To the Shareholders

Items Posted on Internet Concerning Notice of the 10th Ordinary General Meeting of Shareholders

May 27, 2014

SEGA SAMMY HOLDINGS INC.

Contents

Pursuant to the provisions of laws and regulations and the Article 16 of the Articles of Incorporation, the above information shall be deemed to be provided to all shareholders by posting it on the website of the Company: (http://www.segasammy.co.jp/japanese/ir/event/meeting.html).
Information in English will be posted on our English website (http://www.segasammy.co.jp/english/ir/event/meeting.html).

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.

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.

Consolidated subsidiary	Fiscal year-end
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 (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.

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 (US $10 million)	Accounts payable - 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	8,301
Valuation allowance	(8,213)
Offset against deferred tax liabilities	(1)
Total deferred tax assets	86
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(8,837)
Subtotal deferred tax liabilities	(8,837)
Offset against deferred tax assets	1
Total deferred tax liabilities	(8,836)
Deferred tax liabilities, net	(8,749)

(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	15.7%

(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.