 million including public offering of straight bonds, for the purpose of securing medium- to long-term working capital and diversifying means for procuring funds.

For effective use of the Group funds, the Group is operating the Cash Management System (“CMS”) involving nine Group companies including the Company, Sammy Corporation, SEGA CORPORATION, Sammy Networks Co., Ltd., SEGA TOYS CO., LTD. and TMS ENTERTAINMENT CO., LTD.

### (2) Capital Expenditures

The Group’s capital expenditures totaled ¥38,182 million, including ¥7,905 million for increasing mold tools, construction of the new factory and other investments in the pachislot and pachinko machines business and ¥7,729 million in capital expenditures related to amusement centers

operated by SEGA ENTERTAINMENT Co., Ltd. and other companies. In addition, there was acquisition of land for the purpose of developing a complex in Centum-city, Busan Metropolitan City, the Republic of Korea.

- (3) Business Transfers, Absorption-type Demergers, and Incorporation-type Demergers  
There is no applicable material information for the fiscal year ended March 31, 2014.
- (4) Business Transfer from Other Companies  
Business of Index Corporation was transferred on November 1, 2013 to a wholly owned subsidiary newly established by SEGA CORPORATION, a subsidiary of the Company.
- (5) Succession of Rights and Obligations Related to Businesses of Other Corporations, etc., through Absorption-type Mergers or Demergers  
There is no applicable material information for the fiscal year ended March 31, 2014.
- (6) Acquisition or Disposition of Stocks and Other Interests or Share Subscription Rights, etc., of Other Companies  
There is no applicable material information for the fiscal year ended March 31, 2014.

#### 4. Assets and Profits and Losses for the Previous Three Fiscal Years

| Fiscal Year          |             | FY2011                                  | FY2012                                  | FY2013                                 | FY2014                                 |
|----------------------|-------------|---|---|--|--|
|                      |             | From April 1, 2010<br>To March 31, 2011 | From April 1, 2011<br>To March 31, 2012 | From April 1, 2012<br>To March 31 2013 | From April 1, 2013<br>To March 31 2014 |
| Net sales            | (¥ million) | 396,732                                 | 395,502                                 | 321,407                                | 378,011                                |
| Ordinary income      | (¥ million) | 68,123                                  | 58,164                                  | 20,914                                 | 40,531                                 |
| Net income           | (¥ million) | 41,510                                  | 21,820                                  | 33,460                                 | 30,721                                 |
| Net income per share | (¥)         | 163.19                                  | 86.73                                   | 137.14                                 | 126.42                                 |
| Total assets         | (¥ million) | 458,624                                 | 497,451                                 | 528,504                                | 542,936                                |
| Net assets           | (¥ million) | 285,461                                 | 296,376                                 | 320,034                                | 348,270                                |

- Notes: 1. Figures shown in millions of yen have been rounded down to the nearest million.  
2. Net income per share is calculated based on the average number of shares outstanding during the period.

#### 5. Major Business Segments

The business segments of the SEGA SAMMY Group are Pachislot and Pachinko Machines, Amusement Machine Sales, Amusement Center Operations, Consumer Business and Other Businesses. The primary business activities are as follows.

| Segment                         | Main Business  |
|---------------------------------|--|
| Pachislot and Pachinko Machines | Development, manufacture and sales of pachislot and pachinko machines<br>Design for parlors  |
| Amusement Machine Sales         | Development, manufacture and sales of game machines used in amusement arcades  |
| Amusement Center Operations     | Development, operation, rent and maintenance of amusement centers  |
| Consumer Business               | Development and sales of home video game software;<br>Development, manufacture, and sales of toys;<br>Planning and production of entertainment contents through mobile phones, etc.; Planning, production and sales of animated movies |
| Other                           | Resort complex business, Information provider services, etc.   |



## 6. Major Business Locations of the Group

- (1) The Company: SEGA SAMMY HOLDINGS INC.  
Head Office (Minato-ku, Tokyo)
- (2) Office of the main subsidiaries
  - ① Sammy Corporation  
Head Office (Toshima-ku, Tokyo)  
Kawagoe Factory (Kawagoe, Saitama)  
Branches (8 Branches)
  - ② SEGA CORPORATION  
Head Office (Shinagawa-ku, Tokyo)
  - ③ SEGA ENTERTAINMENT Co., Ltd.  
Amusement Center Operating Locations: (198 locations)
- (3) Employees of the Group  
Number of employees (change from end of previous year) 7,472 (464 up)  
Note: The number of employees includes full-time staff and staff on loan, but not temporary employees.

## 7. Material Parent Company and Subsidiaries

- (1) Relationships with parent company  
There is no pertinent matter.
- (2) Relationships with subsidiaries

| Company                          | Capital              | Percentage ratio of issued shares | Main business   |
|----------------------------------|----------------------|-----------------------------------|---|
| Sammy Corporation                | ¥18,221 million      | 100.0%                            | Development/manufacture/sales of pachislot and pachinko machines  |
| SEGA CORPORATION                 | ¥60,000 million      | 100.0%                            | Development/manufacture/sales of game machines used in amusement arcades<br>Development/operations of amusement centers<br>Development/sales of home videogame software |
| RODEO Co., Ltd.                  | ¥100 million         | 65.0%<br>(Note 1)                 | Development/manufacture/sales of pachislot machines   |
| Sammy Design Co., Ltd.           | ¥40 million          | 100.0%<br>(Note 1)                | Planning/design/construction of pachinko parlors  |
| TAIYO ELEC Co., Ltd.             | ¥5,125 million       | 100.0%<br>(Note 1)                | Development/manufacture/sales of pachislot and pachinko machines  |
| Sega Logistics Service Co., Ltd. | ¥200 million         | 100.0%<br>(Note 1)                | Maintenance service, transportation and warehouse business  |
| SEGA ENTERTAINMENT Co., Ltd.     | ¥100 million         | 100.0%<br>(Note 1)                | Operation of amusement centers  |
| SEGA Networks Co., Ltd.          | ¥10 million          | 100.0%<br>(Note 1)                | Development/sales of digital games  |
| DARTSLIVE Co., Ltd.              | ¥10 million          | 100.0%<br>(Note 1)                | Planning/development/sales of game equipment and game software  |
| Sega Amusements Europe Ltd.      | £ 26,485 thousand    | 100.0%<br>(Note 1)                | Import/manufacture/sales of amusement equipment   |
| Sega of America, Inc.            | US\$110,000 thousand | 100.0%<br>(Note 1)                | Development/management/sales of home video game software  |
| Sega Europe Ltd.                 | £ 10,000 thousand    | 100.0%<br>(Note 1)                | Sales of home video game software   |

| Company                               | Capital        | Percentage ratio of issued shares | Main business  |
|---------------------------------------|----------------|-----------------------------------|--|
| Sega Publishing Europe Ltd.           | £ 0 thousand   | 100.0% (Note 1)                   | Sales of home video game software  |
| Index Corporation                     | ¥10 million    | 100.0% (Note 1,2)                 | Design/development of content for mobile phones, development of home video game software   |
| Sammy Networks Co., Ltd.              | ¥2,330 million | 100.0%                            | Planning/production/sales of game and music contents through mobile phones and Internet, etc.  |
| SEGA TOYS CO., LTD.                   | ¥100 million   | 100.0%                            | Development/manufacture/sales of toys  |
| TMS ENTERTAINMENT CO., LTD.           | ¥8,816 million | 100.0%                            | Planning/production/sales and other activities involving animated movies   |
| MARZA ANIMATION PLANET INC.           | ¥100 million   | 100.0%                            | Production of computer graphics animations, planning/production of animated movies, licensing business, investment advisory business and operation/management of investment business partnership (funds), etc. |
| Japan Multimedia Services Corporation | ¥835 million   | 95.5%                             | Information providing service, call center service and temporary staffing service  |
| PHOENIX RESORT CO., LTD.              | ¥93 million    | 100.0%                            | Operation of resort facilities, including hotels, spas, golf courses, restaurants and international conference halls   |

Note 1. Percentage of ratio of issued shares includes rights of indirectly owned shares.

2. Business of Index Corporation was transferred to SEGA DREAM CORPORATION, a wholly owned subsidiary newly established by SEGA CORPORATION. Also, SEGA DREAM CORPORATION has changed its trade name to Index Corporation.

## 8. Main Banks and Borrowings

| Lenders                                      | Balance of loans payable |
|--|--------------------------|
| Aozora Bank, Ltd.                            | ¥10,567 million          |
| Resona Bank, Limited.                        | ¥6,850 million           |
| Mitsubishi UFJ Trust and Banking Corporation | ¥5,430 million           |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | ¥4,925 million           |
| Sumitomo Mitsui Banking Corporation          | ¥4,885 million           |
| The Bank of Yokohama, Ltd.                   | ¥4,363 million           |
| The Hokuriku Bank, Ltd.                      | ¥3,385 million           |
| Mizuho Bank, Ltd.                            | ¥3,200 million           |
| Others                                       | ¥4,511 million           |
| Total  | ¥48,117 million          |

**9. Where the Articles of Incorporation Provide for the Board of Directors to Determine Distributions, etc., of Retained Earnings, Policy Regarding Exercise of Such Authority**

SEGA SAMMY HOLDINGS INC. 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.

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

**10. Other Significant Events of the Group**

A subsidiary of the Company, RODEO Co., Ltd., has ended the "Basic Agreement on Exclusive Sales Agency Transactions Regarding Sales and Purchase of Pachislot Machines," which was concluded with FIELDS CORPORATION in order to make the profitability of their pachislot and pachinko machines business more robust, on March 31, 2014 due to expiry of the term of contract. Likewise, Sammy Corporation has ended the "Basic Agreement on Representation Transactions Regarding Sales and Purchase of Pachinko Machines" and "Outsourcing Agreement on Representation Management of Designated Agency and Halls," which were concluded with FIELDS CORPORATION, on April 30, 2014. Consultations will be held with FIELDS CORPORATION on other details incidental to the relevant contracts.

**II Shares Outstanding and Shareholders**

1. **Number of shares authorized for issue** 800,000,000 shares

2. **Total shares issued and outstanding** 266,229,476 shares

3. **Number of shareholders** 89,771

**4. Principal shareholders (Top 10)**

| Name of shareholder                            | Investment in<br>SEGA SAMMY HOLDINGS |                           |
|--|--------------------------------------|---------------------------|
|  | Shares held                          | Shareholding ratio<br>(%) |
| Hajime Satomi                                  | 33,619,338                           | 13.80                     |
| FSC Co., Ltd.                                  | 12,972,840                           | 5.32                      |
| HS Company                                     | 10,000,000                           | 4.10                      |
| Japan Trustee Services Bank, Ltd. (Trustee)    | 8,687,100                            | 3.56                      |
| The Master Trust Bank of Japan, Ltd. (Trustee) | 7,881,200                            | 3.23                      |
| State Street Bank and Trust Company            | 5,751,937                            | 2.36                      |
| CBNY-ORBIS SICAV                               | 4,358,332                            | 1.78                      |
| BNYM TREATY DTT 15                             | 4,140,114                            | 1.69                      |
| MACQUARIE BANK LIMITED - MBL LONDON<br>BRANCH  | 3,892,000                            | 1.59                      |
| JPMorgan Chase Bank 380072                     | 3,822,900                            | 1.56                      |

Note: Shareholding ratio was calculated excluding treasury stock (22,627,725 shares)

### III Company's Share Subscription Rights

#### 1. Outline of Share Subscription Rights Issued to the Company's Directors and Corporate Auditors as Remuneration for Their Services as of the End of the Fiscal Year Ended March 31, 2014

|   |  |
|---|--|
| Date of Resolutions of the Ordinary General Meeting of Shareholders         | June 30, 2010  |
| Number of individuals with rights<br>Company directors                      | 2  |
| Number of share subscription rights (Note 1)                                | 248  |
| Class of shares for share subscription rights                               | Common stock   |
| Number of shares for share subscription rights                              | 24,800   |
| Payment on exercise of share subscription rights                            | There is no need of delivering payment to exchange with the share subscription rights.             |
| Capital contribution upon exercise of share subscription rights (per share) | ¥1,312   |
| Period for exercise of share subscription rights                            | August 1, 2012 – July 31, 2014   |
| Terms and conditions for exercise of share subscription rights              | (Note 2)   |
| Matters concerning the transfer of share subscription rights                | When transferring share subscription rights, approval must be obtained from the Board of Directors |

Notes: 1. Number of shares of share subscription rights is 100 per the right. Numbers above include Share Subscription Rights given before taking office as a Director.

2. Terms and conditions for exercise of share subscription rights are as follows:

The grantee shall be Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company or any of its subsidiaries when he or she exercises the rights. However, the following cases are treated as exceptions.

- a. Where the loss of such position is due to expiration of the term of office or amendment of law or Articles of Incorporation of the Company or any of its subsidiaries;
- b. Where the loss of such position is due to company regulations, including mandatory retirement or termination on account of business contraction;
- c. Where, immediately after the loss of such position due to the reasons held by the Company, the grantee becomes Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company, any of its Group companies, any of its business partners or any other company sanctioned by the Company.

|   |  |
|---|--|
| Date of Resolutions of the Ordinary General Meeting of Shareholders         | December 24, 2010  |
| Number of individuals with rights<br>Company directors                      | 1  |
| Number of share subscription rights (Note 1)                                | 132  |
| Class of shares for share subscription rights                               | Common stock   |
| Number of shares for share subscription rights                              | 13,200   |
| Payment on exercise of share subscription rights                            | There is no need of delivering payment to exchange with the share subscription rights.             |
| Capital contribution upon exercise of share subscription rights (per share) | ¥1,753   |
| Period for exercise of share subscription rights                            | February 2, 2013 – February 1, 2015  |
| Terms and conditions for exercise of share subscription rights              | (Note 2)   |
| Matters concerning the transfer of share subscription rights                | When transferring share subscription rights, approval must be obtained from the Board of Directors |

Notes: 1. Number of shares of share subscription rights is 100 per the right. Numbers above are Share Subscription Rights given before taking office as a Director.

2. Terms and conditions for exercise of share subscription rights are as follows:

The grantee shall be Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company or any of its subsidiaries when he or she exercises the rights. However, the following cases are treated as exceptions.

- a. Where the loss of such position is due to expiration of the term of office or amendment of law or Articles of Incorporation of the Company or any of its subsidiaries;
- b. Where the loss of such position is due to company regulations, including mandatory retirement or termination on account of business contraction;
- c. Where, immediately after the loss of such position due to the reasons held by the Company, the grantee becomes Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company, any of its Group companies, any of its business partners or any other company sanctioned by the Company.

|   |  |
|---|--|
| Date of Resolutions of the Ordinary General Meeting of Shareholders         | July 31, 2012  |
| Number of individuals with rights<br>Company directors                      | 6  |
| Number of share subscription rights (Note 1)                                | 2,400  |
| Class of shares for share subscription rights                               | Common stock   |
| Number of shares for share subscription rights                              | 240,000  |
| Payment on exercise of share subscription rights                            | There is no need of delivering payment to exchange with the share subscription rights.             |
| Capital contribution upon exercise of share subscription rights (per share) | ¥1,686   |
| Period for exercise of share subscription rights                            | September 2, 2014 – September 1, 2016  |
| Terms and conditions for exercise of share subscription rights              | (Note 2)   |
| Matters concerning the transfer of share subscription rights                | When transferring share subscription rights, approval must be obtained from the Board of Directors |

Notes: 1. Number of shares of share subscription rights is 100 per the right. Numbers above include Share Subscription Rights given before taking office as a Director.

2. Terms and conditions for exercise of share subscription rights are as follows:

The grantee shall be Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company or any of its subsidiaries when he or she exercises the rights. However, the following cases are treated as exceptions.

- a. Where the loss of such position is due to expiration of the term of office or amendment of law or Articles of Incorporation of the Company or any of its subsidiaries;
- b. Where the loss of such position is due to company regulations, including mandatory retirement or termination on account of business contraction;
- c. Where, immediately after the loss of such position due to the reasons held by the Company, the grantee becomes Director, Corporate Auditor, Executive Officer, Consultant, Counsel, or employee of the Company, any of its Group companies, any of its business partners or any other company sanctioned by the Company.

**2. Outline of Share subscription rights Issued to Company Employees or Subsidiary Directors, Corporate Auditors, or Employees as Remuneration for Their Services During the Fiscal Year Ended March 31, 2014**

Not applicable.

#### IV Company Directors and Corporate Auditors

##### 1. Directors and Corporate Auditors

| Title  | Name             | Main Responsibilities  |
|--|------------------|--|
| Chairman of the Board and Chief Executive Officer  | Hajime Satomi    | Chairman of the Board, Sammy Corporation<br>Chairman and CEO, SEGA CORPORATION |
| Director<br>Executive for Group Executive Office, New Business Office, Administrations Division, Group CSR Promotion Office, Group-Related Business Office | Akira Sugano     | Director, Sammy Corporation<br>Director, SEGA CORPORATION                      |
| Director   | Haruki Satomi    | Director, SEGA CORPORATION   |
| Director   | Naoya Tsurumi    | President and Representative Director, SEGA CORPORATION                        |
| Director   | Hisao Oguchi     |  |
| Director   | Shigeru Aoki     | President and Representative Director, Sammy Corporation                       |
| Director   | Yuji Iwanaga     | Attorney   |
| Director   | Takeshi Natsuno  |  |
| Standing Corporate Auditor   | Tomio Kazashi    |  |
| Corporate Auditor  | Toshio Hirakawa  | Standing Corporate Auditor, Sammy Corporation                                  |
| Corporate Auditor  | Hisashi Miyazaki | Standing Corporate Auditor, SEGA CORPORATION                                   |
| Corporate Auditor  | Mineo Enomoto    | Corporate Auditor, SEGA CORPORATION, Attorney                                  |

Notes:1. Yuji Iwanaga and Takeshi Natsuno are outside director as stipulated in Article 2, Clause 15 of the Companies Act.

2. Tomio Kazashi, Toshio Hirakawa and Mineo Enomoto are outside corporate auditor as stipulated in Article 2, Clause 16 of the Companies Act.

3. The Company has submitted an Independent Directors/Corporate Auditors Notification Form to register Directors Yuji Iwanaga and Takeshi Natsuno, Standing Corporate Auditor Tomio Kazashi, and Corporate Auditors Toshio Hirakawa and Mineo Enomoto as Independent Directors/Corporate Auditors at Tokyo Stock Exchange, Inc.

4. The Company has adopted the executive officer system to speed up decision-making, strengthen oversight of business execution, and reinforce business execution functions. The Company has six executive officers: Shunichi Shimizu, Division Manager of the Administrative Division; Koichi Fukazawa and Takatoshi Akiba, Group-Related Business Office; Koichiro Ueda, General manager of New Business Office; Seiichiro Kikuchi, General manager of Group Executive Office, Corporate Strategy Department, Executive Secretariat Department and Investor Relations Department; Hiroshi Ishikura, Division Manager of the Group Internal Control Office, Group CSR Promotion Office and Internal Audit Office.

5. Director and Adviser Keishi Nakayama retired from office due to resignation on January 20, 2014.

6. Director Naoya Tsurumi took office as Senior Managing Director and Representative Director of the Company on April 1, 2014.

##### 2. Total Remuneration, etc., to Directors and Corporate Auditors

| Title             | Number of individuals | Remuneration, etc. |
|-------------------|-----------------------|--------------------|
| Director          | 9                     | ¥664 million       |
| Corporate Auditor | 2                     | ¥25 million        |
| Total             | 11                    | ¥689 million       |

- Notes: 1. Remuneration, etc., includes bonuses to directors/corporate auditors in the amount of ¥183 million (¥180 million for directors, ¥3 million for corporate auditors) and stock options to directors in the amount of ¥31 million (¥31 million for directors).
2. The remuneration limit for directors is ¥1,000 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders on June 19, 2012.
3. The remuneration limit for corporate auditors is ¥50 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders of Sammy Corporation on June 25, 2004, and at the Ordinary General Meeting of Shareholders of SEGA CORPORATION on June 29, 2004.

### 3. Main Activities of Outside Directors and Corporate Auditors

| Title                     | Name            | Major Activities   |
|---------------------------|-----------------|--|
| Outside Director          | Yuji Iwanaga    | He attended 20 Board of Directors meetings out of the 20 meetings during the year (11 out of 11 regular meetings) and expressed his opinion on professional and managerial view points as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.   |
| Outside Director          | Takeshi Natsuno | He attended 20 Board of Directors meetings out of the 20 meetings during the year (11 out of 11 regular meetings) and expressed his opinion on managerial viewpoints. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.  |
| Outside Corporate Auditor | Tomio Kazashi   | He attended 20 Board of Directors meetings out of the 20 meetings during the year (11 out of 11 regular meetings) and expressed his opinion on managerial viewpoints. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.<br>He also attended 14 Corporate Auditors meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.                                 |
| Outside Corporate Auditor | Toshio Hirakawa | He attended 20 Board of Directors meetings out of the 20 meetings during the year (11 out of 11 regular meetings) and expressed his opinion on managerial viewpoints. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.<br>He also attended 14 Corporate Auditors meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.                                 |
| Outside Corporate Auditor | Mineo Enomoto   | He attended 18 Board of Directors meetings out of the 20 meetings during the year (11 out of 11 regular meetings) and expressed his opinion on professional and managerial viewpoints as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.<br>He also attended 13 Corporate Auditors meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits. |

#### 4. Liability Limitation Agreements for Outside Directors and Corporate Auditors

At the Second Ordinary General Meeting of Shareholders on June 20, 2006, the Company amended its Articles of Incorporation and established regulations regarding liability limitation agreements for Outside Corporate Auditors.

An outline of the contents of the liability limitation agreement that the Company has entered into with Outside Corporate Auditor Mineo Enomoto is as follows:

(Outline of Liability Limitation Agreement)

The liability to compensate for damages under Article 423, Section 1 of the Companies Act will be limited to the minimum liability set forth by law in the absence of malicious intent or material negligence.

#### 5. Total Remuneration, etc., to Outside Directors and Corporate Auditors

|   | Number of individuals | Remuneration, etc. | Remuneration, etc., from subsidiary |
|---|-----------------------|--------------------|-------------------------------------|
| Total remuneration, etc., to outside Directors and Corporate Auditors | 5                     | ¥74 million        | ¥18 million                         |

Notes: 1. The remuneration, etc. includes director's bonuses in the amount of ¥3 million (¥3 million for corporate auditor), that is planned to be paid from the Company.

2. The remuneration, etc. includes director's bonuses in the amount of ¥3 million (¥3 million for corporate auditor), that is planned to be paid from subsidiary.

### V Independent Auditors

#### 1. Name

KPMG AZSA LLC

#### 2. Liability Limitation Agreement with Independent Auditors

Although, the Company amended its articles of incorporation and established regulations regarding liability limitation agreements with independent auditors at the Second Ordinary General Meeting of Shareholders on June 20, 2006, the Company has not entered into the liability limitation agreement with KPMG AZSA LLC.

#### 3. Remuneration, etc.

|   | Remuneration, etc |
|---|-------------------|
| Remuneration, etc., related to the fiscal year ended March 31, 2014   | ¥129 million      |
| Total of cash and other profits that should be paid to independent auditors by the Company and its subsidiaries | ¥361 million      |

Notes: 1. The Company's subsidiaries, Sega Europe Ltd., etc. are audited by auditors that differ from the Company's.

#### 4. Policy Regarding Determination of Termination or Not Reappointing

The Company entrusts the Board of Corporate Auditors with the responsibility for deciding on the dismissal or non-reappointment of the independent auditor, and if any clause within Article 340, Section 1 of the Companies Act is deemed to apply, the independent auditor will be dismissed in accordance with the Company's policy. The Board of Corporate Auditors also determines the reappointment or non-reappointment of the independent auditor upon consideration of the current status related to their performance, etc.



**1. “VI Outline of Resolutions Regarding Preparation of Internal Control System and so forth to Ensure Appropriate Business Execution” from the Business Report**

Based on the Companies Act, the Company made the following resolutions regarding the “Basic Policy on Preparation of Internal Controls System” and has worked to prepare this system.

- (1) System to Ensure the Efficient Implementation of Directors’ Duties and Compliance with Laws and the Articles of Incorporation  
Establish a Group CSR Charter and Group Code of Conduct, and Representative Directors will repeatedly communicate the spirit of such charter and code to employees in administrative post, in order to thoroughly establish compliance with laws as a condition for all corporate activities. These efforts will reflect the Company’s fundamental policy of fulfilling its social responsibility as a member of society and provide a basis for establishing a compliance system that comprises such policy. In addition, in the interest of further strengthening corporate governance, the Board of Directors will make efforts to build an effective internal controls system and to secure a system for compliance with laws and the Articles of Incorporation for the Company as a whole, so that the Company’s business execution is appropriate and sound. Also, the Board of Corporate Auditors will audit the effectiveness and functionality of this internal controls system, and make efforts to identify and correct issues early through regular inspection.
- (2) System Related to the Retention and Management of Information Related to the Implementation of Directors’ Duties  
Representative Directors will appoint the Director in charge of the Administrative Division as the person in charge of the entire Company with respect to preservation and management of information related to execution of Directors’ duties. Information related to execution of Directors’ duties will be recorded in writing or electronic media based on the Company regulations etc., and preserved and managed so that the Directors and Corporate Auditors are able to appropriately and accurately view such information and also so that such information is easy to search.
- (3) Regulations and Other Systems Regarding Risk Management for Losses  
With respect to risks related to the Company’s business, each relevant division and department will analyze and identify anticipated risks and clarify the risk management system. The Internal Audit Department and Internal Control Department will audit each division’s and department’s risk management and report the results regularly to the management decision-making body and executive and supervisory management organization. In the event of a situation likely to have a severe impact on the Group, crisis management teams of the Company and the Group companies shall cooperate to discuss about countermeasures for prompt and effective actions.
- (4) System to Ensure that Directors’ Duties are Implemented Efficiently  
Adopt a corporate auditor system for efficient implementation of Directors’ duties, as well as for Company Directors and Corporate Auditors to be well-informed about the Group’s businesses and promptly and appropriately make decisions for the Group. The system should also enable appropriate and efficient implementation of duties under rules related to authorities and decision-making based on the Regulations of the Board of Directors, and so forth.
- (5) System to Ensure Appropriate Compliance with Law, and the Articles of Incorporation Concerning the Performance of Employees’ Duties
  - ① Grant the Corporate Governance Committee, which governs the Company’s and Group’s compliance related governing functions. Employees in administrative posts can act in compliance with law, the Articles of Incorporation, Company regulations, and social norms. Make the foregoing known thoroughly inside the Company and promote compliance.
  - ② Establish a “Hot Line” system that enables an employee to report in the interest of public good any violation of law, the Articles of Incorporation, Company regulations, or conduct in violation of social norms. Also establish a system that enables the person in charge promptly to report any material matters to the Board of Directors and Board of Corporate Auditors. Also, protect such an informant, and authorize the Company Compliance Department and so forth, and outside counsel as recipients of an informant’s report outside the ordinary reporting line, as part of a system that maintains transparency and accurately addresses relevant issues.

- (6) System to Ensure that the Businesses of the Group, Comprised of the Company, its Parent, and its Subsidiaries, are Executed Properly  
Hold meetings for the Group's Directors and Group's Corporate Auditors, where various problems in the Group or governance matters with material risks are addressed. The Company's department in charge of internal audit will conduct audits for the benefit of the Group as a whole, and efforts will be made to ensure to the extent possible that information is shared among members of the Group and businesses are properly executed.
- (7) Matters Regarding Employees whom Corporate Auditors Request to Assist them in the Performance of their Duties  
Establish a Corporate Auditor's Office as an organization that reports directly to the Board of Corporate Auditors and employees in such office will assist the Corporate Auditors' duties under their direction and order.
- (8) Matters Related to the Independence of Corporate Auditors' Staff from Directors Described in the Previous Clause
- ① An employee who assists a Corporate Auditor's duties is a dedicated employee who is not directed or supervised by Directors.
  - ② Appointment, termination, personnel transfer, evaluation, disciplinary action, revision of wages, and so forth, of or involving employees described in the previous section will require prior agreement of the Board of Corporate Auditors.
- (9) System to Enable Directors or Employees to Report to Corporate Auditors, and other Systems Related to Reporting to Corporate Auditors
- ① Directors and employees must report promptly to the Board of Corporate Auditors material violations of law or the Articles of Incorporation or illegal conduct related to performance of duties or risks of conspicuous harm to the Company that they learn.
  - ② Directors and employees must report promptly to the Board of Corporate Auditors decisions that materially affect the Company's business or organization, results of internal audits, or results of evaluation of the internal control system associated with financial reports.
- (10) Systems Established to Ensure the Efficacious Performance of Auditing Responsibilities by Corporate Auditors
- ① Representative Directors regularly will meet with Corporate Auditors, exchange opinions related to Company management, in addition to business reports, and otherwise communicate effectively with them.
  - ② The Board of Directors will ensure Corporate Auditors' participation in important work-related meetings to ensure that the Company's business is executed properly.
  - ③ The Board of Corporate Auditors will use attorneys, certified public accountants, and other outside advisors, as necessary for itself, and its opportunities to receive advice related to audit work will be guaranteed.

## Consolidated Balance Sheet

(As of March 31, 2014)

(Unit: millions of yen)

| Item                                   | Amount         | Item  | Amount         |
|--|----------------|---|----------------|
| <b>Assets</b>                          |                | <b>Liabilities</b>                                    |                |
| <b>Current assets</b>                  | <b>318,475</b> | <b>Current liabilities</b>                            | <b>91,069</b>  |
| Cash and deposits                      | 101,220        | Notes and accounts payable-trade                      | 37,292         |
| Notes and accounts receivable-trade    | 48,108         | Short-term loans payable                              | 12,918         |
| Short-term investment securities       | 107,713        | Current portion of bonds                              | 1,700          |
| Merchandise and finished goods         | 6,130          | Income taxes payable                                  | 6,288          |
| Work in process                        | 13,610         | Accrued expenses                                      | 12,255         |
| Raw materials and supplies             | 16,189         | Provision for bonuses                                 | 3,868          |
| Income taxes receivable                | 1,993          | Provision for directors' bonuses                      | 614            |
| Deferred tax assets                    | 12,627         | Provision for business restructuring                  | 243            |
| Other                                  | 11,203         | Provision for point card certificates                 | 56             |
| Allowance for doubtful accounts        | (323)          | Asset retirement obligations                          | 325            |
| <b>Noncurrent assets</b>               | <b>224,461</b> | Deferred tax liabilities                              | 5              |
| <b>Property, plant and equipment</b>   | <b>102,162</b> | Other   | 15,499         |
| Buildings and structures, net          | 34,103         | <b>Noncurrent liabilities</b>                         | <b>103,596</b> |
| Machinery, equipment and vehicles, net | 9,041          | Bonds payable   | 37,800         |
| Amusement machines and facilities, net | 9,436          | Long-term loans payable                               | 35,198         |
| Land                                   | 39,029         | Net defined benefit liability                         | 6,053          |
| Construction in progress               | 2,239          | Provision for directors' retirement benefits          | 146            |
| Other, net                             | 8,311          | Deferred tax liabilities                              | 4,294          |
| <b>Intangible assets</b>               | <b>31,795</b>  | Deferred tax liabilities for land revaluation         | 745            |
| Goodwill                               | 18,915         | Asset retirement obligations                          | 2,165          |
| Other                                  | 12,879         | Other   | 17,192         |
| <b>Investments and other assets</b>    | <b>90,503</b>  | <b>Total liabilities</b>                              | <b>194,666</b> |
| Investment securities                  | 60,825         | <b>Net assets</b>                                     |                |
| Long-term loans receivable             | 710            | <b>Shareholders' equity</b>                           | <b>330,977</b> |
| Lease and guarantee deposits           | 13,342         | Capital stock   | 29,953         |
| Deferred tax assets                    | 875            | Capital surplus                                       | 119,312        |
| Other                                  | 15,554         | Retained earnings                                     | 219,684        |
| Allowance for doubtful accounts        | (805)          | Treasury stock  | (37,971)       |
|  |                | <b>Accumulated other comprehensive income</b>         | <b>12,322</b>  |
|  |                | Valuation difference on available-for-sale securities | 16,804         |
|  |                | Deferred gains or losses on hedges                    | 0              |
|  |                | Revaluation reserve for land                          | (4,705)        |
|  |                | Foreign currency translation adjustment               | (2,281)        |
|  |                | Remeasurements of defined benefit plans               | 2,504          |
|  |                | <b>Subscription rights to shares</b>                  | <b>1,078</b>   |
|  |                | <b>Minority interests</b>                             | <b>3,892</b>   |
|  |                | <b>Total net assets</b>                               | <b>348,270</b> |
| <b>Total assets</b>                    | <b>542,936</b> | <b>Total liabilities and net assets</b>               | <b>542,936</b> |

Note: Figures shown in millions of yen have been rounded down to the nearest million.

## Consolidated Statement of Income

(From April 1, 2013 To March 31, 2014)

(Unit: millions of yen)

| Item  | Amount |                |
|---|--------|----------------|
| <b>Net sales</b>                                      |        | <b>378,011</b> |
| <b>Cost of sales</b>                                  |        | <b>230,040</b> |
| <b>Gross profit</b>                                   |        | <b>147,970</b> |
| <b>Selling, general and administrative expenses</b>   |        | <b>109,437</b> |
| <b>Operating income</b>                               |        | <b>38,533</b>  |
| <b>Non-operating income</b>                           |        |                |
| Interest income                                       | 341    |                |
| Dividends income                                      | 917    |                |
| Gain on investments in partnership                    | 1,623  |                |
| Foreign exchange gains                                | 966    |                |
| Other   | 953    | 4,802          |
| <b>Non-operating expenses</b>                         |        |                |
| Interest expenses                                     | 849    |                |
| Equity in losses of affiliates                        | 257    |                |
| Sales discounts                                       | 125    |                |
| Commission fee  | 91     |                |
| Loss on investments in partnership                    | 357    |                |
| Penalty payment for cancellation of game center lease | 18     |                |
| Loss on retirement of noncurrent assets               | 400    |                |
| Bond issuance cost                                    | 64     |                |
| Other   | 639    | 2,804          |
| <b>Ordinary income</b>                                |        | <b>40,531</b>  |

(Unit: millions of yen)

| Item   | Amount |               |
|--|--------|---------------|
| <b>Extraordinary income</b>                              |        |               |
| Gain on sales of noncurrent assets                       | 3,585  |               |
| Gain on sales of subsidiaries and affiliates' stocks     | 21     |               |
| Gain on sales of investment securities                   | 11,970 |               |
| Other  | 217    | 15,795        |
| <b>Extraordinary loss</b>                                |        |               |
| Loss on sales of noncurrent assets                       | 9      |               |
| Impairment loss  | 1,799  |               |
| Loss on valuation of investment securities               | 196    |               |
| Loss on liquidation of subsidiaries and affiliates       | 6,601  |               |
| Other  | 176    | 8,782         |
| <b>Income before income taxes and minority interests</b> |        | <b>47,545</b> |
| Income taxes-current                                     | 8,131  |               |
| Income taxes-deferred                                    | 8,098  | 16,230        |
| <b>Income before minority interests</b>                  |        | <b>31,315</b> |
| Minority interests in income                             |        | 593           |
| <b>Net income</b>  |        | <b>30,721</b> |

Note: Figures shown in millions of yen have been rounded down to the nearest million.

## Consolidated Statement of Changes in Net Assets

(From April 1, 2013 To March 31, 2014)

(Unit: millions of yen)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balances as of April 1, 2013             | 29,953               | 119,335         | 198,924           | (40,540)       | 307,673                    |
| Changes of items during the period       |                      |                 |                   |                |                            |
| Dividends from surplus                   |                      |                 | (9,701)           |                | (9,701)                    |
| Net income                               |                      |                 | 30,721            |                | 30,721                     |
| Purchase of treasury stock               |                      |                 |                   | (55)           | (55)                       |
| Disposal of treasury stock               |                      | (14)            |                   | 2,623          | 2,608                      |
| Change of scope of consolidation         |                      | (8)             | (260)             |                | (269)                      |
| Total changes of items during the period | —                    | (23)            | 20,759            | 2,568          | 23,304                     |
| Balances as of March 31, 2014            | 29,953               | 119,312         | 219,684           | (37,971)       | 330,977                    |

|  | 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 | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |
| Balances as of April 1, 2013                         | 27,385  | —                                  | (4,705)                      | (14,601)                                | —                                       | 8,078  |
| Changes of items during the period                   |   |                                    |                              |   |   |  |
| Dividends from surplus                               |   |                                    |                              |   |   |  |
| Net income   |   |                                    |                              |   |   |  |
| Purchase of treasury stock                           |   |                                    |                              |   |   |  |
| Disposal of treasury stock                           |   |                                    |                              |   |   |  |
| Change of scope of consolidation                     |   |                                    |                              |   |   |  |
| Net changes of items other than shareholders' equity | (10,581)  | 0                                  | —                            | 12,319                                  | 2,504                                   | 4,243  |
| Total changes of items during the period             | (10,581)  | 0                                  | —                            | 12,319                                  | 2,504                                   | 4,243  |
| Balances as of March 31, 2014                        | 16,804  | 0                                  | (4,705)                      | (2,281)                                 | 2,504                                   | 12,322                                       |

(Unit: millions of yen)

|  | Subscription rights to shares | Minority interests | Total net assets |
|--|-------------------------------|--------------------|------------------|
| Balances as of April 1, 2013                         | 1,146                         | 3,136              | 320,034          |
| Changes of items during the period                   |                               |                    |                  |
| Dividends from surplus                               |                               |                    | (9,701)          |
| Net income   |                               |                    | 30,721           |
| Purchase of treasury stock                           |                               |                    | (55)             |
| Disposal of treasury stock                           |                               |                    | 2,608            |
| Change of scope of consolidation                     |                               |                    | (269)            |
| Net changes of items other than shareholders' equity | (68)                          | 756                | 4,931            |
| Total changes of items during the period             | (68)                          | 756                | 28,235           |
| Balances as of March 31, 2014                        | 1,078                         | 3,892              | 348,270          |

Note: Figures shown in millions of yen have been rounded down to the nearest million.

## 2. Notes to Consolidated Financial Statements

### I Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

#### (1) Scope of Consolidation

Number of consolidated subsidiaries 67

For a complete list of major consolidated subsidiaries, refer to the section “I Group’s Current Condition” under “7 Material Parent Company and Subsidiaries” of “(2) Relationships with subsidiaries”.

Effective as of the fiscal year ended March 31, 2014, the following became the Company’s consolidated subsidiaries; SEGASAMMY BUSAN INC. and two other companies, because of the newly establishment; Liverpool Co., Ltd. and one other company, because of the Company’s acquisition of the shareholdings; SEGA SAMMY CREATION INC., establishment through an incorporation-type split; DARTSLIVE EUROPE Limited, because of the increase of importance.

Effective as of the fiscal year ended March 31, 2014, the following have been excluded from the scope of consolidation; Sega Publishing America, Inc. and eight other companies, because of its liquidation.

Number of non-consolidated subsidiaries 15

Main non-consolidated subsidiaries: Sega (Shanghai) Software Co., Ltd. etc.

All non-consolidated subsidiaries are excluded from the scope of consolidation because the combined amounts in assets, net sales, net income, and retained earnings applicable to the equity interest of the Company are immaterial.

#### (2) Application of the Equity Method

Number of equity-method non-consolidated subsidiaries 1

SEGA PUBLISHING KOREA LTD. has included in the scope of application of equity-method because of increase of importance.

Number of equity-method affiliates 7

Main equity-method affiliates: PARADISE SEGASAMMY Co., Ltd., INTERLIFE HOLDINGS CO., LTD., etc.

IP4. INC. and one other company have excluded from the scope of application of equity-method because of sale of the share of stocks.

Number of non-consolidated subsidiaries and affiliates not accounted for by the equity method 20

Main non-consolidated subsidiaries and affiliates not accounted for by the equity method:

Chara-Web Co., Ltd etc.

The equity method was not applied to some of the non-consolidated subsidiaries and affiliates because the combined amounts of these companies in net income and retained earnings applicable to the equity interest of the Company are immaterial.

#### (3) Fiscal Year for Consolidated Subsidiaries

Consolidated subsidiaries whose fiscal year-ends differ from the consolidated balance sheet date are listed below. Necessary adjustments are made on consolidation for material transactions that occurred between the end of the fiscal years of these subsidiaries and the end of the consolidated balance sheet date.

| <u>Consolidated subsidiary</u>                         | <u>Fiscal year-end</u> |
|--|------------------------|
| Sega Amusements Taiwan Ltd.                            | December 31            |
| Shanghai New World Sega Recreation Co., Ltd.           | December 31            |
| Beijing SEGA Mobile Entertainment Technology Co., Ltd. | December 31            |
| Sega Jinwin (Shanghai) Amusements Co., Ltd.            | December 31            |
| SEGA (QINGDAO) ENTERTAINMENT PARK CO., LTD.            | December 31            |



(4) Accounting Standards

- ① Valuation standards and accounting treatment for important assets
  - a. Held-to-maturity debt securities are stated at amortized cost (the straight - line method).
  - b. Available-for-sale securities  
Securities with fair market value are stated at fair market value. The difference between acquisition cost and market value is accounted for as net unrealized holding gains or losses on securities in net asset, with cost of sales determined by the moving average method.
  - c. Available-for-sale securities without quoted market prices are carried at cost, which is determined by the moving-average method.  
The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2-2 of the Financial Investment and Exchange Law of Japan, is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.
  - d. Derivatives  
Derivatives are stated at fair market value.
  - e. Inventories  
Inventories are stated at cost, cost being determined mainly by the gross-average method (With regard to the amounts stated in the balance sheet, the method of book value devaluation based on decline in profitability is used).  
Also, work in process is stated at cost, cost being determined mainly by the specific identification method (With regard to the amounts stated in the balance sheet, the method of book value devaluation based on decline in profitability is used).
- ② Method for depreciating and amortizing important assets
  - a. Property, plant and equipment (excluding lease assets):  
Depreciation is calculated primarily using the straight-line method.  
Useful life for primary assets is as follows:  
Building/Structure: 2-50 years  
Machinery/equipment/vehicles: 2-16 years  
Amusement machines and facilities: 2-5 years
  - b. Intangible assets (excluding lease assets):  
Amortization is calculated using the straight-line method. The straight-line method is adopted over the useful life of within five years for Software for internal use.
  - c. Lease assets  
Lease assets involving finance lease transactions under which the ownership of the lease assets is transferred to lessees:  
Depreciation method for such assets is the same as that which applied to property, plant and equipment owned by the Company.  
Lease assets involving finance lease transactions of which the ownership is not transferred to lessees:  
Depreciation method is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.
- ③ Accounting for deferred assets  
Founding expense : All expenses are expensed when incurred.  
Stock issue expense : All expenses are expensed when incurred.  
Bond issue expense : All expenses are expensed when incurred.
- ④ Accounting for allowances and provisions
  - a. Allowance for doubtful accounts  
The reserve for doubtful accounts is provided in amount sufficient to cover possible losses estimated as a historical write-off ratio of bad debts for general receivables. Allowance for doubtful accounts and bankrupt receivables are calculated on an individual assessment of the possibility of collection.
  - b. Provision for bonuses  
Accrued employees' bonuses are provided based on the estimated amount to be paid.

- c. Provision for directors' bonuses  
The estimated amount of bonuses was recorded to meet the bonus payments to Directors and Corporate Auditors.
- d. Provision for business restructuring  
Of the expenses expected to incur in connection with business restructuring, those recognized to have incurred in the fiscal year are recorded.
- e. Provision for directors' retirement benefits  
The Company and certain domestic consolidated subsidiaries provide provision for directors' retirement benefits to adequately cover payment of such benefits at the end of the applicable period in accordance with internal regulations.
- f. Provision for point card certificates  
In order to provide for the usage of points granted to customers under the point system, the estimated future usage amount for the end of the fiscal year ended March 31, 2014 has been recorded.

⑤ Accounting method for retirement benefits

- a. Attribution method for projected retirement benefits  
In calculating retirement benefits obligations, straight-line attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the fiscal year ended March 31, 2014.
- b. Treatment of actuarial gains and losses and prior service costs  
Past service costs are amortized equally over certain number of years (10 years in principle) within the average remaining years of service for the employees at the time of accrual, or are charged to income collectively at the time of accrual. Actuarial gains and losses are amortized by the straight-line method over certain number of years (10 years in principle) within average remaining years of service for the employees at the time of accrual in each fiscal year, commencing from the following fiscal year after the accrual for each employee, or are charged to income collectively in the following fiscal year after the accrual.

(Changes in accounting policies)

The "Accounting Standard for Retirement Benefits" (Accounting Standard Board of Japan "ASBJ" Statement No. 26, May 17, 2012; the "Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; the "Guidance") were adopted from the end of the fiscal year ended March 31, 2014 (except for provisions set in the main clause of Paragraph 35 of the Standard and Paragraph 67 of the Guidance) to change the method to the new one by which retirement benefit obligations less pension assets are recognized as net defined benefit liability, and unrecognized actuarial differences and prior service costs were recognized as net defined benefit liability.

The application of the Standard, etc. follows the transitional rules set in Paragraph 37 of the Standard, and adjustments associated with this change are recorded in accumulated other comprehensive income as of the end of the fiscal year ended March 31, 2014.

As a result, ¥6,053 million has been recorded in net defined benefit liability at the end of the fiscal year ended March 31, 2014. In addition, deferred tax assets have decreased ¥322 million, and accumulated other comprehensive income has increased ¥2,504 million.

Meanwhile, the impact on per share information is stipulated in the relevant section.

⑥ Accounting for significant hedge

- a. Hedge accounting  
The Company adopts deferred hedge accounting. However, special treatment is used for qualifying interest rate swap transactions. Moreover, allocation hedge accounting is applied to qualifying currency swap transactions and foreign exchange forward contracts.
- b. Hedging instruments and hedged items  
Hedging instrument: Currency swaps, Interest rate swaps, foreign currency forward contracts  
Hedged item: Interest on debts, receivables and payables denominated in foreign currencies
- c. Hedge policy  
Derivative instruments are used to mitigate risks associated with foreign currency exchange and interest rate fluctuations.  
As a rule, hedging is only used for items in which actual demand exists, and not for speculative purposes.

d. Evaluation of hedge effectiveness

Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations in the market between the hedged item and hedging instrument. Evaluation of hedge effectiveness at fiscal year-end is omitted for currency swap transactions, as material conditions for the notional principal of hedging instruments and those for hedged items are the same and these transactions are deemed to offset the market fluctuations. Evaluation of hedge effectiveness at fiscal year-end is omitted also for interest rate swap transactions applied to special treatment.

⑦ Amortization method and period of goodwill

If the duration of the effect of goodwill can be rationally estimated, amortization is made over the estimated number of years. In other cases, amortization is made over a five-year-period by the straight line method.

⑧ Accounting method for consumption taxes

Consumption taxes and local consumption taxes are accounted using the net-of-tax method, and non-deductible consumption taxes and local consumption taxes on assets are posted mainly as expenses for the fiscal year ended March 31, 2014.

⑨ Application of the Consolidated Taxation System

The Company applied the Consolidated Taxation System.

(5) Changes in Presentation

① Consolidated Statement of Income

“Loss on retirement of noncurrent assets” that was included in “other” under non-operating expenses for the previous fiscal year (¥232 million for the previous fiscal year) has now exceeded 10% of the amount of total non-operating expenses, and is therefore separately itemized beginning from the fiscal year ended March 31, 2014.

(6) Additional information

The “Partial Amendment of the Income Tax Act” (Act No. 10 of 2014) was officially announced on March 31, 2014 and the special corporate tax for reconstruction will no longer be imposed on consolidated fiscal years beginning on or after April 1, 2014. As a result, net deferred tax assets by the end of the fiscal year ended March 31, 2014 have decreased by ¥1,429 million, income taxes-deferred have increased by ¥1,459 million.

## II Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment    ¥167,870 million

(2) Assets pledged

| Assets pledged         |              | Covered for liabilities    |              |
|------------------------|--------------|----------------------------|--------------|
| Buildings / Structures | ¥212 million | Short – term loans payable | ¥350 million |
| Land                   | ¥210 million |                            |              |

(3) Revaluation of Land

Consolidated subsidiary SEGA CORPORATION has revalued land for commercial use, pursuant to Japan’s Law Concerning Revaluation of Land (Law No. 34, March 31, 1998) and Amendments to the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001). SEGA has recorded an item for the revaluation reserve for land under net assets.

Revaluation method

SEGA CORPORATION computed the value of land based on the methodology regarding rational adjustments to valuation of fixed assets stipulated in Article 2-3, and appraisals by licensed real estate appraisers prescribed in Article 2-5 of the Enforcement Ordinance No. 119 (March 31, 1998) pertaining to the Law Concerning Revaluation of Land.

Date of the revaluation    March 31, 2002

- (4) Outstanding balance of overdraft account: ¥40,925 million  
 Outstanding balance of commitment line: ¥20,000 million

### III Notes to Consolidated Statement of Income

- (1) The book value devaluation of inventories held for normal sales purpose based on decline in profitability.

Cost of sales ¥3,885 million

- (2) R&D expenses included in general and administrative expenses and this fiscal year's production expenses ¥40,070 million

- (3) Breakdown of major extraordinary items

- ① Breakdown of gain on sales of noncurrent assets

Buildings and structures ¥521 million

Land ¥2,299 million

Other property, plant and equipment ¥12 million

Other Intangible assets ¥751 million

Total ¥3,585 million

- ② Breakdown of loss on sales of noncurrent assets

Buildings and structures ¥4 million

Other property, plant and equipment ¥4 million

Total ¥9 million

- ③ Loss on liquidation of subsidiaries and affiliates was recognized mainly by realization of foreign currency translation adjustment resulted from the completion of the liquidation of some of the subsidiaries in the UK and the U.S.

- ④ Breakdown of impairment loss.

(Unit: millions of yen)

| Use                       | Location                                | Type                                | Impairment loss |
|---------------------------|---|-------------------------------------|-----------------|
| Assets for business, etc. | Shibuya-ku, Tokyo and 6 other locations | Buildings and structures            | 51              |
|                           |   | Other property, plant and equipment | 91              |
|                           |   | Other intangible assets             | 175             |
|                           |   | Land                                | 1               |
| Amusement facilities      | Minato-ku, Tokyo and 2 other locations  | Buildings and structures            | 543             |
|                           |   | Amusement machines and facilities   | 799             |
|                           |   | Other property, plant and equipment | 118             |
|                           |   | Other intangible assets             | 17              |
|                           |   | Total                               | 1,799           |

For each business segment, the Group classifies assets or asset groups based on whether their cash flows can be estimated independently. If the market value of any asset or asset group has decreased conspicuously or it is expected to continuously generate negative cash flow from operations, its book value is reduced to its recoverable value, and such reduction is recorded as an impairment loss under extraordinary loss.

#### IV Notes to Consolidated Statement of changes in Net Assets

(1) Issued Stock

(Unit: shares)

| Type of stock | As of April 1, 2013 | Increase | Decrease | As of March 31, 2014 |
|---------------|---------------------|----------|----------|----------------------|
| Common stock  | 266,229,476         | –        | –        | 266,229,476          |

(2) Treasury Stock

(Unit: shares)

| Type of stock | As of April 1, 2013 | Increase | Decrease  | As of March 31, 2014 |
|---------------|---------------------|----------|-----------|----------------------|
| Common stock  | 24,169,675          | 21,851   | 1,563,801 | 22,627,725           |

(Outline of Causes of Change)

The causes of the increase are as follows:

Increase due to repurchase of fractional shares 21,851 shares

The causes of the decrease are as follows:

Decrease due to exercise of stock option 1,562,900 shares

Decrease due to request to purchase fractional shares 901 shares

(3) Dividends

① Dividend Amount

| Resolution                                      | Type of Stock | Total dividend (¥ million) | Dividend per share (¥) | Record date        | Effective date   |
|---|---------------|----------------------------|------------------------|--------------------|------------------|
| Board of Directors' Meeting on May 10, 2013     | Common stock  | 4,841                      | 20                     | March 31, 2013     | May 28, 2013     |
| Board of Directors' Meeting on November 1, 2013 | Common stock  | 4,860                      | 20                     | September 30, 2013 | December 2, 2013 |

② Of the dividends of which the record date is in the fiscal year ended March 31, 2014, but the effective date is in the following fiscal year.

| Resolution                                 | Type of Stock | Resource of dividend | Total dividend (¥ million) | Dividend per share (¥) | Record date    | Effective date |
|--|---------------|----------------------|----------------------------|------------------------|----------------|----------------|
| Board of Directors' Meeting on May 9, 2014 | Common Stock  | Retained Earnings    | 4,872                      | 20                     | March 31, 2014 | May 28, 2014   |

(4) Number and type of shares to be issued upon exercise of subscription rights to shares (except for the ones before the first day of the exercisable period) as of the end of the fiscal year ended March 31, 2014.

Common stock: 1,261,200 shares

## V Notes on the Financial Instruments

### (1) Matters regarding the current status of financial instruments

The Group's signed an agreement concerning commitment lines by the syndicated method, such as securing medium- to long-term fund liquidity with the Company as a holding company, as a safety net for the entire Group. In addition, capital for each business is financed based on the financial plan as needed, through bank borrowing or bond issue applying Cash Management System for the purpose of the efficient utilization of the Group funds. Funds are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described later.

Credit risks of the clients in terms of notes and accounts receivable - trade are mitigated under the credit management rules, etc. at each Group company.

The Group's credit risk exposure in held-to-maturity debt securities is minimal, as its investment in this area is restricted to highly rated debt securities only according to the capital management rules, etc. at each Group company.

Available-for-sale securities are mainly stocks and the relevant information such as market prices of those stocks and financial conditions of the issuing companies (business partners) is reviewed and reported to the board of directors of each Group company, etc. on a regular basis. For securities other than held-to-maturity debt securities, holding status is continually reviewed in consideration of the relationship with business partners that issue those stocks.

Borrowings as well as bonds is intended to secure funds necessary for the purpose of working capital and capital expenditures and diversify means for procuring funds. Each Group company reviews its own actual and projected cash position on a monthly basis, which is eventually verified collectively by the Company as part of the Group's liquidity risk management.

The Group's derivative transactions are restricted to forward exchange contracts as hedge against currency fluctuation risks on its foreign currency-denominated operating receivables and debt as well as foreign currency-denominated loans receivable, and interest rate swap agreements to mitigate interest rate risks on part of the Group's variable interest rate loans payable. These transactions are executed and managed mainly by the financial department or the accounting department upon obtaining internal approvals in compliance with the derivative transactions management rules, etc. of each Group company. Furthermore, reports on the status of the derivative transactions are made to the Board of Directors at each company as appropriate.

### (2) Matters regarding the market value etc. of financial instruments

Consolidated balance sheet amounts and market values of the Group's financial instruments and the difference between the two as of the end of the fiscal year ended March 31, 2014 are as follows. Market values of financial instruments named in Note 2 below are extremely difficult to grasp, thus are not included in the following list.

(Unit: millions of yen)

|  | Consolidated balance sheet amount | Market value | Difference |
|--|-----------------------------------|--------------|------------|
| (1) Cash and deposits  | 101,220                           | 101,220      | —          |
| (2) Notes and accounts receivable - trade                      | 48,108                            | 48,092       | (16)       |
| (3) Short-term investment securities and investment securities |                                   |              |            |
| 1) Held-to-maturity debt securities                            | 2,061                             | 2,048        | (13)       |
| 2) Available-for-sale securities (*1)                          | 144,820                           | 144,820      | —          |
| 3) Stocks of affiliates  | 832                               | 707          | (125)      |
| (4) Notes and accounts payable - trade                         | 37,292                            | 37,292       | —          |
| (5) Short-term loans payable                                   | 12,918                            | 12,918       | —          |
| (6) Long-term loans payable                                    | 35,198                            | 35,115       | 82         |
| (7) Current portion of bonds                                   | 1,700                             | 1,700        | —          |
| (8) Bonds payable  | 37,800                            | 37,922       | (122)      |
| (9) Derivative transactions (*2)                               |                                   |              |            |
| 1) Transactions outside the scope of hedge accounting          | (0)                               | (0)          | —          |
| 2) Transactions subject to hedge accounting                    | 3                                 | 3            | —          |

- (\*1) Since market values of embedded derivatives cannot be reasonably categorized and measured, those of the entire composite financial instruments are evaluated, and included in investment securities.
- (\*2) Receivables and payables incurred by derivative transactions are presented in net amounts.

Notes: 1 Matters regarding the methods to calculate the market values of financial instruments and securities and derivative transactions

- (1) Cash and deposits; and (2) Notes and accounts receivable - trade

Of these, items that are settled in the short term (within a year) are recorded using book values, as their market values approximate book values. In addition, of notes and accounts receivable - trade, those which more than a year to the payment date from the end of the fiscal year ended March 31, 2014 are stated at the present values by discounting the amount of claim for each receivable with the interest rate calculated by the payment period and credit risk.

- (3) Short-term investment securities and investment securities

The market values of stocks are determined using the quoted price at the stock exchange, and those of debt securities are determined using the quoted price at the stock exchange or the quoted price obtained from the financial institutions. In addition, negotiable certificates of deposit included in available-for-sale securities are recorded using book values, as they are settled in the short term (within a year) and their market values approximate book values.

- (4) Notes and accounts payable – trade; (5) Short-term loans payable; and (7) Current portion of bonds

Of these, items that are settled in the short term (within a year) are recorded using book values, as their market values approximate book values. Of the short-term loans payable, market values of the loans hedged by interest rate swap contracts meeting certain conditions are calculated applying the special treatment by combining them with the relevant interest rate swap.

- (6) Long-term loans payable; and (8) Bonds payable

These are stated with the present values calculated by discounting the aggregated values of the principal and interest using an assumed interest rate if loans are newly made. Of the long-term loans payable, fair values of the loans hedged by interest rate swap contracts meeting certain conditions are calculated applying the special treatment by combining them with the relevant interest rate swap.

- (9) Derivative transactions

Market values of these are the prices quoted by the counterparty financial institutions. Meanwhile, certain derivative transactions such as forward exchange contracts subject to allocation hedge accounting are treatment on a combined basis with the receivables and payables that are hedged; therefore, their fair values are presented as part of the fair values of such receivables and payables.

## 2 Financial instruments whose market values are not readily determined

| Category  | Consolidated balance sheet amount<br>(Millions of yen) |
|---|--|
| Investment in unlisted stocks, etc.                 | 1,504  |
| Investment in investment limited partnerships, etc. | 2,217  |
| Stocks of non-consolidated subsidiaries             | 2,265  |
| Stocks of affiliates                                | 14,682   |
| Investment in affiliates                            | 155  |

Items above are not included in “(3) Short-term investment securities and investment securities,” because there is no market price, future cash flows cannot be estimated and

it is very difficult to identify market values.

**VI Note Regarding Investment and Rental Property**

Status and market value of investment and rental property

This disclosure is omitted due to the immateriality of the total amount of the investment and rental property.

**VII Note Regarding Per Share Information**

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,409.27 |
|----------------------|-----------|

|                      |         |
|----------------------|---------|
| Net income per share | ¥126.42 |
|----------------------|---------|

As stated in changes in accounting policies, the “Accounting Standard for Retirement Benefits” (the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” were adopted and the application of the Standard, etc. follows the transitional rules set in Paragraph 37 of the Standard.

As a result, net asset per share of the fiscal year ended March 31, 2014 increased by ¥10.28.

**VIII Note Regarding Material Subsequent Events**

There is no pertinent matter.



## **Independent Auditor's Report**

May 8, 2014

The Board of Directors  
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

Kiyoyuki Sakurai  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Naoya Miyaki  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroyuki Nakamura  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SEGA SAMMY HOLDINGS INC. as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 in accordance with Article 444-4 of the Companies Act.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of SEGA SAMMY HOLDINGS INC. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## Non-Consolidated Balance Sheet

(As of March 31, 2014)

(Unit: millions of yen)

| Item   | Amount         | Item  | Amount         |
|--|----------------|---|----------------|
| <b>Assets</b>  |                | <b>Liabilities</b>                                    |                |
| <b>Current assets</b>  | <b>48,480</b>  | <b>Current liabilities</b>                            | <b>37,679</b>  |
| Cash and deposits  | 7,385          | Current portion of long-term loans payable            | 10,600         |
| Accounts receivable-trade                                    | 475            | Current portion of bonds                              | 1,600          |
| Short-term investment securities                             | 19,911         | Accounts payable-other                                | 16,660         |
| Prepaid expenses   | 241            | Income taxes payable                                  | 195            |
| Short-term loans receivable from subsidiaries and affiliates | 5,177          | Accrued expenses                                      | 362            |
| Accounts receivable-other                                    | 13,325         | Deposits received                                     | 7,741          |
| Income taxes receivable                                      | 1,746          | Unearned revenue                                      | 23             |
| Deferred tax assets  | 86             | Provision for bonuses                                 | 126            |
| Other  | 130            | Provision for directors' bonuses                      | 183            |
| <b>Noncurrent assets</b>                                     | <b>389,849</b> | Other   | 185            |
| <b>Property, plant and equipment</b>                         | <b>6,843</b>   | <b>Noncurrent liabilities</b>                         | <b>54,561</b>  |
| Buildings, net   | 847            | Bonds payable   | 22,800         |
| Structures, net  | 691            | Long-term loans payable                               | 22,588         |
| Machinery and equipment, net                                 | 2              | Provision for retirement benefits                     | 78             |
| Aircraft, net  | 3,312          | Deferred tax liabilities                              | 8,836          |
| Vehicles, net  | 81             | Other   | 258            |
| Tools, furniture and fixtures, net                           | 489            | <b>Total liabilities</b>                              | <b>92,241</b>  |
| Land   | 1,418          | <b>Net assets</b>                                     |                |
| <b>Intangible assets</b>                                     | <b>25</b>      | <b>Shareholders' equity</b>                           | <b>329,239</b> |
| Right of trademark   | 1              | Capital stock   | 29,953         |
| Software   | 22             | Capital surplus                                       | 192,270        |
| Other  | 2              | Legal capital surplus                                 | 29,945         |
| <b>Investments and other assets</b>                          | <b>382,980</b> | Other capital surplus                                 | 162,325        |
| Investment securities  | 35,078         | Retained earnings                                     | 145,283        |
| Stocks of subsidiaries and affiliates                        | 327,051        | Other retained earnings                               | 145,283        |
| Long-term loans receivable from subsidiaries and affiliates  | 19,381         | Retained earnings brought forward                     | 145,283        |
| Long-term loans receivable                                   | 41             | Treasury stock  | (38,267)       |
| Long-term prepaid expenses                                   | 12             | <b>Valuation and translation adjustments</b>          | <b>15,771</b>  |
| Other  | 3,591          | Valuation difference on available-for-sale securities | 15,771         |
| Allowance for doubtful accounts                              | (2,176)        | <b>Subscription rights to shares</b>                  | <b>1,078</b>   |
|  |                | <b>Total net assets</b>                               | <b>346,088</b> |
| <b>Total assets</b>  | <b>438,330</b> | <b>Total liabilities and net assets</b>               | <b>438,330</b> |

Note: Figures shown in millions of yen have been rounded down to the nearest million.

## Non-Consolidated Statement of Income

(From April 1, 2013 To March 31, 2014)

(Unit: millions of yen)

| Item   | Amount |               |
|--|--------|---------------|
| <b>Operating revenue</b>                                   |        |               |
| Consulting fee income                                      | 5,440  |               |
| Dividends income   | 10,171 | 15,611        |
| <b>Operating expenses</b>                                  |        |               |
| Operating expenses   | 7,087  | 7,087         |
| <b>Operating income</b>                                    |        | <b>8,524</b>  |
| <b>Non-operating income</b>                                |        |               |
| Interest income  | 244    |               |
| Interest on securities                                     | 20     |               |
| Dividends income   | 684    |               |
| Income from operation of noncurrent asset                  | 94     |               |
| Gain on investments in partnership                         | 800    |               |
| Foreign exchange gains                                     | 912    |               |
| Other  | 73     | 2,829         |
| <b>Non-operating expenses</b>                              |        |               |
| Interest expenses  | 367    |               |
| Interest on bonds  | 142    |               |
| Commission fee   | 37     |               |
| Bond issuance cost   | 64     |               |
| Loss on investments in partnership                         | 139    |               |
| Other  | 142    | 893           |
| <b>Ordinary income</b>                                     |        | <b>10,461</b> |
| <b>Extraordinary income</b>                                |        |               |
| Gain on sales of noncurrent assets                         | 10     |               |
| Gain on sales of investment securities                     | 10,422 |               |
| Gain on reversal of subscription rights to shares          | 0      | 10,433        |
| <b>Extraordinary loss</b>                                  |        |               |
| Provision of allowance for doubtful accounts               | 2,176  |               |
| Loss on valuation of shares of subsidiaries and associates | 720    | 2,896         |
| <b>Income before income taxes</b>                          |        | <b>17,997</b> |
| Income taxes-current                                       | 2,869  |               |
| Income taxes-deferred                                      | (44)   | 2,824         |
| <b>Net income</b>  |        | <b>15,173</b> |

Note: Figures shown in millions of yen have been rounded down to the nearest million.

## Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2013 To March 31, 2014)

(Unit: millions of yen)

|  | Shareholders' equity |                       |                       |                       |
|--|----------------------|-----------------------|-----------------------|-----------------------|
|  | Capital stock        | Capital surplus       |                       |                       |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balances as of April 1, 2013             | 29,953               | 29,945                | 162,360               | 192,305               |
| Changes of items during the period       |                      |                       |                       |                       |
| Dividends from surplus                   |                      |                       |                       |                       |
| Net income                               |                      |                       |                       |                       |
| Purchase of treasury stock               |                      |                       |                       |                       |
| Disposal of treasury stock               |                      |                       | (35)                  | (35)                  |
| Total changes of items during the period | —                    | —                     | (35)                  | (35)                  |
| Balances as of March 31, 2014            | 29,953               | 29,945                | 162,325               | 192,270               |

|  | Shareholders' equity              |                         |                |                            |
|--|-----------------------------------|-------------------------|----------------|----------------------------|
|  | Retained earnings                 |                         | Treasury stock | Total shareholders' equity |
|  | Other retained earnings           | Total retained earnings |                |                            |
|  | Retained earnings brought forward |                         |                |                            |
| Balances as of April 1, 2013             | 139,811                           | 139,811                 | (40,855)       | 321,213                    |
| Changes of items during the period       |                                   |                         |                |                            |
| Dividends from surplus                   | (9,701)                           | (9,701)                 |                | (9,701)                    |
| Net income                               | 15,173                            | 15,173                  |                | 15,173                     |
| Purchase of treasury stock               |                                   |                         | (55)           | (55)                       |
| Disposal of treasury stock               |                                   |                         | 2,643          | 2,608                      |
| Total changes of items during the period | 5,471                             | 5,471                   | 2,588          | 8,025                      |
| Balances as of March 31, 2014            | 145,283                           | 145,283                 | (38,267)       | 329,239                    |

|  | Valuation and translation adjustments                     |   | Subscription rights to shares | Total net assets |
|--|---|---|-------------------------------|------------------|
|  | Valuation difference on available - for - sale securities | Total valuation and translation adjustments |                               |                  |
| Balances as of April 1, 2013                         | 26,271  | 26,271                                      | 1,146                         | 348,631          |
| Changes of items during the period                   |   |   |                               |                  |
| Dividends from surplus                               |   |   |                               | (9,701)          |
| Net income   |   |   |                               | 15,173           |
| Purchase of treasury stock                           |   |   |                               | (55)             |
| Disposal of treasury stock                           |   |   |                               | 2,608            |
| Net changes of items other than shareholders' equity | (10,500)  | (10,500)                                    | (68)                          | (10,568)         |
| Total changes of items during the period             | (10,500)  | (10,500)                                    | (68)                          | (2,543)          |
| Balances as of March 31, 2014                        | 15,771  | 15,771                                      | 1,078                         | 346,088          |

Note: Figures shown in millions of yen have been rounded down to the nearest million.

### 3. Individual Notes

#### I Notes Regarding Material Matters Related to Accounting Policies

##### 1. Valuation standards and accounting treatment for assets

###### (1) Valuation standards and methods for securities

① Stocks of subsidiaries and affiliates are stated at moving-average cost.

② Available-for-sale securities

Securities with fair market value are stated at fair market value. The difference between acquisition cost and market value is accounted for as net unrealized holding gains or losses on securities in net assets, with cost of sales determined by the moving average method.

Securities without fair market value are stated at moving-average cost.

The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2-2 of the Financial Investment and Exchange Law of Japan, is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.

##### 2. Depreciation and amortization of noncurrent assets

###### (1) Property, plant and equipment

Depreciation is calculated by the straight-line method.

Useful life for primary assets is as follows:

Building : 2 - 50 years

Structure : 2 - 47 years

Aircraft : 8 years

Tools/Furniture : 2 - 13 years

###### (2) Intangible assets

Amortization is calculated using the straight-line method. The straight-line method is adopted over the useful life of within five years for Software for internal use.

##### 3. Accounting for provisions

###### (1) Allowance for doubtful accounts

The reserve for doubtful accounts is provided in amount sufficient to cover possible losses. Allowance for doubtful accounts is calculated on an individual assessment of the possibility of collection.

###### (2) Provision for bonuses

Accrued employees' bonuses are provided based on the estimated amount to be paid.

###### (3) Provision for directors' bonuses

The estimated amount of bonuses was recorded to meet the bonus payments to Directors and Corporate Auditors.

###### (4) Provision for retirement benefits

The liability for retirement benefits is based on the estimated amount of benefit obligations at the end of the fiscal year.

##### 4. Accounting for hedge

###### (1) Accounting for hedge

Allocation hedge accounting is used for qualifying currency swap transactions, while special treatment is applied to qualifying interest rate swap transactions.

###### (2) Hedging instruments and hedged items

Hedging instrument: Currency swaps, Interest rate swaps

Hedged item: Foreign currency-denominated loans payable and associated interest

(3) Hedge policy  
The Company engages in currency swap transactions with the purpose to avoid risks associated with foreign exchange fluctuations of loans payable, along with interest rate swap transactions with the purpose to avoid risks associated with interest rate fluctuations of loans payable. The Company has a policy not to engage in speculative derivative transactions.

(4) Evaluation of hedge effectiveness  
Evaluation of hedge effectiveness at fiscal year-end is omitted for currency swap transactions, as material conditions for the notional principal of hedging instruments and those for hedged items are the same and these transactions are deemed to offset the market fluctuations. Evaluation of hedge effectiveness at fiscal year-end is omitted also for interest rate swap transactions as they adopt special treatment.

#### 5. Other material matters that form the basis of accounting documents

(1) Accounting method for consumption taxes  
Consumption taxes and local consumption taxes are accounted using the net-of-tax method, and non-deductible consumption taxes and local consumption taxes on assets are posted mainly as expenses for the fiscal year ended March 31, 2014.

(2) Application of the Consolidated Taxation System  
The Company applied the Consolidated Taxation System.

#### II Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥1,651 million

(2) Guaranteed obligation

| Guarantee        | Amount                              | Description                 |
|------------------|-------------------------------------|-----------------------------|
| SEGA CORPORATION | ¥1,028 million<br>(US \$10 million) | Accounts payable<br>- other |

(3) Receivables from and payables to affiliates

|  |                 |
|--|-----------------|
| Short-term receivables from affiliates | ¥19,098 million |
| Short-term payables to affiliates      | ¥23,441 million |
| Long-term receivables from affiliates  | ¥19,381 million |

#### III Notes to Statement of Income

Transactions with affiliates

|                                      |                 |
|--------------------------------------|-----------------|
| Consulting fee income                | ¥5,440 million  |
| Dividends income (Operating revenue) | ¥10,171 million |
| SG&A expenses                        | ¥75 million     |
| Non-operating transactions           | ¥313 million    |

#### IV Notes to Statement of Changes in Net Assets

Number and type of Treasury stock as of the end of the fiscal year ended March 31, 2014

|              |                   |
|--------------|-------------------|
| Common stock | 22,627,725 shares |
|--------------|-------------------|

**V Notes Regarding Tax Effect Accounting**

(1) Significant components of deferred tax assets and deferred tax liabilities

|  | (Unit: millions of yen) |
|--|-------------------------|
| Deferred tax assets  |                         |
| Loss carried forward   | 1,752                   |
| Exclusion from the deductible expenses of provision for bonuses                        | 45                      |
| Exclusion from the deductible expenses of Provision of allowance for doubtful accounts | 775                     |
| Exclusion from the deductible expenses of loss on valuation of investment securities   | 5,283                   |
| Disallowed portion of loss on investments in partnership                               | 213                     |
| Valuation difference on available-for-sale securities                                  | 67                      |
| Other  | 163                     |
| Subtotal deferred tax assets   | <u>8,301</u>            |
| Valuation allowance  | (8,213)                 |
| Offset against deferred tax liabilities  | <u>(1)</u>              |
| Total deferred tax assets  | <u>86</u>               |
| Deferred tax liabilities   |                         |
| Valuation difference on available-for-sale securities                                  | (8,837)                 |
| Subtotal deferred tax liabilities  | <u>(8,837)</u>          |
| Offset against deferred tax assets   | 1                       |
| Total deferred tax liabilities   | <u>(8,836)</u>          |
| Deferred tax liabilities, net  | <u>(8,749)</u>          |

(2) Breakdown by major causes of the significant difference between the statutory tax rate and the effective tax rate for financial statement purposes, if any, by item.

|  |              |
|--|--------------|
| Normal effective statutory tax rate                                  | 38.0%        |
| (Adjustment)   |              |
| Permanently non-deductible expenses including entertainment expenses | 1.8%         |
| Amount excluded from gross revenue such as dividend income           | (22.2%)      |
| Changes in valuation allowance                                       | (2.9%)       |
| Other  | 0.9%         |
| Effective tax rate after tax effect accounting                       | <u>15.7%</u> |

- (3) Amendments to deferred tax assets and deferred tax liabilities due to changes in income tax rate  
 The “Partial Amendment of the Income Tax Act” (Act No. 10 of 2014) was officially announced on March 31, 2014 and the special corporate tax for reconstruction will no longer be imposed on consolidated fiscal years beginning on or after April 1, 2014. Following this change, effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2014 (those which will be reversed in the fiscal years beginning on or after April 1, 2014) has been changed to 35.64% from 38.01% for the previous fiscal year. As a result, deferred tax assets at the end of the fiscal year ended March 31, 2014 (after deduction of deferred tax liabilities) decreased by ¥8 million, while income taxes-deferred increased by ¥8 million.



## VI Notes Regarding Transactions with Related Parties

### (1) Subsidiaries and Affiliates

(Unit: millions of yen)

| Type       | Name of the company                                      | Voting rights (%) | Relationship   | Description of the transactions                | Transaction amount (Note 1) | Accounts   | Balance at end of fiscal year |
|------------|--|-------------------|--|--|-----------------------------|--|-------------------------------|
| Subsidiary | Sammy Corporation  | 100.0             | Management guidance to the company, interlocking directorate | Consulting fee income(Note 2)                  | 3,644                       | Accounts receivable-trade                                    | 318                           |
|            |  |                   |  | Consolidated taxation system                   | —                           | Accounts receivable-other                                    | 12,584                        |
|            |  |                   |  | Repayment of loans payable                     | 10,000                      | Short-term loans payable                                     | —                             |
|            |  |                   |  | Reception of deposits(Note 3)                  | —                           | Deposits received  | 5,648                         |
|            |  |                   |  | Payment of interests(Note 4)                   | 11                          | —  | —                             |
| Subsidiary | SEGA CORPORATION   | 100.0             | Management guidance to the company, interlocking directorate | Consulting fee income(Note 2)                  | 1,795                       | Accounts receivable-trade                                    | 157                           |
|            |  |                   |  | Lending of funds                               | 15,000                      | Short-term loans receivable from subsidiaries and affiliates | 2,140                         |
|            |  |                   |  |  |                             | Long-term loans receivable from subsidiaries and affiliates  | 12,860                        |
|            |  |                   |  | Consolidated taxation system                   | —                           | Accounts payable-other                                       | 13,038                        |
|            |  |                   |  | Reception of interests(Note 4)                 | 99                          | Accrued interest   | 99                            |
| Subsidiary | Sega Sammy Resort Limited Liability Partnership (Note 5) | —                 | —  | Acquisition of shares in affiliates (Note 6)   | 4,917                       | —  | —                             |
| affiliate  | PARADISE SEGASAMMY Co., Ltd.                             | 45.0              | —  | Undertaking of the increase of capital(Note 7) | 6,568                       | —  | —                             |

Notes: 1. Consumption taxes are not included in transaction amounts.

2. The amount of the Consulting fee income is decided based on the Company's necessary expenses.

3. Cash management system transactions are used for the purpose of uniformly and efficiently procuring and managing funds within the Group.

4. Interest is determined with consideration to market interest rates.

5. Completed liquidation on July 30, 2013.

6. Acquisition of shares in affiliates refers to the shares in PARADISE SEGASAMMY Co., Ltd., which was conducted at the price calculated using book value method.

7. The Undertaking of capital increase represents the increase in capital through shareholder allocation.

(2) Directors, Key Individual Shareholders, etc.

(Unit: millions of yen)

| Type   | Name of related individual and company | Voting rights (%) | Relationship             | Description of the transactions         | Transaction amount (Note 1) | Accounts         | Balance at end of fiscal year |
|--|--|-------------------|--------------------------|---|-----------------------------|------------------|-------------------------------|
| Company in which Directors or their relatives own majority voting rights | FSC Co., Ltd (Note 2)                  | 5.36              | Insurance representative | Payment of insurance premium (Note 3)   | 8                           | Prepaid expenses | 4                             |
|  |  |                   | Subcontractor            | Payment of subcontracting fees (Note 3) | 10                          | —                | —                             |

Notes: 1. Consumption taxes are not included in transaction amounts.

2. Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% shares in FSC Co., Ltd.

3. Transaction prices are determined in the same way as for general transactions and with reference to market prices.

**VII Note Regarding Per Share Information**

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,416.29 |
| Net income per share | ¥62.44    |

**VIII Notes Regarding Material Subsequent Events**

There is no pertinent matter.

## **Independent Auditor's Report**

May 8, 2014

The Board of Directors  
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

Kiyoyuki Sakurai  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Naoya Miyaki  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroyuki Nakamura  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of SEGA SAMMY HOLDINGS INC. as at March 31, 2014 and for the year from April 1, 2013 to March 31, 2014 in accordance with Article 436-2-1 of the Companies Act.

### **Management's Responsibility for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of SEGA SAMMY HOLDINGS INC. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## **Audit Report**

The Board of Corporate Auditors has received the reports of the audit procedures and results concerning the execution of the duties of the Directors during the 10th fiscal year from April 1, 2013 through March 31, 2014 prepared by each of the auditors. After discussing the reports, we have prepared this Audit Report and report as follows.

### 1. Procedures and details of the audits by the Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors established the audit policy, allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding the implementation of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the independent auditor regarding the execution of their duties, and sought explanations as necessary.

Each Corporate Auditor complied with the auditing standards for Corporate Auditors established by the Board of Corporate Auditors, according to the audit policy, allocation of duties, and other relevant matters, communicated with the Directors, the internal audit department, other employees, and any other relevant personnel. We also made efforts to optimize the environment for information collection and audit, and participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, and sought explanations as necessary. We examined important authorized documents and associated information, and investigated the operations and assets at the head office and principal offices.

In addition, we received the periodical reports from Directors, employees, and other relevant personnel, sought explanations as necessary, and expressed our opinions on the status of development and operation of the system for ensuring that the execution of the duties of the Directors conforms to the relevant laws and regulations and the Articles of Incorporation, as well as the details of the resolutions of the Board of Directors regarding the organization of the system stipulated in Article 100, Item 1 and Item 3 of the Enforcement Regulations of the Companies Act and the status of the system (internal control system) based on said resolutions, a necessary measure for ensuring that a joint stock corporation's business is proper.

As to the internal control system associated with financial reports, we received the reports from the Directors and the independent auditor, KPMG AZSA LLC regarding the evaluation of the internal control, and the implementation of audits, and sought explanations as necessary.

With respect to subsidiaries, we communicated and exchanged information with directors, corporate auditors, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.

Based on the above methods, we examined the business report and supporting schedules related to the relevant Fiscal Year.

Furthermore, we monitored and verified whether the independent auditor maintained its independence and implemented appropriate audits, and we received reports from the independent auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the independent auditor that "systems for ensuring that duties are performed properly" (matters set forth in each Item of Article 131 of the Corporate Calculation Regulations) were maintained in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the financial statements (balance sheet, statement of income, statement of changes in net assets, and individual notes) and supporting schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) related to the relevant Fiscal Year.

### 2. Result of audit

#### (1) The Report of Business Operations

- 1) In our opinion, the business report and supporting schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
- 2) With regard to the execution of the duties of the Directors, we have found no evidence of wrongful action or material violation of the relevant laws and regulations, nor of any violation with respect to the Articles of Incorporation.

- 3) In our opinion, the contents of the resolutions of the Board of Directors regarding the internal control system are fair and reasonable. In addition, we have found no matters on which to remark in regard to the execution of the duties of the Directors regarding the internal control system, including the one associated with financial reports.
- (2) Audit result of the Financial Statements and supporting schedules  
In our opinion, the audit procedures and audit results received from the independent auditor KPMG AZSA LLC are appropriate.
- (3) Audit result of the Consolidated Financial Statements and consolidated supporting schedules  
In our opinion, the audit procedures and audit results received from the independent auditor KPMG AZSA LLC are appropriate.

May 9, 2014  
Board of Corporate Auditors,  
SEGA SAMMY HOLDINGS INC.  
Tomio Kazashi, Standing Corporate Auditor  
(Outside Auditor)  
Toshio Hirakawa, Corporate Auditor  
(Outside Auditor)  
Hisashi Miyazaki, Corporate Auditor  
Mineo Enomoto, Corporate Auditor  
(Outside Auditor)

## Reference Documents for General Meeting of Shareholders

### Proposals and reference information

#### Proposal 1: To amend certain parts of the Articles of Incorporation

##### 1. Reasons for the amendments

- (1) In order to control and manage companies that have newly entered the SEGA SAMMY Group as a holding company, the Company will newly establish, amend or sort out a part of provisions of the purpose of the Company.
- (2) In line with the aforementioned establishment, amendment and sorting out of provisions, the Company will move up or down clauses or items, and partly amend the wording.

##### 2. Details of the amendments

The details of the amendments in the Articles of Incorporation are as follows:

(The modified parts are indicated by underlining.)

| Present Articles of Incorporation   | Proposed Amendment  |
|---|---|
| Article 1<br>(Omitted)  | Article 1<br>(Unchanged)  |
| Article 2 (Purpose)<br>The purpose of the Company shall be: to manage and control the business activities of the corporations that conduct the following businesses and businesses equivalent thereto and to engage in operations incidental thereto by owning shares in such corporations: | Article 2 (Purpose)<br>(Unchanged)  |
| (1) to (4)<br>(Omitted)   | (1) to (4)<br>(Unchanged)   |
| (5) Planning, development, production, marketing and consulting of computer software, and computer systems;   | [Moved down (new number: Article 2, paragraph 1, item 10)]  |
| (6)<br>(Omitted)  | (5)<br>(Unchanged)  |
| (7) Planning, design, development, administration, operation and maintenance of network systems, such as the Internet, computer networks, cell phones, car navigation systems, and television game networks, etc.;  | [Moved down (new number: Article 2, paragraph 1, item 11)]  |
| (8) Marketing, dealership, importing and exporting, manufacture, processing, installation and maintenance of telecommunications equipment and peripheral equipment and terminal units equipment thereof and dealership concerning the subscription of telecommunications service;           | (6) <u>Planning, development, consulting, marketing, dealership, importing and exporting, manufacture, processing, installation and maintenance of telecommunications equipment and peripheral equipment and terminal units equipment thereof as well as audio-visuals, and dealership concerning the subscription of telecommunications service;</u> |
| [Moved up (present number: Article 2, paragraph 1, item 36)]  | (7) Planning, manufacture, marketing, importing and exporting of three dimensional vision equipment and planning, manufacture, marketing, importing and exporting of image processing systems;  |

| Present Articles of Incorporation  | Proposed Amendment   |
|--|--|
| <p>[Moved up (present number: Article 2, paragraph 1, item 37)]</p> <p>[Moved up (present number: Article 2, paragraph 1, item 38)]</p> <p>(9) Construction work, installation work, interior and exterior decoration work, and installation of machines and equipment;</p> <p>(10) Planning, design, construction, and administration of various facilities, such as commercial and industrial facilities, and educational facilities, building equipment, and displays;</p> <p>(11) Manufacture and marketing of various construction materials;</p> <p>(12) Maintenance of buildings and related facilities, as well as providing invitation of and guidance to member shops on franchise systems and marketing of cleanup products (carpets, mops, cloth, rolls of towels, air fresheners for bathrooms and home, air purifiers, and water purifiers) and lease thereof;</p> <p>(13) Operation of entertainment facilities such as amusement centers, game arcades, and amusement parks, hotel facilities, restaurants, golf courses, sports facilities, shopping facilities, cultural facilities, spa facilities, healthcare facilities, Karaoke facilities, parking facilities and car washes; and recruitment and support of franchisees, and sale of franchises through a franchise system of those businesses listed above;</p> <p>(14) Planning, management and operation of a variety of events such as sports, entertainment, theater plays, theatrical entertainment, movies, and concerts;</p> | <p>(8) Planning, development, manufacture, marketing, importing and exporting of jet skis, motor boats, and scuba diving equipment, fabric products for clothing, fur clothing, dry goods for clothing, dress accessories, accessories, leather goods, shoes, suitcases, bags, indoor ornament, furniture, arts and crafts, watches, glasses, acoustic instruments, home appliances, cosmetics, medical consumables, and medical equipment;</p> <p>(9) Planning, development, manufacture, marketing, importing and exporting of gems, precious metals, antiques, cameras, stationery, books, magazines, musical instruments, sports gear, DIY tools, gardening tools, fertilizers, feed, soil conditioners, automobiles, automobile parts, automobile goods, bicycles, food, <u>dietary supplement, food for specified health use</u>, alcoholic beverages, soft drinks, tobaccos, daily necessities, system equipment for emergency notification for the prevention of crimes, fires and disaster damages, disposal units of industrial wastes (kitchen garbage), photovoltaic generators, food processing machines and equipment;</p> <p>[Moved down (new number: Article 2, paragraph 1, item 26)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 27)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 28)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 29)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 31)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 33)]</p> |



| Present Articles of Incorporation  | Proposed Amendment   |
|--|--|
| <p>[Moved down (present number: Article 2, paragraph 1, item 5)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 7)]</p> <p>(15) Information services to collect, analyze, process and provide a variety of information;</p> <p>[Moved up (present number: Article 2, paragraph 1, item 39)]</p> <p>[Moved up (present number: Article 2, paragraph 1, item 47)]</p> <p>(16) to (18)<br/>(Omitted)<br/>(Newly established)</p> <p>[Moved up (present number: Article 2, paragraph 1, item 27)]</p> <p>(19) Advertising and publicity businesses<br/>(Newly established)</p> <p>(20) to (21)<br/>(Omitted)<br/>(Newly established)</p> <p>(22) <u>Management and promotion of entertainment talent and artists;</u></p> <p>(23) School management concerning the training of scenario writers, voice actors, film-making engineers and others;</p> <p>(24) Planning and management of early capability development targeting preschool children;</p> <p>(25) Planning, development, manufacture and marketing of character goods;</p> <p>(26) Administration, acquisition, licensing, sale and purchase, and leasing of industrial property rights, including patent rights, utility model rights, design rights, and trademark rights, and intangible property rights, including copyright, copyright neighboring rights, and merchandising rights, and studying on the use thereof;</p> <p>[Moved up (present number: Article 2, paragraph 1, item 35)]</p> <p>[Moved up (present number: Article 2, paragraph 1, item 45)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 9)]</p> | <p>(10) Planning, development, production, marketing and consulting of computer software, and computer systems;</p> <p>(11) Planning, design, development, administration, operation and maintenance of network systems, such as the Internet, computer networks, cell phones, car navigation systems, and television game networks, etc.;</p> <p>(12) Information services to collect, analyze, process, <u>market, import, export</u> and provide a variety of information;</p> <p>(13) Creation, marketing and maintenance of databases;</p> <p>(14) Information and software provision service through domestic and global VAN (value added network);</p> <p>(15) to (17)<br/>(Unchanged)</p> <p>(18) <u>Planning, production, marketing, import and export of digital content;</u></p> <p>(19) Publishing;</p> <p>[Moved down (new number: Article 2, paragraph 1, item 43)]</p> <p>(20) <u>Production, issuance and marketing of newspapers;</u></p> <p>(21) to (22)<br/>(Unchanged)</p> <p>(23) <u>Intermediary and wholesale business using computer for promotion of product circulation among businesses;</u><br/>(Deleted)</p> <p>[Moved down (new number: Article 2, paragraph 1, item 46)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 47)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 49)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 50)]</p> <p>(24) Mail order sale;</p> <p>(25) Trading in antiques;</p> <p>(26) Construction work, installation work, interior and exterior decoration work, and installation of machines and equipment;</p> |

| Present Articles of Incorporation   | Proposed Amendment   |
|---|--|
| <p>[Moved down (present number: Article 2, paragraph 1, item 10)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 11)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 12)]</p> <p>(27) Publishing;</p> <p>(28) (Omitted)</p> <p>[Moved down (present number: Article 2, paragraph 1, item 13)]</p> <p>[Moved up (present number: Article 2, paragraph 1, item 49)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 14)]</p> <p>[Moved up (present number: Article 2, paragraph 1, item 44)]</p> <p>[Moved up (present number: Article 2, paragraph 1, item 48)]</p> <p>(Newly established)</p> <p>[Moved up (present number: Article 2, paragraph 1, item 50)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 32)]</p> <p>(Newly established)</p> <p>[Moved down (present number: Article 2, paragraph 1, item 33)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 40)]</p> <p>(Newly established)</p> <p>[Moved down (present number: Article 2, paragraph 1, item 19)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 34)]</p> <p>(Newly established)</p> | <p>(27) Planning, design, construction, and administration of various facilities, such as commercial and industrial facilities, and educational facilities, building equipment, and displays;</p> <p>(28) Manufacture and marketing of various construction materials;</p> <p>(29) Maintenance of buildings and related facilities, as well as providing invitation of and guidance to member shops on franchise systems and marketing of cleanup products (carpets, mops, cloth, rolls of towels, air fresheners for bathrooms and home, air purifiers, and water purifiers) and lease thereof;</p> <p>[Moved up (new number: Article 2, paragraph 1, item 19)]</p> <p>(30) (Unchanged)</p> <p>(31) Operation of entertainment facilities such as amusement centers, game arcades, and amusement parks, hotel facilities, restaurants, golf courses, sports facilities, shopping facilities, cultural facilities, spa facilities, healthcare facilities, Karaoke facilities, parking facilities and car washes; and recruitment and support of franchisees, and sale of franchises through a franchise system of those businesses listed above;</p> <p>(32) Laundry business;</p> <p>(33) Planning, management and operation of a variety of events such as sports, entertainment, theater plays, theatrical entertainment, movies, and concerts;</p> <p>(34) Business concerning rights for mineral springs;</p> <p>(35) Gardening construction and forestry management businesses;</p> <p>(36) <u>Development of tourism services;</u></p> <p>(37) Tour business under the Travel Agency Act;</p> <p>(38) Serving as a travel agent;</p> <p>(39) <u>Management of entertainment talent and artists and operation of entertainment and modeling agencies;</u></p> <p>(40) Specific employment agency business;</p> <p>(41) Management of conference halls as well as planning and management of meetings;</p> <p>(42) <u>Interpretation and translation services as well as planning and management thereof;</u></p> <p>(43) Advertising and publicity businesses;</p> <p>(44) Management consulting;</p> <p>(45) <u>Marketing research;</u></p> |

| Present Articles of Incorporation   | Proposed Amendment  |
|---|---|
| <p>[Moved down (present number: Article 2, paragraph 1, item 23)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 24)]<br/>(Newly established)</p> <p>[Moved down (present number: Article 2, paragraph 1, item 25)]</p> <p>[Moved down (present number: Article 2, paragraph 1, item 26)]</p> <p>(29) to (31)<br/>(Omitted)</p> <p>(32) Serving as a travel agent;</p> <p>(33) Specific employment agency business;</p> <p>(34) Management consulting;</p> <p>(35) Mail order sale;</p> <p>(36) Planning, manufacture, marketing, importing and exporting of three dimensional vision equipment and planning, manufacture, marketing, importing and exporting of image processing systems;</p> <p>(37) Planning, development, manufacture, marketing, importing and exporting of jet skis, motor boats, and scuba diving equipment, fabric products for clothing, fur clothing, dry goods for clothing, dress accessories, accessories, leather goods, shoes, suitcases, bags, indoor ornament, furniture, arts and crafts, watches, glasses, acoustic instruments, home appliances, cosmetics, medical consumables, and medical equipment;</p> <p>(38) Planning, development, manufacture, marketing, importing and exporting of gems, precious metals, antiques, cameras, stationery, books, magazines, musical instruments, sports gear, DIY tools, gardening tools, fertilizers, feed, soil conditioners, automobiles, automobile parts, automobile goods, bicycles, food, alcoholic beverages, soft drinks, tobaccos, daily necessities, system equipment for emergency notification for the prevention of crimes, fires and disaster damages, disposal units of industrial wastes (kitchen garbage), photovoltaic generators, food processing machines and equipment;</p> <p>(39) Creation, marketing and maintenance of databases;</p> | <p>(46) School management concerning the training of scenario writers, voice actors, film-making engineers and others;</p> <p>(47) Planning and management of early capability development targeting preschool children;</p> <p>(48) <u>Planning, management, import and export of learning classrooms;</u></p> <p>(49) Planning, development, manufacture and marketing of character goods;</p> <p>(50) Administration, acquisition, licensing, sale and purchase, and leasing of industrial property rights, including patent rights, utility model rights, design rights, and trademark rights, and intangible property rights, including copyright, copyright neighboring rights, and merchandising rights, and studying on the use thereof;</p> <p>(51) to (53)<br/>(Unchanged)</p> <p>[Moved down (new number: Article 2, paragraph 1, item 38)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 40)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 44)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 24)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 7)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 8)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 9)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 13)]</p> |

| Present Articles of Incorporation   | Proposed Amendment   |
|---|--|
| <p>(40) Management of conference halls as well as planning and management of meetings;</p> <p>(41) (Omitted)<br/>[Moved down (present number: Article 2, paragraph 1, item 46)]</p> <p>(42) to (43) (Omitted)</p> <p>(44) Business concerning rights for mineral springs;</p> <p>(45) Trading in antiques;</p> <p>(46) Warehousing;</p> <p>(47) Information and software provision service through domestic and global VAN (value added network);</p> <p>(48) Gardening construction and forestry management businesses;</p> <p>(49) Laundry business;</p> <p>(50) Tour business under the Travel Agency Act;</p> | <p>[Moved down (new number: Article 2, paragraph 1, item 41)]</p> <p>(54) (Unchanged)</p> <p>(55) Warehousing;</p> <p>(56) to (57) (Unchanged)</p> <p>[Moved up (new number: Article 2, paragraph 1, item 34)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 25)]</p> <p>[Moved down (new number: Article 2, paragraph 1, item 55)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 14)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 35)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 32)]</p> <p>[Moved up (new number: Article 2, paragraph 1, item 37)]</p> |
| <p>2. (Omitted)</p>   | <p>2. (Unchanged)</p>  |
| <p>Articles 3 to 54 (Omitted)</p>   | <p>Articles 3 to 54 (Unchanged)</p>  |

Note: Some underlining does not coincide with the Japanese version because of translation adjustments.

**Proposal 2: To elect nine (9) Directors**

The terms of office of all eight (8) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we are seeking to elect nine (9) Directors, increasing the number of Directors by one (1) in order to further enhance the management structure.

The nominees for Directors are as described below:

| Nominee No. | Name (Date of Birth)             | Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company  | Number of the Company's Shares Owned |
|-------------|----------------------------------|---|--------------------------------------|
| 1           | Hajime Satomi (January 16, 1942) | <p>Mar. 1980 President and Representative Director of Sammy Industry Co., Ltd. (now Sammy Corporation)</p> <p>Nov. 2003 Chairman and Director of Sammy NetWorks Co., Ltd. (current position)</p> <p>Feb. 2004 Chairman and Representative Director of SEGA CORPORATION</p> <p>May 2004 Chairman of JAMMA (Japan Amusement Machinery and Manufacturers' Association, Inc.) (current position)</p> <p>Jun. 2004 Chairman, Representative Director and Chief Executive Officer of Sammy Corporation</p> <p>Jun. 2004 Chairman, CEO and Representative Director of SEGA CORPORATION</p> <p>Oct. 2004 Chairman of the Board and Chief Executive Officer of the Company (current position)</p> <p>Mar. 2005 Senior Advisor to NICHYUKYO (Japan Play Equipment Industry Association) (current position)</p> <p>May 2005 Advisor to NDK (Japan Electric Game Manufacturers' Association)</p> <p>Jun. 2005 Chairman and Director of SEGA TOYS CO., LTD. (current position)</p> <p>Jun. 2005 Chairman and Director of TMS ENTERTAINMENT CO., LTD. (current position)</p> <p>Dec. 2006 Chairman of Japan Amusement Industry Association (current position)</p> <p>May 2007 Chairman of NDK (current position)</p> <p>Jun. 2007 President, Representative Director, Chief Executive Officer and Chief Operating Officer of SEGA CORPORATION</p> <p>May 2008 Chairman, Representative Director and Chief Executive Officer of the above (current position)</p> <p>Mar. 2012 Outside Director of PHOENIX RESORT CO., LTD.</p> <p>Apr. 2012 Chairman of Sammy Corporation</p> <p>May 2012 Director of PHOENIX RESORT CO., LTD.</p> <p>Jun. 2012 Chairman and Director of the above (current position)</p> <p>Jul. 2012 Director of SEGA Networks Co., Ltd (current position)</p> <p>May 2013 Chairman, Representative Director and Chief Executive Officer of Sammy Corporation (current position)</p> | 33,619,338 shares                    |

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

| Nominee No. | Name<br>(Date of Birth)             | Brief Career Profile, Important Concurrent Duties outside the Company,<br>Title and Area of Responsibilities at the Company  | Number of the<br>Company's<br>Shares Owned |
|-------------|-------------------------------------|--|--|
| 2           | Naoya Tsurumi<br>(February 8, 1958) | <p>Mar. 1992 Joined Sega Enterprises, Ltd. (now SEGA CORPORATION)</p> <p>Dec. 2004 Executive Officer of SEGA CORPORATION</p> <p>Sep. 2005 CEO of SEGA PUBLISHING EUROPE LTD.</p> <p>Jun. 2006 Senior Executive Officer of SEGA CORPORATION</p> <p>Jun. 2006 CEO and President of SEGA HOLDINGS U.S.A., INC.</p> <p>Oct. 2006 Chairman of SEGA OF AMERICA, INC.</p> <p>Oct. 2006 Chairman of SEGA PUBLISHING AMERICA, INC.</p> <p>May 2007 Senior Executive Officer, General Manager of Europe and US Consumer Business Division of SEGA CORPORATION</p> <p>May 2008 Director, General Manager of Overseas Consumer Business Division of the above</p> <p>May 2009 Director of General Manager of Consumer Business Division of the above</p> <p>Jun. 2009 Managing Director of General Manager of Consumer Business Division of the above</p> <p>Sep. 2009 Chairman of SEGA EUROPE LTD.</p> <p>Jul. 2010 Managing Director, General Manager of Overseas Regional Department of SEGA CORPORATION</p> <p>Aug. 2010 CEO of SEGA AMUSEMENT EUROPE LTD.</p> <p>Jun. 2011 Managing Director, General Manager of Overseas Regional Department and in charge of Global Consumer Business of SEGA CORPORATION</p> <p>Apr. 2012 President, Representative Director and Chief Operating Officer of the above</p> <p>May 2012 Vice Chairman and CEO of Sega Jinwin (Shanghai) Amusements Co., Ltd.</p> <p>Jun. 2012 CEO and President of SEGA HOLDINGS EUROPE LTD.</p> <p>Jun. 2012 Director of the Company</p> <p>Jul. 2012 Director of SEGA Networks, Co., Ltd. (current position)</p> <p>Sep. 2013 President and Representative Director of SEGA DREAM CORPORATION (now ATLUS. CO., LTD.)</p> <p>Apr. 2014 Vice Chairman of SEGA CORPORATION (current position)</p> <p>Apr. 2014 Senior Managing Director and Representative Director of the Company (current position)</p> | 3,000 shares                               |

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| Nominee No. | Name<br>(Date of Birth)             | Brief Career Profile, Important Concurrent Duties outside the Company,<br>Title and Area of Responsibilities at the Company   | Number of the<br>Company's<br>Shares Owned |
|-------------|-------------------------------------|---|--|
| 3           | Akira Sugano<br>(March 8, 1964)     | <p>Dec. 1998 Manager of Business Planning Office of Sega Enterprises, Ltd. (now SEGA CORPORATION)</p> <p>Jun. 2000 Executive Officer in charge of group business strategy of the above</p> <p>Jun. 2001 Corporate Auditor of SEGA TOYS CO., LTD.</p> <p>Jun. 2002 Senior Executive Officer and General Manager of Finance Department of SEGA CORPORATION</p> <p>Feb. 2004 Senior Executive Officer, General Manager of Finance Department, General Manager of Business Planning Department and General Manager of the President's Office of the above</p> <p>Jun. 2004 Director in charge of Corporate Department of the above</p> <p>Oct. 2004 Executive Officer of the Company</p> <p>Jun. 2008 Director and General Manager of Corporate Division of SEGA CORPORATION</p> <p>May 2009 Director of the above</p> <p>Jun. 2009 Senior Managing Director, General Manager of Corporate Department of SEGA TOYS CO., LTD.</p> <p>Dec. 2009 Executive Vice President and Director, General Manager of Corporate Department, General Manager of Business Planning Office of the above</p> <p>Jan. 2010 Executive Vice President, Director, and General Manager of Business Control Department of the above</p> <p>Jun. 2010 Executive Vice President and Representative Director, General Manager of Business Control Department of the above</p> <p>May 2011 Executive Vice President and Representative Director of the above</p> <p>May 2013 Senior Executive Officer of the Company</p> <p>Jun. 2013 Director of SEGA TOYS CO., LTD. (current position)</p> <p>Jun. 2013 Director of SEGA CORPORATION (current position)</p> <p>Jun. 2013 Director of Sammy Corporation (current position)</p> <p>Jun. 2013 Director of the Company (current position)</p> | 9,052 shares                               |
| 4           | Haruki Satomi<br>(January 11, 1979) | <p>Apr. 2001 Joined KOKUSAI Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p>Mar. 2004 Joined Sammy Corporation</p> <p>Jan. 2005 Joined SEGA CORPORATION</p> <p>Oct. 2005 Director of SEGA OF AMERICA, INC.</p> <p>Oct. 2005 Director of Sega Holdings U.S.A., INC.</p> <p>Jul. 2009 Vice President of Digital Business of SEGA OF AMERICA, INC.</p> <p>Oct. 2011 Senior Vice President of Digital Business of SEGA OF AMERICA, INC. (current position)</p> <p>Nov. 2011 Director, Sammy NetWorks Co., Ltd.</p> <p>Apr. 2012 President, Representative Director (CEO) of the above (current position)</p> <p>Jun. 2012 Director of SEGA CORPORATION (current position)</p> <p>Jun. 2012 Director of the Company (current position)</p> <p>Jul. 2012 President and CEO, Representative Director of SEGA Networks Co., Ltd. (current position)</p> <p>Apr. 2014 Director of Sammy Corporation (current position)</p>  | 475,648 shares                             |

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| Nominee No. | Name<br>(Date of Birth)               | Brief Career Profile, Important Concurrent Duties outside the Company,<br>Title and Area of Responsibilities at the Company   | Number of the<br>Company's<br>Shares Owned |
|-------------|---------------------------------------|---|--|
| 5           | Shigeru Aoki<br>(January 3, 1952)     | <p>May 2005 Joined SEGA CORPORATION as Head Councilor</p> <p>Jun. 2005 Corporate Officer and General Manager of Office of China and Asia Business Management of the above</p> <p>Aug. 2006 President of Sega Networks (China) Co., Ltd.</p> <p>Jun. 2008 Executive Officer and General Manager of Business Administration Department of Sammy Corporation</p> <p>Aug. 2008 Executive Officer and General Manager of Corporate Division of the above</p> <p>Apr. 2009 Director and General Manager of Corporate Division of the above</p> <p>Jun. 2011 Managing Director and General Manager of Corporate Division of the above</p> <p>Apr. 2012 President, Representative Director and COO of the above (current position)</p> <p>Jun. 2013 Director of the Company (current position)</p>  | 17,000 shares                              |
| 6           | *Hideki Okamura<br>(February 1, 1955) | <p>Jan. 1987 Joined Sega Enterprises, Ltd. (now SEGA CORPORATION)</p> <p>Jun. 1997 Director and Deputy Division Manager of Consumer Business Group Division, General Manager of Saturn Business Division of the above</p> <p>Jun. 2000 Director in charge of Dreamcast Business Division of the above</p> <p>Jun. 2002 Vice President and Representative Director of DigiCube Co., Ltd.</p> <p>Jun. 2003 Senior Executive Officer, Division Manager of Consumer Business Group Division of SEGA CORPORATION</p> <p>Jun. 2004 Director of TMS ENTERTAINMENT CO., LTD.</p> <p>Jun. 2004 Managing Director, Division Manager of Consumer Business Group Division of SEGA CORPORATION</p> <p>Oct. 2004 Director of the Company</p> <p>Jun. 2007 Director of SEGA CORPORATION</p> <p>Jun. 2008 President and Representative Director of TMS ENTERTAINMENT CO., LTD.</p> <p>Apr. 2014 Vice Chairman and Director of TMS ENTERTAINMENT CO., LTD. (current position)</p> <p>Apr. 2014 President, Representative Director and COO of SEGA CORPORATION (current position)</p> | 19,112 shares                              |



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| Nominee No. | Name<br>(Date of Birth)         | Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company  | Number of the Company's Shares Owned |
|-------------|---------------------------------|---|--------------------------------------|
| 7           | Hisao Oguchi<br>(March 5, 1960) | <p>Apr. 1984 Joined Sega Enterprises, Ltd. (now SEGA CORPORATION)</p> <p>Jun. 2000 Corporate Officer of the above</p> <p>Jun. 2002 Senior Corporate Officer of SEGA CORPORATION</p> <p>Jun. 2003 President and Representative Director of the above</p> <p>Jun. 2004 President, COO and Representative Director of the above</p> <p>Oct. 2004 Vice Chairman and Director of the Company</p> <p>Aug. 2005 CEO of SEGA HOLDINGS EUROPE LTD.</p> <p>May 2006 Chairman of SEGA HOLDINGS U.S.A., INC.</p> <p>Jun. 2007 Executive Vice President and Representative Director of SEGA CORPORATION</p> <p>Feb. 2008 Representative Director of the above</p> <p>May 2008 Director of the above</p> <p>May 2008 Director of Sammy Corporation</p> <p>Jun. 2008 CCO and Director of SEGA CORPORATION</p> <p>Jun. 2008 CCO and Director of the Company (current position)</p> <p>Apr. 2009 Senior Managing Director of Sammy Corporation</p> <p>Jun. 2009 Director of SEGASAMMY VISUAL ENTERTAINMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Apr. 2011 Senior Managing Director, Representative Director of Sammy Corporation</p> <p>Sep. 2011 Director of D×L CREATION Co., Ltd. (current position)</p> <p>Apr. 2012 Vice President, Representative Director of Sammy Corporation</p> <p>Jun. 2013 President and Representative Director of SEGA SAMMY CREATION INC. (current position)</p> | 22,400 shares                        |
| 8           | Yuji Iwanaga<br>(April 3, 1941) | <p>Apr. 1964 Joined Tohato Inc.</p> <p>Sep. 1970 Joined General Aircon Inc.</p> <p>Apr. 1981 Registered with the Japan Federation of Bar Associations (current position)</p> <p>Apr. 1981 Joined Yanagita Sakuragi Law Office</p> <p>Sep. 1984 Partner of Lillick McHose and Charles Law Office (Now Pilsbury Winthrop Shaw Pittman LLP) (current position)</p> <p>Dec. 1984 Registered with the State Bar of California (current position)</p> <p>Apr. 2003 Outside Director of Manufacturers Bank</p> <p>Jun. 2005 Outside Director of JMS North America Corporation (current position)</p> <p>Jun. 2006 Outside Director of TAIYO YUDEN CO., LTD. (current position)</p> <p>Jun. 2007 Outside Director of the Company (current position)</p>   | -                                    |

[English Translation of Convocation Notice Originally Issued in the Japanese Language]

| Nominee No. | Name<br>(Date of Birth)             | Brief Career Profile, Important Concurrent Duties outside the Company,<br>Title and Area of Responsibilities at the Company   | Number of the<br>Company's<br>Shares Owned |
|-------------|-------------------------------------|---|--|
| 9           | Takeshi Natsuno<br>(March 17, 1965) | <p>Apr. 1988 Joined TOKYO GAS Co., Ltd.</p> <p>Sep. 1997 Joined NTT Mobile Communications Network, Inc. (now NTT DOCOMO, Inc.)</p> <p>Jun. 2005 Executive Officer and General Manager of Multimedia Services Department of the above</p> <p>May 2008 Guest Professor, Graduate School of Media and Governance of Keio University</p> <p>Jun. 2008 Outside Director of the Company (current position)</p> <p>Jun. 2008 Director of PIA Corporation (current position)</p> <p>Jun. 2008 Outside Director of transcosmos inc. (current position)</p> <p>Jun. 2008 Director of NTT Resonant Inc. (current position)</p> <p>Jun. 2008 Director of SBI Holdings, Inc.</p> <p>Dec. 2008 Director of DWANGO Co., Ltd. (current position)</p> <p>Jun. 2009 Outside Director of DLE, Ltd. (current position)</p> <p>Sep. 2009 Outside Director of GREE, Inc. (current position)</p> <p>Jan. 2010 Outside Director of bitWallet, Inc. (Now Rakuten Edy, Inc.)</p> <p>Dec. 2010 Outside Director of U-NEXT Co., Ltd. (current position)</p> <p>Apr. 2011 Outside Director of CUUSOO SYSTEM Co., Ltd.</p> <p>Apr. 2013 Guest Professor, Faculty of Environment and Information Studies of Keio University</p> <p>Jun. 2013 Outside Director of TRENDERS, Inc. (current position)</p> <p>Nov. 2013 Guest Professor, Graduate School of Media and Governance of Keio University (current position)</p> | 2,000 shares                               |

(A nominee marked with "\*" is a new nominee for Director.)

- Notes:
1. Business arrangements including an outsourcing agreement exist between Hajime Satomi and the Company.
  2. There are no special interests between the Company and the other Director-nominees.
  3. Yuji Iwanaga and Takeshi Natsuno are Outside Director-nominees, and the Company has notified the Tokyo Stock Exchange (TSE) of their inauguration as independent directors under the regulations of TSE.
  4. We seek appointment of Mr. Iwanaga as an Outside Director, as he has performed at a high level in international corporate law and international corporate legal affairs in a global corporation from the viewpoint of an expert international attorney at law. Furthermore, Mr. Iwanaga has business management experience gained in senior corporate management prior to his registration as an attorney. Thus, given Mr. Iwanaga's deep insight into management, he has been judged to be capable of properly performing the duties of an Outside Director.
  5. We seek appointment of Mr. Natsuno as an Outside Director so that the management of the Company may benefit from his extensive managerial experience and broad insight into management.
  6. Mr. Iwanaga and Mr. Natsuno shall have served as Outside Directors of the Company for seven years and six years, respectively, at the conclusion of this Ordinary General Meeting of Shareholders.

**Proposal 3: To elect one (1) Corporate Auditor**

Corporate Auditor Hisashi Miyazaki will resign at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we are seeking the election of one (1) Corporate Auditor.

The term of office of Yukito Sakaue, the nominee for Corporate Auditor, shall be the remaining term of the Corporate Auditor who has retired from office according to the Articles of Incorporation since the nominee is to be elected as the substitute for Corporate Auditor Hisashi Miyazaki.

We have obtained the consent of the Board of Corporate Auditors with respect to the submission of this proposal.

The nominee for Corporate Auditor is as described below:

| Name<br>(Date of Birth)              | Brief Career Profile, Important Concurrent Duties outside the Company and<br>Title at the Company | Number of the<br>Company's<br>Shares Owned |
|--------------------------------------|---|--|
| Yukito Sakaue<br>(December 23, 1951) | Apr. 2003<br>Joined Sammy Corporation as General Manager of Audit Office                          | 3,100<br>shares                            |
|                                      | Jan. 2004<br>General Manager of Legal Department of Administration<br>Division of the above       |  |
|                                      | Nov. 2006<br>General Manager of Corporate Auditors' Office of the Company<br>(current position)   |  |

Note: There are no special interests between the nominee for Corporate Auditor and the Company.

#### **Proposal 4: To issue share subscription rights as share options to Directors**

The current annual remuneration amount to Directors was approved to be within ¥1 billion (excluding employee salaries paid to Directors who concurrently serve as employees) at the 8th Ordinary General Meeting of Shareholders held on June 19, 2012. We propose issuing share subscription rights as share options to the Directors excluding Outside Directors, of the Company to be within the annual amount of ¥150 million in addition to the above-mentioned remuneration for Directors.

This remuneration excludes the employee salaries paid to Directors who concurrently serve as employees.

Currently the number of Directors excluding Outside Directors is six (6). If Proposal 2 is approved as originally proposed, the number will increase to seven (7).

##### 1. Reasons why it is appropriate to grant the share subscription rights as remuneration of the Directors of the Company

The share options will be granted in order to raise the motivation of the Directors of the Company to improve business performance, and to promote management which puts into consideration our shareholders as well as the stock price.

##### 2. Outline of the share subscription rights

###### (1) Total number of the share subscription rights to be issued

The maximum total number of the share subscription rights shall be 2,500 units. If it is appropriate to adjust the relevant number of shares because of a merger, issuance of shares for subscription, a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

###### (2) Class and number of shares to be issued upon exercise of the share subscription rights

The maximum total number of shares issued upon the exercise of the share subscription rights shall be 250,000 common shares of the Company. The number of shares to be issued upon exercise of one (1) unit subscription right shall be 100 shares.

If it is appropriate to adjust the number of shares because of a merger, issuance of shares for subscription, a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

###### (3) Cash payment for the share subscription rights

No cash payment will be required for the share subscription rights.

###### (4) Amount of property to be contributed upon the exercise of the share subscription rights

The amount of property to be contributed upon the exercise of the share subscription rights shall be the amount to be gained by multiplying the amount of property paid for one (1) share to be received upon the exercise of the share subscription rights (hereinafter referred to as the "Exercise Price") by the number of shares underlying the relevant share subscription rights.

The Exercise Price shall be the amount to be gained by multiplying 1.05 by the average closing price of regular transactions of the common shares of the Company at the Tokyo Stock Exchange on each day (excluding days where a transaction is not closed) of the month preceding the month in which the share subscription rights were allotted, and any fractional amount of less than one (1) yen resulting from such calculation shall be rounded up. However, if the amount is smaller than the closing price on the day preceding the allotment day of the share subscription rights (if the closing price is not available, the closing price of the latest day prior to the day will be adopted), the closing price shall be the Exercise Price.

If it is appropriate to adjust the Exercise Price because of a merger, issuance of shares for subscription, a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

(5) Fair value of the share subscription rights

It shall be based on the fair evaluation value to be computed based on the Black-Scholes formula in accordance with various terms such as the Exercise Price.

(6) Period during which the share subscription rights are exercisable

Such period shall be two (2) years from the day on which two (2) years have passed since the day after the day on which the share subscription rights were allotted.

(7) Terms for the exercise of the share subscription rights

A person who has received the allotment of the share subscription rights must be a Director of the Company or in a position equivalent to this as well when the share subscription rights are exercised. However, this does not apply to a case where there is a valid reason, such as retirement due to the expiration of his/her term of office or other reason equivalent to this.

(8) Restriction on acquisition of the share subscription rights by assignment

An acquisition of the share subscription rights by assignment requires the approval of the Board of Directors of the Company.

(9) Capital stock and legal capital surplus that will be increased in cases where shares will be issued as a result of the exercise of share subscription rights

- (i) Capital stock that will be increased in cases where common shares of the Company will be issued as a result of the exercise of share subscription rights must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17 of the Corporate Accounting Rules. If the obtained figure has a fraction less than ¥1, the figure is rounded up to the nearest yen.
- (ii) Legal capital surplus that will be increased in cases where common shares of the Company will be issued as a result of the exercise of share subscription rights must be the amount obtained by subtracting the capital stock to be increased as specified in (i) above from the maximum capital increase amount described in (i) above.

(10) Other matters concerning the share subscription rights

Other matters concerning the share subscription rights shall be determined by the Board of Directors of the Company, which determines the subscription requirements of the share subscription rights.

**Proposal 5: To issue share subscription rights as share options to employees of the Company and of its subsidiaries**

We propose issuing share subscription rights as share options to employees of the Company and its subsidiaries under the provisions of Articles 236, 238 and 239 of the Companies Act, as summarized below.

1. Reasons why the issuance is made under specially advantageous terms

The share option program will be implemented by granting share subscription rights to employees of the Company and its subsidiaries (including lower-tier subsidiaries; the same shall apply hereinafter) who are engaged in specific businesses in the SEGA SAMMY Group. The purpose is to grant share subscription rights as an incentive for excellent performance of the businesses expecting it will inspire such employees to contribute to the businesses and raise their morale as well as to secure excellent human resources.

2. Outline of the share subscription rights

(1) Total number of the share subscription rights to be issued

The maximum total number of the share subscription rights shall be 1,000 units. If it is appropriate to adjust the relevant number of shares because of a merger, issuance of shares for subscription a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

(2) Class and number of shares to be issued upon exercise of the share subscription rights

The maximum total number of shares issued upon the exercise of the share subscription rights shall be 100,000 common shares of the Company. The number of shares to be issued upon exercise of one (1) unit subscription right shall be 100 shares.

If it is appropriate to adjust the number of shares because of a merger, issuance of shares for subscription, a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

(3) Cash payment for the share subscription rights

No cash payment will be required for the share subscription rights.

(4) Amount of property to be contributed upon the exercise of the share subscription rights

The amount of property to be contributed upon the exercise of the share subscription rights shall be the amount to be gained by multiplying the amount of property paid for one (1) share to be received upon the exercise of the share subscription rights (hereinafter referred to as the "Exercise Price," which will be ¥1) by the number of shares underlying the relevant share subscription rights.

(5) Fair value of the share subscription rights

It shall be based on the fair evaluation value to be computed based on the Black-Scholes formula in accordance with various terms such as the Exercise Price.

(6) Period during which the share subscription rights are exercisable

Such period shall be one (1) year from the day on which three (3) years have passed since the day after the day on which the share subscription rights were allotted.

(7) Terms for the exercise of the share subscription rights

A person who has received the allotment of the share subscription rights must be a Director, Corporate Auditor or employee of the Company, or a director, corporate auditor or employee of a subsidiary of the Company, or in a position equivalent to this as well when the share subscription rights are exercised. However, this does not apply to a case where there is a valid reason, such as retirement due to the expiration of his/her term of office or other reason equivalent to this.

(8) Restriction on acquisition of the share subscription rights by assignment

An acquisition of the share subscription rights by assignment requires the approval of the Board of Directors of the Company.

(9) Capital stock and legal capital surplus that will be increased in cases where shares will be issued as a result of the exercise of share subscription rights

- (i) Capital stock that will be increased in cases where common shares of the Company will be issued as a result of the exercise of share subscription rights must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17 of the Corporate Accounting Rules. If the obtained figure has a fraction less than ¥1, the figure is rounded up to the nearest yen.
- (ii) Legal capital surplus that will be increased in cases where common shares of the Company will be issued as a result of the exercise of share subscription rights must be the amount obtained by subtracting the capital stock to be increased as specified in (i) above from the maximum capital increase amount described in (i) above.

(10) Other matters concerning the share subscription rights

- (i) The grant period for the share subscription rights subject to this Proposal is one (1) year from the date of approval of this Proposal, or the day before the date on which the next Ordinary General Meeting of Shareholders will be held, whichever comes first. In the period the Company may grant the share subscription rights in multiple times by resolution of the Board of Directors of the Company if it is carried out within the prescribed period and the total number of the share subscription rights is within the prescribed total number.
- (ii) The subscription requirements for the share subscription rights shall be determined by the Board of Directors of the Company.