

**【Note】 This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.**

Securities Code: 6460
May 26, 2015

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 11th Ordinary General Meeting of Shareholders to be held on June 17, 2015

You are cordially invited to attend the 11th 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 17, 2015 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 16, 2015.

Details of the Meeting

- 1. Date and time:** Wednesday, June 17, 2015 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 11th fiscal year (from April 1, 2014 to March 31, 2015) and results of audits by the Independent Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the 11th fiscal year (from April 1, 2014 to March 31, 2015)

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 issue share subscription rights as share options to Directors
- Proposal 4:** To issue share subscription rights as share options to employees of the Company and to directors and employees of its subsidiaries

-
- * 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.
- * 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 Independent Auditor and the Audit & Supervisory Board 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, 2014 To March 31, 2015)

I Outline of the Group's Business

1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2015, the Japanese economy continued a gradual recovery as a whole backed by such developments as improving corporate performances and employment through the effects of monetary and fiscal policies. With regard to individual consumption, although consumer confidence weakened due to the impact of the increase in the consumption tax rate and other factors, individual consumption as a whole is holding firm on the back of steady improvements including the employment environment. However, the economy still remained in the condition requiring further time for full recovery due to uncertainty towards a downswing in overseas economies arising from factors such as the slowdown of growth in the economies of emerging countries.

In this climate, with regard to the pachislot and pachinko industry, a change in application of the model test procedure of pachislot machines in Security Communications Association conducting model test for the pachislot machines led to a decrease in the number of launched new titles across the market, resulting in a year-on-year decrease in replacement for new pachislot machines. On the other hand, replacement for new pachinko machines remained relatively strong backed by a slight expansion in demand mainly for mainstay products. 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, 2015 amounted to ¥354,921 million (a decrease of 6.1% from the previous fiscal year). The Group posted an operating income of ¥17,609 million (a decrease of 54.3% from the previous fiscal year) and ordinary income of ¥16,993 million (a decrease of 58.1% from the previous fiscal year). The Group recorded a net loss of ¥11,258 million (net income of ¥30,721 million for the previous fiscal year) because of write-down of certain components of deferred tax assets and recorded them in income taxes-deferred by taking into account effect of tax revisions, performance of the current fiscal year and future earnings forecast along with carefully considering the probability of recovering deferred tax assets, in addition to recording total extraordinary loss of ¥15,924 million from such as impairment loss, provision for dismantling of fixed assets, loss on the discontinuance of independent film production and early extra retirement payments.

In order to improve earning capacity in each business, the Company carried out structural reforms and decided rationalization such as restructuring inside the Group, reduction and withdrawal of unprofitable businesses and reduction of personnel in the fiscal year ended March 31, 2015.

This resulted in reporting of approximately ¥7,000 million in extraordinary losses during the fiscal year ended March 31, 2015 as expenses incurred in these activities. However, due to the reform, approximately ¥6,000 million is expected to reduce in fixed expenses in the fiscal year ending March 31, 2016 compared to the fiscal year ended March 31, 2015. The Group continues to plan and implement policies with the aim of continuously improving earning capacity such as taking initiatives in issues which exist in each business and injecting management resources into growth fields including new areas.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachislot machine business, although the Group launched “Pachislot SOUTEN-NO-KEN 2” and “Pachislot ALADDINA II” under the Sammy brand, overall sales of pachislot machines were 207 thousand units and fell short of the previous fiscal year, due to a year-on-year decrease in the number of launched new titles.

In the pachinko machine business, thanks to solid performance by the major title “CR Hokuto No Ken 6 series” along with “Pachinko CR Bakemonogatari” under the Sammy brand, overall sales of pachinko machines were 242 thousand units and exceeded results for the previous fiscal year.

As a result, net sales in this segment were ¥149,224 million (a decrease of 18.0% from the previous fiscal year) and operating income was ¥25,796 million (a decrease of 43.0% from the previous fiscal year).

Main Pachislot Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachislot SOUTEN-NO-KEN 2	(Sammy)	76
Pachislot ALADDINA II	(Sammy)	72
Salaryman Kintaro	(Rodeo)	42
Pachislot Virtua Fighter	(Taiyo Elec)	7
Pachislot Lost Island	(Sammy)	4

Main Pachinko Machines and Units Sold

Model name	Brand	Units sold (Thousands)
CR Hokuto No Ken 6 series	(Sammy)	133
Pachinko CR Bakemonogatari	(Sammy)	32
CR BLACK LAGOON 2 series	(Taiyo Elec)	15
Dejihane CR Hokuto No Ken 5 Jibo	(Sammy)	14
CR HAKUSHON DAIMAO series	(Sammy)	10

《Amusement Machine Sales》

In the amusement machine sales business, there were sales of CVT KITS for “StarHorse3 Season III CHASE THE WIND,” sales of CVT KITS and expendables such as cards for “WORLD CLUB Champion Football” and “SENGOKU-TAISEN” as well as distribution revenue from revenue sharing titles such as “BORDER BREAK Series” and “Wonderland Wars.” Although net sales in this segment were ¥45,480 million (an increase of 3.7% from the previous fiscal year), operating loss was ¥2,536 million (operating loss of ¥1,264 million for the previous fiscal year) due to factors including inventory write-down of some of the inventories.

《Amusement Center Operations》

In the amusement center operations business, efforts to reinforce management capabilities of existing amusement centers continued from the previous fiscal year and sales at existing amusement centers in Japan were 100.1% of the level compared to the same period of the previous fiscal year. However, the Group was affected by a decrease in sales due to the increase in the consumption tax rate.

The Group opened 6 amusement centers and closed 6 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.

As a result, net sales in this segment were ¥41,432 million (a decrease of 4.2% from the previous fiscal year) and operating loss was ¥946 million (operating income of ¥60 million for the previous fiscal year).

《Consumer Business》

In the consumer business, the Group launched titles such as “Alien: Isolation” and “Ryu ga Gotoku 0: Chikai no Basho” in the packaged game software field. Although a year-on-year increase in total volume of packaged software sales of 12,300 thousand copies, which includes 4,950 thousand copies in the U.S., 5,200 thousand copies in Europe, and 2,140 thousand copies in Japan, performance in the field was weak due to the harsh market environment.

On the other hand, in the field of digital game software for mobile phones, smartphones, and PC downloading, the entire field of digital game software remained strong, backed by favorable results in the existing titles including “Ange Vierge” and “SAKATSUKU Shoot ! ,” in addition to the online RPG “PHANTASY STAR ONLINE 2,” and the major titles including “Puyopuyo!! Quest” and “CHAIN CHRONICLE – Kizuna no Shintairiku.” Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777TOWN” and service for DeNA Co., Ltd.’s “Moba7” were enhanced.

Also, the number of domestic titles in the field of digital game software as of March 31, 2015 was 117 (including 65 Pay-to-play types and 52 Free-to-play types).

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

In the animated films division, distribution revenue from theater film “Detective Conan: Dimensional Sniper” and license revenue and revenue from merchandise sales from the TV series “Yowamushi Pedal” were favorable.

As a result, net sales in this segment were ¥111,757 million (an increase of 11.2% from the previous fiscal year) and operating income was ¥4,033 million (an increase of 93.1% from the previous fiscal year).

2. Issues to be Addressed

The Group reorganized its subsidiaries and affiliated companies into the following three business groups on April 1, 2015.

- (i) Pachislot and Pachinko Machines centered on Sammy Corporation
 - (ii) Entertainment Contents Business with Network Games Business of SEGA CORPORATION* as core business
 - (iii) Resort Business making developments such as hotels, golf courses and resort facilities
- * SEGA CORPORATION changed its trade name to SEGA Games Co., Ltd. on April 1, 2015

In each business group, the Group will promote improvement in efficiency on overlapping functions while speeding up decision-making, and develop a system in which management resources can be properly injected in order to increase the management efficiency while responding to changes in the business environment.

With regard to Pachislot and Pachinko Machines, pachinko parlor operators continue to face increasingly harsh business conditions due to the widespread practice of lowering ball rental fees and a decline in the number of players amidst the significant reforms in the market environment and regulation environment such as changes to the model test procedures of pachislot machines. Under these circumstances, the Group will develop and supply products with innovative gameplay that meet market needs as it always has to maintain and expand market share.

With regard to Entertainment Contents Business which is positioned as a short to medium-term growth field, the Group is required to work on rationalization to improve profitability in the packaged game software field, amusement machine field, amusement center operations field and animation film and toy fields, in which profitability were on a downward trend, in order to realize further profit growth. At the same time, it is an important management issue for the Group to respond to changes in the market environment through promoting faster decision making in each field while concentrating management resources in the field of digital game software mainly for smartphones and online PC games which are the growth fields.

With regard to Resort Business which is positioned as a medium to long-term growth field, it is an important management issue of the Group to accumulate expertise through the development and operation of resort facilities and theme parks in Japan as well as integrated resorts overseas while preparing for a full-fledged resort business in the future by distributing management resources at an optimal level and conducting investments.

3. Fund Procurement, etc.

(1) Fund Procurement

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

Regarding fund procurement for the fiscal year ended March 31, 2015, the Company procured ¥31,000 million including borrowings from financial institutions and public offering of straight bonds, for the purpose of securing medium- to long-term working capital.

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

(2) Capital Expenditures

The Group’s capital expenditures totaled ¥28,780 million, including ¥6,709 million for investment in mold tools and other investments in the pachislot and pachinko machines business and ¥6,534 million in capital expenditures related to amusement centers operated by SEGA ENTERTAINMENT Co., Ltd. and other companies.

(3) Business Transfers, Absorption-type Demergers, and Incorporation-type Demergers

There is no applicable material information for the fiscal year ended March 31, 2015.

(4) Business Transfer from Other Companies

There is no applicable material information for the fiscal year ended March 31, 2015.

(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, 2015.

(6) Acquisition or Disposition of Stocks and Other Interests or Share Subscription Rights, etc., of Other Companies

SEGA Networks Co., Ltd., a subsidiary of the Company, acquired the shares of Demiurge Studios, Inc. on February 2, 2015 and Demiurge Studios, Inc. was included in consolidated subsidiaries.

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

Item \ Fiscal Year		FY2012	FY2013	FY2014	FY2015
		From April 1, 2011 To March 31, 2012	From April 1, 2012 To March 31, 2013	From April 1, 2013 To March 31 2014	From April 1, 2014 To March 31 2015
Net sales	(¥ million)	395,502	321,407	378,011	354,921
Ordinary income	(¥ million)	58,164	20,914	40,531	16,993
Net income (loss)	(¥ million)	21,820	33,460	30,721	(11,258)
Net income (loss) per share	(¥)	86.73	137.14	126.42	(46.22)
Total assets	(¥ million)	497,451	528,504	542,936	528,898
Net assets	(¥ million)	296,376	320,034	348,270	322,673

Notes: 1. Figures shown in millions of yen have been rounded down to the nearest million.

2. Net income (loss) 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 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; Development, manufacture, and sales of toys; 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-ward, Tokyo)

(2) Office of the main subsidiaries

① Sammy Corporation
Head Office (Toshima-ward, Tokyo)
Kawagoe Factory (Kawagoe, Saitama)
Branches (8 Branches)

② SEGA CORPORATION
Head Office (Shinagawa-ward, 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) 7,888 (416 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	¥100 million	100.0%	Development/manufacture/sales of game machines used in amusement arcades Development/operations of amusement centers Development/sales of home videogame software
RODEO Co., Ltd.	¥100 million	65.0% (Note 1)	Development/manufacture/sales of pachislot machines

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

Company	Capital	Percentage ratio of issued shares	Main business
TAIYO ELEC Co., Ltd.	¥5,125 million	100.0% (Note 1)	Development/manufacture/sales of pachislot and pachinko machines
Sega Logistics Service Co., Ltd.	¥200 million	100.0% (Note 1)	Maintenance service, transportation and warehouse business
SEGA ENTERTAINMENT Co., Ltd.	¥100 million	100.0% (Note 1)	Operation of amusement centers
SEGA Networks Co., Ltd.	¥10 million	100.0% (Note 1)	Development/sales of digital games
DARTSLIVE Co., Ltd.	¥10 million	100.0% (Note 1)	Planning/development/sales of game equipment and game software
Sega Amusements Europe Ltd.	£ 26,485 thousand	100.0% (Note 1)	Import/manufacture/sales of amusement equipment
Sega of America, Inc.	US\$110,000 thousand	100.0% (Note 1)	Development/management/sales of home video game software
Sega Europe Ltd.	£ 10,000 thousand	100.0% (Note 1)	Sales of home video game software
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
ATLUS CO., LTD.	¥10 million	100.0% (Note 1,2)	Development of home video game software
Sammy Networks Co., Ltd.	¥300 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
Japan Multimedia Services Corporation	¥100 million	100.0%	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
SEGASAMMY Busan INC.	KRW124,000 million	100.0% (Note 1)	Development of a complex comprised of hotel, entertainment facilities, commercial facilities, etc.
SEGA SAMMY CREATION INC.	¥10 million	100.0%	Development/production/sales of casino gaming machines

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

2. Index Corporation was established in April 2014 through incorporation-type company split with ATLUS CO., LTD. (former Index Corporation) as a split company.

8. Main Banks and Borrowings

Lenders	Balance of loans payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥13,475 million
Aozora Bank, Ltd.	¥7,645 million
Resona Bank, Limited.	¥6,350 million
The Bank of Yokohama, Ltd.	¥3,763 million
Mitsubishi UFJ Trust and Banking Corporation	¥3,630 million
Mizuho Bank, Ltd.	¥3,443 million
Sumitomo Mitsui Banking Corporation	¥3,047 million
The Hokuriku Bank, Ltd.	¥2,053 million
Others	¥3,353 million
Total	¥46,760 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 dividends of ¥20 per share for the second quarter and plans to pay dividends of ¥20 per share for year-end dividends. This reflects the Group's policy of paying dividends stable to shareholders.

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

10. Other Significant Events of the Group

As part of the measures for restructuring into three business groups, the Company implemented the following organizational restructure within the Group on April 1, 2015 as a policy to clarify the responsible business field of each Group company and thereby continuously review businesses owned by the Group to promote further business reorganization.

- Established SEGA Holdings Co., Ltd. and integrated the Entertainment Contents Business under the said company
- Established SEGA Interactive Co., Ltd. which operates in the area of the amusement machine
- Merged SEGA CORPORATION* and SEGA Networks Co., Ltd. and changed the trade name to SEGA Games Co., Ltd. which operates in the area of the packaged game software and digital game software
- Split part of the Entertainment Park Business (such as Tokyo Joypolis, Orbi Yokohama) in order to utilize SEGA CORPORATION's* management expertise of large facilities in the Resort Business and established SEGA LIVE CREATION Inc. (direct owned subsidiary)

* SEGA CORPORATION changed its trade name to SEGA Games Co., Ltd. on April 1, 2015

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** **94,348**
4. **Principal shareholders (Top 10)**

Name of shareholder	Investment in SEGA SAMMY HOLDINGS	
	Shares held	Shareholding ratio (%)
Hajime Satomi	33,619,338	14.15
FSC Co., Ltd.	12,972,840	5.46
HS Company	10,000,000	4.21
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	7,876,871	3.31
CBNY-ORBIS SICAV	5,111,618	2.15
ML INTL EQUITY DERIVATIVES	5,090,569	2.14
Japan Trustee Services Bank, Ltd. (Trustee)	5,025,200	2.11
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	5,014,913	2.11
The Master Trust Bank of Japan, Ltd. (Trustee)	4,362,500	1.83
BNYM TREATY DTT 15	4,140,996	1.74

Note: Shareholding ratio was calculated excluding treasury stock (28,801,789 shares)

5. **Other important matter**

In order to prepare for flexible capital policies according to future business development, the Company acquired 10,000,000 shares of treasury stock at ¥18,120 million in total between February 18, 2015 and April 16, 2015 through market transactions, in accordance with the resolution at the Board of Directors' meeting of the Company on February 12, 2015 under Article 156 applied by the reading of terms under Article 165, Paragraph 3 of the Companies Act.

III Company's Share Subscription Rights

1. Outline of Share Subscription Rights Issued to the Company's Directors and Audit & Supervisory Board Members as Remuneration for Their Services as of the End of the Fiscal Year Ended March 31, 2015

Date of Resolutions of the Ordinary General Meeting of Shareholders	July 31, 2012
Number of individuals with rights Company Directors	7
Number of share subscription rights (Note 1)	2,530
Class of shares for share subscription rights	Common stock
Number of shares for share subscription rights	253,000
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, Audit & Supervisory Board Member, 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, Audit & Supervisory Board Member, 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, Audit & Supervisory Board Members, or Employees as Remuneration for Their Services During the Fiscal Year Ended March 31, 2015

Not applicable.

IV Company Directors and Audit & Supervisory Board Members

1. Directors and Audit & Supervisory Board Members (As of March 31, 2015)

Title	Name	Main Responsibilities
Chairman of the Board and Chief Executive Officer General Manager of Group Structure Reform Division	Hajime Satomi	Chairman and Representative Director, Sammy Corporation Chairman and Representative Director, SEGA CORPORATION
Senior Managing Director and Representative Director in charge of New Business Development Department, Strategic Planning Department, Corporate Business Promotion Department	Naoya Tsurumi	Vice Chairman, SEGA CORPORATION
Director in charge of Group Executive Office, Administrations Division, Group Corporate Social Responsibility Promotion Office, Executive Secretariat Department Deputy General Manager of Group Structure Reform Division	Akira Sugano	Director, Sammy Corporation Director, SEGA CORPORATION
Director	Haruki Satomi	Director, Sammy Corporation Executive Vice President and Representative Director, SEGA CORPORATION
Director	Shigeru Aoki	President and Representative Director, Sammy Corporation
Director	Hideki Okamura	President and Representative Director, SEGA CORPORATION
Director	Hisao Oguchi	
Director	Yuji Iwanaga	Attorney
Director	Takeshi Natsuno	
Standing Audit & Supervisory Board Member	Tomio Kazashi	
Audit & Supervisory Board Member	Toshio Hirakawa	Standing Audit & Supervisory Board Member, Sammy Corporation
Audit & Supervisory Board Member	Yukito Sakaue	Standing Audit & Supervisory Board Member, SEGA CORPORATION
Audit & Supervisory Board Member	Mineo Enomoto	Audit & Supervisory Board Member, 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 Audit & Supervisory Board Member as stipulated in Article 2, Clause 16 of the Companies Act.

3. The Company has submitted an Independent Directors/Audit & Supervisory Board Members Notification Form to register Directors Yuji Iwanaga and Takeshi Natsuno, Standing Audit & Supervisory Board Member Tomio Kazashi, and Audit & Supervisory Board Member Toshio Hirakawa and Mineo Enomoto as Independent Directors/Audit & Supervisory Board Members 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 eight executive officers: Hirofumi Matsunaga, Assistant to Senior Managing Director; Koichi Fukazawa, Yoichi Owaki and Takatoshi Akiba, Group Executive Office;

Koichiro Ueda, Group Executive Office, in charge of Public Relations; Hiroshi Ishikura, General Manager of the Group Internal Control Office, Group Corporate Social Responsibility Promotion Office and Internal Audit Office; Seiichiro Kikuchi, Group Structure Reform Division, General manager of Group Executive Office and Executive Secretariat Department; Koichi Takahashi, Division Manager of the Administrations Division.

2. Total Remuneration, etc., to Directors and Audit & Supervisory Board Members

Title	Number of individuals	Remuneration, etc.
Director	9	¥575 million
Audit & Supervisory Board Member	2	¥25 million
Total	11	¥600 million

- Notes: 1. Remuneration, etc., includes bonuses to Directors in the amount of ¥125 million (¥125 million for Directors) and stock options to Directors in the amount of ¥5 million (¥5 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 Audit & Supervisory Board Members 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 Audit & Supervisory Board Members

Title	Name	Major Activities
Outside Director	Yuji Iwanaga	He attended 15 Board of Directors meetings out of the 16 meetings during the year (11 out of 12 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 16 Board of Directors meetings out of the 16 meetings during the year (12 out of 12 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 Audit & Supervisory Board Member	Tomio Kazashi	He attended 16 Board of Directors meetings out of the 16 meetings during the year (12 out of 12 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. He also attended 14 Audit & Supervisory Board meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.
Outside Audit & Supervisory Board Member	Toshio Hirakawa	He attended 16 Board of Directors meetings out of the 16 meetings during the year (12 out of 12 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. He also attended 14 Audit & Supervisory Board meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.
Outside Audit & Supervisory Board Member	Mineo Enomoto	He attended 14 Board of Directors meetings out of the 16 meetings during the year (11 out of 12 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. He also attended 13 Audit & Supervisory Board 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 Audit & Supervisory Board Members

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 Audit & Supervisory Board Members.

An outline of the contents of the liability limitation agreement that the Company has entered into with Outside Audit & Supervisory Board Member 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 Audit & Supervisory Board Members

	Number of individuals	Remuneration, etc.	Remuneration, etc., from subsidiary
Total remuneration, etc., to outside Directors and Audit & Supervisory Board Members	5	¥75 million	¥17 million

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, 2015	¥122 million
Total of cash and other profits that should be paid to independent auditors by the Company and its subsidiaries	¥305 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 will include in objectives of the General Meeting of Shareholders the dismissal of the independent auditor prescribed in any clause within Article 340, Section 1 of the Companies Act as well as the dismissal or non-reappointment of the independent auditor if it is deemed difficult for the independent auditor to perform its duty appropriately.

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.

【Basic Policy existed in the fiscal year】

- (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 Audit & Supervisory Board 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 Audit & Supervisory Board Members 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 an Audit & Supervisory Board Member system for efficient implementation of Directors’ duties, as well as for Company Directors and Audit & Supervisory Board Members 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 Audit & Supervisory Board. 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 Audit & Supervisory Board Members, 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 Audit & Supervisory Board Members Request to Assist them in the Performance of their Duties
Establish an Audit & Supervisory Board Member's Office as an organization that reports directly to the Audit & Supervisory Board and employees in such office will assist the Audit & Supervisory Board Members' duties under their direction and order.
- (8) Matters Related to the Independence of Audit & Supervisory Board Members' Staff from Directors Described in the Previous Clause
 - ① An employee who assists an Audit & Supervisory Board Member'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 Audit & Supervisory Board.
- (9) System to Enable Directors or Employees to Report to Audit & Supervisory Board Members, and other Systems Related to Reporting to Audit & Supervisory Board Members
 - ① Directors and employees must report promptly to the Audit & Supervisory Board 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 Audit & Supervisory Board 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 Audit & Supervisory Board Members
 - ① Representative Directors regularly will meet with Audit & Supervisory Board Members, exchange opinions related to Company management, in addition to business reports, and otherwise communicate effectively with them.
 - ② The Board of Directors will ensure Audit & Supervisory Board Members' participation in important work-related meetings to ensure that the Company's business is executed properly.
 - ③ The Audit & Supervisory Board 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.

【Basic Policy after the revision on May 1, 2015】

- (1) System to Ensure the Efficient Implementation of the Duties of the Company's Directors and Compliance with Laws and the Articles of Incorporation
Establish a Group CSR Charter, Group Code of Conduct, Group Management Policies, and Guidelines (hereinafter, collectively referred to as "Group Philosophy and Code") and Representative Directors will repeatedly communicate the spirit of Group Philosophy and Code to employees in administrative post, in order to thoroughly establish compliance with laws, etc., 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 for the Company as a whole, based on the Group Management Policies stipulated for a unified management of the entire Group and the

Guidelines that show the standard for operation and management of the entire Group so that the Company's business execution is appropriate and sound.

Also, the Audit & Supervisory Board will audit the effectiveness and functionality of this internal controls system, and make efforts to identify and correct issues early through regular inspection.

In order to prevent participation in management by anti-social forces, it will be specified that all relations with anti-social forces are removed in the Group Code of Conduct. Moreover, the Group will contain so-called "Bo-hi jyoko" (terms and clauses concerning exclusion of organized crime groups) in contracts, establish a system to check whether or not our business partners correspond to anti-social forces, and establish a system to address systematically in corporation with outside organizations including the police and lawyers appropriately when anti-social forces approach the Group.

(2) System Related to the Retention and Management of Information Related to the Implementation of the Duties of the Company's Directors

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 Audit & Supervisory Board Members are able to appropriately view such information and also so that such information is easy to search.

In order to manage trade secrets and other information, etc., properly, policies concerning information management and IT security, as well as guidelines for IT security will be established, and it is planned that they will be fully informed of and complied with.

(3) Regulations and Other Systems Regarding Risk Management for Losses of the Company

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 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 order to capture and manage properly important risks underlying inside and outside the management including emergency responses, policies concerning risk management and crisis management guidelines will be established as one of the Group Management Policies and Guidelines, and 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 the Duties of the Company's Directors are Implemented Efficiently

Adopt an Audit & Supervisory Board Member system for efficient execution of Directors' duties, as well as for Company Directors and Audit & Supervisory Board Members 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 execution of duties under rules related to authorities and decision-making based on the Regulations of the Board of Directors, etc.

(5) System to Ensure Appropriate Compliance with Laws and the Articles of Incorporation Concerning the Implementation of the Duties of the Company's Employees

The Company will promote the group compliance measures for employees to act appropriately in compliance with laws, the Articles of Incorporation, Company regulations, and social norms. These measures must be based on the Group Philosophy and Code as code of conduct.

Establish a "Hot Line" system that enables an employee to report as a whistle-blowing any violation of laws, the Articles of Incorporation, Company regulations, or conduct in violation of social norms that they learn. Also establish a system that enables the person in charge promptly to report any material matters to the Board of Directors and the Audit & Supervisory Board.

Such a whistle-blower will be kept in secret, and will not receive any disadvantageous treatments due to the report. Establish an internal reporting contact offices comprised of outside counsel, etc. as recipients of an informant's report other than the ordinary reporting line, as part of a system that maintains transparency and accurately addresses relevant issues.

(6) System Shown Below and Other Systems to Ensure that the Businesses of the Group, Comprised of the Company, its Parent, and its Subsidiaries, are Implemented Properly

- ① System to report to the Company matters related to the execution of the duties by the directors, the Statutory Executive Officers, officers executing the duties, and people who should execute the duties of Article 598, Section 1 of the Companies Act of the Company's subsidiaries (referred to as "the directors, etc." in ③ and ④ below)

By having the Company's employees in administrative post concurrently serve as the directors or the Audit & Supervisory Board members of its Group companies, a system will be established to report and share information of the Group companies to and with the Company through such officers.

At the same time, a system will be established to communicate important matters, report, share information on matters of whistle-blowing, report and share information on matters of accounting wrongdoings and errors based on the vertical chain of the Regulations of Management of Related Companies between the Company and its Group companies. However, the whistle-blower will be kept in secret, and will not receive any disadvantageous treatments due to the report.

Hold meetings, etc. for the Group's Compliance and the Group's Audit & Supervisory Board Members, 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.

- ② System regarding risk management for losses of the Company's subsidiaries

Regarding common priority items and measures of the Group that the Company has stipulated, while they will be addressed by each of its Group companies, specific risks of each subsidiary will be managed in consideration of scale, nature, business category, etc. of each of its Group companies.

- ③ System to ensure that the duties of the directors, etc. of the Company's subsidiaries are executed efficiently

As with the Company, in its Group companies, adopt an Audit & Supervisory Board member system for efficient execution of directors' duties, as well as for Company Directors and Audit & Supervisory Board members 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 execution of duties under rules related to authorities and decision-making based on the Regulations of the Board of Directors, etc. However, the system will be established in consideration of scale, nature, business category, etc. of each of its Group companies.

- ④ System to ensure appropriate compliance with laws and the Articles of Incorporation concerning execution of the duties of the directors, etc. and employees of the Company's subsidiaries

As with the Company, the Board of Directors of its Group companies will establish a compliance system in order to fulfill Group Philosophy and Code based on importance of compliance with laws, etc. and of fundamental policy of fulfilling social responsibilities as a member of a society.

(7) Matters Regarding Employees whom Audit & Supervisory Board Members of the Company with Audit & Supervisory Board Members Request to Assist Them in Their Duties, Matters Related to the Independence of the Employees from the Directors of the Company with Audit & Supervisory Board Members, and Matters Related to Ensuring Effectiveness of Instructions to the Employees by Audit & Supervisory Board Members of the Company with Audit & Supervisory Board Members
Establish an Audit & Supervisory Board Member's Office as an organization that reports directly to the Audit & Supervisory Board and employees in such office will assist the Audit & Supervisory Board Members' duties under their direction and order.

Employees who assist the Audit & Supervisory Board Members in their duties will be dedicated employees in principle and will not be directed or supervised by the Directors. However, under unavoidable circumstances, employees who serve concurrently in a position of the executive side will be assigned. Concerning such concurrent employees, independence will be especially considered. Appointment, dismissal, personnel transfer, evaluation, disciplinary action, revision of wages, etc. of the employees will require a prior agreement of the Audit & Supervisory Board.

(8) System Shown Below and Other Systems Related to Reporting to Audit & Supervisory Board Members of the Company with Audit & Supervisory Board Members

① System to enable Directors, Accounting Advisors, and employees of the Company with Audit & Supervisory Board Members to report to Audit & Supervisory Board Members of the Company with Audit & Supervisory Board Members

The Directors and employees of the Company must report promptly to the Audit & Supervisory Board on material violations of laws and the Articles of Incorporation or a fact of illegal conduct related to execution of the duties or a fact that might cause conspicuous harm to the Company that they learn. Decisions that materially affect the Company's business or organization and results of internal audits will be treated in the same way.

② System to enable directors, Accounting Advisors, Audit & Supervisory Board members, Statutory Executive Officers, officers executing the duties, people who should execute the duties of Article 598, Section 1 of the Companies Act of subsidiaries of the Company with Audit & Supervisory Board members and other people equivalent to these people and employees or people who received reports from these people to report to the Audit & Supervisory Board Members of the Company with Audit & Supervisory Board Members

The directors, the Audit & Supervisory Board members, the Executive Officers, employees, etc. of the Group companies or people who received reports from these people must report promptly to the Audit & Supervisory Board of the Company on material violations of laws and the Articles of Incorporation or a fact of illegal conduct related to execution of the duties or a fact that might cause conspicuous harm to the Company that they learn. Decisions that materially affect the Company's business or organization and results of internal audits will be treated in the same way.

The Audit & Supervisory Board Members of the Company will make efforts to maintain systems from the perspective of focusing on so-called group management so that the Audit & Supervisory Board Members of the Group companies are able to become receivers of report from the business execution side and to become mediators.

(9) System to Ensure that People Who Made the Report Described in the Previous Clause Will Not Receive Disadvantageous Treatments Because of Making Such Report

The reporter described in the previous clause will not receive disadvantageous treatments because of making such report. Such disadvantageous treatments will be subject to punitive action.

(10) Matters Concerning Policies Related to Procedures of Prepayment or Reimbursement of Expenses Arising from Implementation of the Duties of the Audit & Supervisory Board Members of the Company with Audit & Supervisory Board Members and Other Treatments of Expenses or Liabilities Arising from Implementation of Such Duties

The Company will bear expenses arising from the execution of the duties of the Audit & Supervisory Board Members in accordance with the Company regulations, responding to requests from the Audit & Supervisory Board or Standing Audit & Supervisory Board Members. This includes expenses incurred in using outside advisors, etc., as prescribed in the clause (11).

(11) Systems Established to Ensure the Efficacious Performance of Auditing Responsibilities by Audit & Supervisory Board Members of the Company with Audit & Supervisory Board Members

Representative Directors regularly will meet with Audit & Supervisory Board Members, exchange opinions related to Company management, in addition to business reports, and otherwise communicate effectively with them.

The Board of Directors will ensure Audit & Supervisory Board Members' participation in important work-related meetings to ensure that the Company's business is executed properly.

The Audit & Supervisory Board 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, 2015)

(Unit: millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	298,260	Current liabilities	86,726
Cash and deposits	102,260	Notes and accounts payable-trade	26,964
Notes and accounts receivable-trade	39,239	Short-term loans payable	13,842
Short-term investment securities	97,210	Current portion of bonds	1,600
Merchandise and finished goods	6,518	Income taxes payable	3,240
Work in process	12,277	Accrued expenses	13,358
Raw materials and supplies	9,967	Provision for bonuses	4,339
Income taxes receivable	6,235	Provision for directors' bonuses	488
Deferred tax assets	6,053	Provision for business restructuring	217
Other	18,887	Provision for point card certificates	36
Allowance for doubtful accounts	(389)	Asset retirement obligations	133
Noncurrent assets	230,637	Deferred tax liabilities	11
Property, plant and equipment	100,272	Other	22,491
Buildings and structures, net	33,079	Noncurrent liabilities	119,498
Machinery, equipment and vehicles, net	7,196	Bonds payable	56,200
Amusement machines and facilities, net	9,866	Long-term loans payable	32,918
Land	39,822	Net defined benefit liability	3,716
Construction in progress	1,782	Provision for directors' retirement benefits	121
Other, net	8,525	Deferred tax liabilities	4,274
Intangible assets	29,071	Deferred tax liabilities for land revaluation	739
Goodwill	14,668	Asset retirement obligations	2,435
Other	14,402	Provision for dismantling of fixed assets	3,395
Investments and other assets	101,293	Other	15,696
Investment securities	70,051	Total liabilities	206,224
Long-term loans receivable	865	Net assets	
Lease and guarantee deposits	14,081	Shareholders' equity	298,824
Deferred tax assets	656	Capital stock	29,953
Other	16,429	Capital surplus	119,282
Allowance for doubtful accounts	(790)	Retained earnings	198,924
		Treasury stock	(49,335)
		Accumulated other comprehensive income	18,726
		Valuation difference on available-for-sale securities	17,794
		Deferred gains or losses on hedges	10
		Revaluation reserve for land	(4,699)
		Foreign currency translation adjustment	3,414
		Remeasurements of defined benefit plans	2,206
		Subscription rights to shares	832
		Minority interests	4,289
		Total net assets	322,673
Total assets	528,898	Total liabilities and net assets	528,898

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

Consolidated Statement of Income

(From April 1, 2014 To March 31, 2015)

(Unit: millions of yen)

Item	Amount	
Net sales		354,921
Cost of sales		220,044
Gross profit		134,876
Selling, general and administrative expenses		117,267
Operating income		17,609
Non-operating income		
Interest income	307	
Dividends income	982	
Equity in earnings of affiliates	26	
Gain on investments in partnership	311	
Gain on bad debts recovered	300	
Other	896	2,825
Non-operating expenses		
Interest expenses	910	
Sales discounts	58	
Commission fee	159	
Loss on investments in partnership	66	
Penalty payment for cancellation of game center lease	2	
Loss on retirement of noncurrent assets	585	
Bond issuance cost	155	
Settlement package	418	
Foreign exchange losses	390	
Other	693	3,441
Ordinary income		16,993

(Unit: millions of yen)

Item	Amount	
Extraordinary income		
Gain on sales of noncurrent assets	113	
Gain on sales of shares of subsidiaries and associates	175	
Gain on sales of investment securities	187	
Gain on reversal of subscription rights to shares	196	
Compensation income for expropriation	277	
Other	61	1,013
Extraordinary loss		
Loss on sales of noncurrent assets	80	
Impairment loss	7,881	
Loss on valuation of investment securities	100	
Provision for dismantling of fixed assets	2,778	
Loss on the discontinuance of independent film production	1,826	
Early extra retirement payments	1,868	
Other	1,388	15,924
Income before income taxes and minority interests		2,082
Income taxes-current	5,483	
Income taxes-deferred	6,901	12,384
Loss before minority interests		10,302
Minority interests in income		955
Net loss		11,258

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, 2014 To March 31, 2015)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2014	29,953	119,312	219,684	(37,971)	330,977
Cumulative effects of changes in accounting policies			711		711
Balances as of April 1, 2014 which reflect changes in accounting policies	29,953	119,312	220,395	(37,971)	331,689
Changes of items during the period					
Dividends from surplus			(9,758)		(9,758)
Net income (loss)			(11,258)		(11,258)
Purchase of treasury stock				(12,601)	(12,601)
Disposal of treasury stock		(30)		1,237	1,207
Change of scope of consolidation			(231)		(231)
Change of scope of equity method			(222)		(222)
Total changes of items during the period	-	(30)	(21,470)	(11,363)	(32,864)
Balances as of March 31, 2015	29,953	119,282	198,924	(49,335)	298,824

	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, 2014	16,804	0	(4,705)	(2,281)	2,504	12,322
Cumulative effects of changes in accounting policies						
Balances as of April 1, 2014 which reflect changes in accounting policies	16,804	0	(4,705)	(2,281)	2,504	12,322
Changes of items during the period						
Dividends from surplus						
Net income (loss)						
Purchase of treasury stock						
Disposal of treasury stock						
Change of scope of consolidation						
Change of scope of equity method						
Net changes of items other than shareholders' equity	990	9	5	5,695	(297)	6,403
Total changes of items during the period	990	9	5	5,695	(297)	6,403
Balances as of March 31, 2015	17,794	10	(4,699)	3,414	2,206	18,726

(Unit: millions of yen)

	Subscription rights to shares	Minority interests	Total net assets
Balances as of April 1, 2014	1,078	3,892	348,270
Cumulative effects of changes in accounting policies			711
Balances as of April 1, 2014 which reflect changes in accounting policies	1,078	3,892	348,982
Changes of items during the period			
Dividends from surplus			(9,758)
Net income (loss)			(11,258)
Purchase of treasury stock			(12,601)
Disposal of treasury stock			1,207
Change of scope of consolidation			(231)
Change of scope of equity method			(222)
Net changes of items other than shareholders' equity	(245)	397	6,555
Total changes of items during the period	(245)	397	(26,308)
Balances as of March 31, 2015	832	4,289	322,673

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 78

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

Effective as of the fiscal year ended March 31, 2015, the following were included in the Company’s consolidated subsidiaries; JMS Communications Co., Ltd. and two other companies, because of the newly establishment; Demiurge Studios, Inc. and three other companies, because of the Company’s acquisition; Index Corporation, establishment through an incorporation-type split; SEGA PUBLISHING KOREA LTD. and five other companies, because of the increase of importance.

Effective as of the fiscal year ended March 31, 2015, the following have been excluded from the scope of consolidation; Sammy Design Co, Ltd., sale of the share of stocks; Sega Australia Pty Ltd. and one other company, because of its liquidation.

Number of non-consolidated subsidiaries 12

Major 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 non-consolidated subsidiaries accounted for under the equity-method -
SEGA PUBLISHING KOREA LTD. has excluded from scope of application of equity-method because the company has been included in the scope of consolidation because of increase of importance.

Number of equity-method affiliates 11

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

The following have included in the scope of application of equity-method; GALAXY GRAPHICS Inc., because of the newly establishment; PLAY HEART, because of the Company’s acquisition; Subcul-rise Record and two other companies, because of increase of importance.

CRI Middleware Co., Ltd. has 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 under the equity method 16

Major non-consolidated subsidiaries and affiliates not accounted for under 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
Demiurge Studios, Inc.	December 31
Demiurge Studios, LLC	December 31
Demiurge Game Development LLC	December 31
Dartslive China Ltd.	December 31

(4) Accounting Policies

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 assets, 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 (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

Also, work in process is stated at cost, cost being determined mainly by the specific identification method (or at the NRV calculated by writing down the book value to reflect a decrease in the NRV).

② Depreciation and amortization for important assets

a. Property, plant and equipment (excluding lease assets):

Depreciation is calculated primarily using the straight-line method.

Range of useful life for the assets is as follows:

Buildings and Structures: 2-50 years

Machinery, equipment and 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 software used in the Company is amortized by the straight-line method based on the useful lives within the Company (less than 5 years).

c. Lease assets

Lease assets involving finance lease transactions of which the ownership is transferred to lessees:

Depreciation method for such assets is the same as that which applies to property, plant and equipment owned by the Company.

Lease assets involving finance lease transactions of which the ownership is not transferred to lessees:

Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.

- ③ Accounting for deferred assets
Organization expense: All expenses are expensed when incurred.
Stock issue cost: All expenses are expensed when incurred.
Bond issue cost: All expenses are expensed when incurred.
- ④ Accounting for allowances and provisions
- a. Allowance for doubtful accounts
Allowance for doubtful accounts is provided in the amount sufficient to cover possible losses based on a historical write-off of general receivables. Receivables with default possibility and bankrupt receivables are calculated based 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 Audit & Supervisory Board Members.
 - 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
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, 2015 has been recorded.
 - g. Provision for dismantling of fixed assets
To provide for expenses for dismantling unused aging buildings, estimated future expenses are recorded.
- ⑤ Accounting method for retirement benefits
- a. Attribution method for projected retirement benefits
In calculating retirement benefits obligations, benefit formula 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, 2015.
 - b. Treatment of actuarial gains and losses and prior service costs
Prior service costs are amortized equally over a 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 a 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 Standards Board of Japan "ASBJ" Statement No. 26, issued on May 17, 2012; the "Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015; the "Guidance") were adopted from the fiscal year ending March 31, 2015 for provisions set in the main clauses of Paragraph 35 of the Standard and Paragraph 67 of the Guidance. Accordingly, the calculation methods of retirement benefit obligations and service costs were reviewed, the method of attributing expected benefit to periods was changed from the straight-line basis to the benefit formula basis, and for the method of determining the discount rate, regarding the period of bonds used for the basis of determining the discount rate, it was changed from the method where the number of years approximate the expected average remaining working years of employees, to the method where a single weighted average discount rate reflecting the estimated period and amount of benefit payment is adopted.

The application of the Standard, etc. follow the transitional rules set in Paragraph 37 of the Standard, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, net defined benefit liability and deferred tax assets decreased by ¥812 million and ¥101 million, respectively, and retained earnings increased by ¥711 million at the beginning of the fiscal year ended March 31, 2015, while effects on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2015 are insignificant.

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 forward exchange contracts.

b. Hedging instruments and hedged items

Hedging instrument: Currency swaps, Interest rate swaps, forward exchange contracts

Hedged item: Interest on loans payable, receivables and payables denominated in foreign currencies

c. Hedge policy

Derivative instruments are used to mitigate risks associated with foreign 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 the 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 by the straight-line method. 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 when incurred.

⑨ Application of the Consolidated Taxation System

The Company applied the Consolidated Taxation System.

(5) Changes in Presentation

Consolidated Statement of Income

“Settlement package” that was included in “other” under non-operating expenses for the previous fiscal year (¥2 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, 2015.

“Gain on reversal of subscription rights to shares” that was included in “other” under extraordinary income for the previous fiscal year (¥0 million for the previous fiscal year) has now exceeded 10% of the amount of total extraordinary income, and is therefore separately itemized beginning from the fiscal year ended March 31, 2015.

(6) Additional information

The “Partial Revision on the Income Tax Act” (Act No. 9 of 2015) was officially announced on March 31, 2015 and the corporate tax rate will be decreased from consolidated fiscal years beginning on or after April 1, 2015.

As a result of the changes, net deferred tax assets at the end of the fiscal year ended March 31, 2015, income taxes-deferred, valuation difference on available-for-sale securities, revaluation reserve for land, and remeasurements of defined benefit plans have increased by ¥165 million, ¥648 million, ¥788 million, ¥5 million, and ¥18 million respectively.

II Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥172,531 million

(2) Assets pledged
Not applicable

(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 CORPORATION 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: ¥40,425 million
Outstanding balance of commitment line: ¥30,000 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	¥6,195 million
---------------	----------------

(2) R&D expenses included in general and administrative expenses and this fiscal year’s production expenses

	¥44,539 million
--	-----------------

(3) Breakdown of major extraordinary items

① Breakdown of gain on sales of noncurrent assets

Land	¥109 million
Other property, plant and equipment	¥3 million
<u>Total</u>	<u>¥113 million</u>

② Breakdown of loss on sales of noncurrent assets

Land	¥78 million
Other property, plant and equipment	¥1 million
<u>Total</u>	<u>¥80 million</u>

③ Breakdown of impairment loss.

(Unit: millions of yen)

Use	Location	Type	Impairment loss
Production facilities of pachislot and pachinko machines, etc.	Seto-city, Aich and 4 other locations	Buildings and structures	228
		Other property, plant and equipment	1,328
		Other intangible assets	32
		Land	33
Amusement facilities	Yokohama-city, Kanagawa and 6 other locations	Buildings and structures	2,859
		Amusement machines and facilities	691
		Other property, plant and equipment	92
		Other intangible assets	68
Assets for business	Shibuya-ward, Tokyo and 10 other locations	Buildings and structures	338
		Amusement machines and facilities	563
		Other property, plant and equipment	417
		Other intangible assets	74
Other	Minato-ward, Tokyo	Goodwill	1,151
		Total	7,881

For each business segment, the Group classifies assets or asset groups based on whether their cash flows can be estimated independently. The book values of assets or asset groups whose market values declined significantly or that are projected to consistently generate negative cash flows are reduced to their recoverable value. The amount of this reduction is deemed an impairment loss and is recorded 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, 2014	Increase	Decrease	As of March 31, 2015
Common stock	266,229,476	–	–	266,229,476

(2) Treasury Stock

(Unit: shares)

Type of stock	As of April 1, 2014	Increase	Decrease	As of March 31, 2015
Common stock	22,627,725	6,911,505	737,441	28,801,789

(Outline of Causes of Change)

The causes of the increase are as follows:

Increase due to purchase in the market by the resolution at the Board of Directors' meeting	6,901,600 shares
Increase due to repurchase of fractional shares	9,905 shares

The causes of the decrease are as follows:

Decrease due to exercise of stock options	736,300 shares
Decrease due to request to purchase fractional shares	1,141 shares

(3) Dividends

① Dividend Amount

Resolution	Type of Stock	Total dividend (¥ million)	Dividend per share (¥)	Record date	Effective date
Board of Directors' Meeting held on May 9, 2014	Common stock	4,872	20	March 31, 2014	May 28, 2014
Board of Directors' Meeting held on October 31, 2014	Common stock	4,886	20	September 30, 2014	December 1, 2014

② Of the dividends of which the record date is in the fiscal year ended March 31, 2015, 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 held on May 11, 2015	Common Stock	Retained Earnings	4,748	20	March 31, 2015	May 27, 2015

(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, 2015.

Common stock: 3,604,800 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 with financial institutions, 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 etc. 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 and currency swap transactions as hedges against currency fluctuation risks on its foreign currency-denominated operating receivables and debt as well as foreign currency-denominated loans payable, and interest rate swap transactions to mitigate interest rate risks on some 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, 2015 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	102,260	102,260	—
(2) Notes and accounts receivable - trade	39,239	39,239	(0)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	2,373	2,376	2
2) Available-for-sale securities (*1)	138,879	138,879	—
3) Stocks of affiliates	886	1,016	130
(4) Notes and accounts payable - trade	26,964	26,964	—
(5) Short-term loans payable	13,842	13,842	—
(6) Long-term loans payable	32,918	32,837	81
(7) Current portion of bonds	1,600	1,600	—
(8) Bonds payable	56,200	55,854	345
(9) Derivative transactions (*2)			
1) Transactions outside the scope of hedge accounting	(1)	(1)	—
2) Transactions subject to hedge accounting	17	17	—

(*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 amount.

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, 2015 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 with special treatment applied and by interest rate and currency swap contracts with combined treatment applied (subject to special treatment and allocation hedge accounting) are calculated by combining them with the relevant interest rate swap or interest rate and currency 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.	3,542
Investment in investment limited partnerships, etc.	4,382
Stocks of non-consolidated subsidiaries	436
Stocks of affiliates	16,472
Investment in affiliates	288

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 ¥1,337.46

Net loss per share ¥46.22

VIII Note Regarding Material Subsequent Events

Corporate Divestiture and Merger in Consolidated Subsidiaries, and the Change of Trade Names of Some Subsidiaries

The Company established the “Group Structure Reform Division,” and has held discussions to review the earnings structure of the entire Group from a medium- to long-term perspective, and implemented the organizational restructuring within the Group as well as the change of trade names of some subsidiaries on April 1, 2015 based on the resolutions of the Board of Directors meetings held on January 30, 2015 and February 12, 2015.

(1) Purpose of the corporate divestiture and merger

As part of the measures for restructuring into three business groups, the Company implemented the organizational restructuring within the Group on April 1, 2015 as a policy to clarify the responsible business field of each Group company and thereby continuously review businesses owned by the Group to promote further business reorganization.

(2) Overview of the corporate divestiture

(i) Legal form of the business combination

An incorporation-type demerger, designating SEGA CORPORATION as a transferor company and establishing new companies (SEGA Holdings Co., Ltd., SEGA Interactive Co., Ltd., and SEGA LIVE CREATION Inc.)

(ii) Overview of newly established companies

Name	SEGA Holdings Co., Ltd.	SEGA Interactive Co., Ltd.	SEGA LIVE CREATION Inc.
Business description	Management of its Group as the Holding Company of SEGA Group and all businesses appertaining	Development, Manufacture and Sales of Amusement Machine	Planning, Development and Operation of Entertainment Theme Park in Resort Business
Head office	1-39-9, Higashi-Shinagawa, Shinagawa-ward, Tokyo	1-2-12, Haneda, Ota-ward, Tokyo	1-39-9, Higashi-Shinagawa, Shinagawa-ward, Tokyo
Capital stock	¥ 100 million	¥ 100 million	¥ 100 million
Principal Share Holder and Shareholding Ratios	SEGA SAMMY HOLDINGS INC. :100%	SEGA Holdings Co., Ltd.:100%	SEGA SAMMY HOLDINGS INC. :100%

(3) Overview of the merger

(i) Legal form of the business combination

An absorption-type merger, designating SEGA CORPORATION as the surviving company and dissolving SEGA Networks Co., Ltd. as the absorbed company

(ii) Overview of merging companies (As of March 31, 2015)

Name	SEGA CORPORATION (Surviving Company)	SEGA Networks Co., Ltd. (Absorbed Company)
Business description	Development, Production and Sales of Amusement Machines, Development Sales of Game Software	Business involved in the Planning, Development, Design, Sales, Delivery and Management and Operation of Products and Services that Utilize the Internet and Other Means of Communication
Head office	1-2-12, Haneda, Ota-ward, Tokyo	1-6-1, Roppongi, Minato-ward, Tokyo
Capital stock	¥ 100 million	¥ 10 million

* SEGA CORPORATION changed its trade name to SEGA Games Co., Ltd. on April 1, 2015

(4) Overview of the accounting procedures applied

Based on the “Accounting Standard for Business Combinations” (Accounting Standard Board of Japan “ASBJ” Statement No. 21, issued on September 13, 2013) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on September 13, 2013), the Company applied an accounting procedure as a transaction under common control.

Independent Auditor's Report

May 8, 2015

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

Kiyoyuki Sakurai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naoya Miyaki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta (Seal)
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, 2015 and for the year from April 1, 2014 to March 31, 2015 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, 2015)

(Unit: millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	64,746	Current liabilities	32,113
Cash and deposits	3,968	Current portion of long-term loans payable	10,600
Accounts receivable-trade	504	Current portion of bonds	1,600
Short-term investment securities	36,910	Accounts payable-other	5,382
Prepaid expenses	233	Income taxes payable	8
Short-term loans receivable from subsidiaries and associates	5,705	Accrued expenses	334
Accounts receivable-other	5,389	Deposits received	13,649
Income taxes receivable	4,465	Unearned revenue	11
Deferred tax assets	5	Provision for bonuses	106
Other	7,564	Provision for directors' bonuses	125
Noncurrent assets	370,579	Other	296
Property, plant and equipment	6,390	Noncurrent liabilities	71,959
Buildings, net	824	Bonds payable	41,200
Structures, net	658	Long-term loans payable	22,988
Machinery and equipment, net	2	Provision for retirement benefits	46
Aircraft, net	2,804	Deferred tax liabilities	7,389
Vehicles, net	66	Other	334
Tools, furniture and fixtures, net	615	Total liabilities	104,073
Land	1,418	Net assets	
Construction in progress	0	Shareholders' equity	315,529
Intangible assets	22	Capital stock	29,953
Software	20	Capital surplus	192,230
Other	1	Legal capital surplus	29,945
Investments and other assets	364,166	Other capital surplus	162,285
Investment securities	37,010	Retained earnings	142,966
Stocks of subsidiaries and affiliates	305,748	Other retained earnings	142,966
Long-term loans receivable from subsidiaries and associates	18,186	Retained earnings brought forward	142,966
Long-term loans receivable	34	Treasury stock	(49,621)
Long-term prepaid expenses	71	Valuation and translation adjustments	14,890
Other	3,632	Valuation difference on available-for-sale securities	14,890
Allowance for doubtful accounts	(517)	Subscription rights to shares	832
		Total net assets	331,252
Total assets	435,326	Total liabilities and net assets	435,326

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

Non-Consolidated Statement of Income

(From April 1, 2014 To March 31, 2015)

(Unit: millions of yen)

Item	Amount	
Operating revenue		
Consulting fee income	5,609	
Dividends income	19,162	24,771
Operating expenses		
Operating expenses	6,848	6,848
Operating income		17,923
Non-operating income		
Interest income	380	
Interest on securities	80	
Dividends income	863	
Income from operation of noncurrent asset	57	
Foreign exchange gains	28	
Other	36	1,447
Non-operating expenses		
Interest expenses	311	
Interest on bonds	238	
Commission fee	139	
Bond issuance cost	155	
Loss on investments in partnership	39	
Provision of allowance for doubtful accounts	7	
Other	38	931
Ordinary income		18,439
Extraordinary income		
Gain on reversal of subscription rights to shares	196	196
Extraordinary loss		
Loss on support to subsidiaries and associates	3,011	
Loss on valuation of shares of subsidiaries and associates	8,317	
Loss on valuation of golf club membership	2	11,330
Income before income taxes		7,305
Income taxes-current	(217)	
Income taxes-deferred	81	(136)
Net income		7,441

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, 2014 To March 31, 2015)

(Unit: millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balances as of April 1, 2014	29,953	29,945	162,325	192,270
Changes of items during the period				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(39)	(39)
Total changes of items during the period	—	—	(39)	(39)
Balances as of March 31, 2015	29,953	29,945	162,285	192,230

	Shareholders' equity			
	Retained earnings		Treasury stock	Total shareholders' equity
	Other retained earnings	Total retained earnings		
Balances as of April 1, 2014	145,283	145,283	(38,267)	329,239
Changes of items during the period				
Dividends from surplus	(9,758)	(9,758)		(9,758)
Net income	7,441	7,441		7,441
Purchase of treasury stock			(12,601)	(12,601)
Disposal of treasury stock			1,247	1,207
Total changes of items during the period	(2,316)	(2,316)	(11,354)	(13,710)
Balances as of March 31, 2015	142,966	142,966	(49,621)	315,529

	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, 2014	15,771	15,771	1,078	346,088
Changes of items during the period				
Dividends from surplus				(9,758)
Net income				7,441
Purchase of treasury stock				(12,601)
Disposal of treasury stock				1,207
Net changes of items other than shareholders' equity	(880)	(880)	(245)	(1,125)
Total changes of items during the period	(880)	(880)	(245)	(14,836)
Balances as of March 31, 2015	14,890	14,890	832	331,252

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) Derivatives

Derivatives are stated at fair market value.

2. Depreciation and amortization of noncurrent assets

(1) Property, plant and equipment

Depreciation is calculated by the straight-line method.

Range of useful life for the assets is as follows:

Buildings : 2 - 50 years

Structures : 2 - 47 years

Aircraft : 8 years

Tools, furniture and fixtures : 2 - 13 years

(2) Intangible assets

Amortization is calculated using the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (less than 5 years).

3. Accounting for deferred assets

Bond issue cost: All expenses are expensed when incurred.

4. 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 Audit & Supervisory Board Members.

(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. Simplified method is used to calculate provision for retirement benefits.

5. 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.

6. 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 when incurred.
- (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 ¥2,252 million
- (2) Guaranteed obligation

Guarantee	Amount	Description
SEGA CORPORATION	¥1,198 million (US \$10 million)	Accounts payable - other
- (3) Receivables from and payables to affiliates

Short-term receivables from affiliates	¥6,031 million
Short-term payables to affiliates	¥18,888 million

III Notes to Statement of Income

- (1) Transactions with affiliates

Consulting fee income	¥5,609 million
Dividends income (Operating revenue)	¥19,162 million
SG&A expenses	¥59 million
Non-operating transactions	¥376 million
- (2) Extraordinary loss
¥3,011 million of loss on support to subsidiaries and associates is recorded due to debt forgiveness of loans receivable from two of the Company's subsidiaries and affiliates.

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, 2015
- | | |
|--------------|-------------------|
| Common stock | 28,801,789 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	1,556
Exclusion from the deductible expenses of provision for bonuses	35
Exclusion from the deductible expenses of Provision of allowance for doubtful accounts	167
Exclusion from the deductible expenses of loss on valuation of investment securities	4,794
Exclusion from the deductible expenses of loss on valuation of shares of subsidiaries and associates	2,693
Disallowed portion of loss on investments in partnership	193
Valuation difference on available-for-sale securities	60
Other	71
Subtotal deferred tax assets	<u>9,571</u>
Valuation allowance	(9,533)
Offset against deferred tax liabilities	<u>(33)</u>
Total deferred tax assets	<u>5</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(7,390)
Business tax receivable	<u>(32)</u>
Subtotal deferred tax liabilities	<u>(7,422)</u>
Offset against deferred tax assets	33
Total deferred tax liabilities	<u>(7,389)</u>
Deferred tax liabilities, net	<u>(7,384)</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	35.6%
(Adjustment)	
Permanently non-deductible expenses including entertainment expenses	7.6%
Exclusion from the deductible expenses of donation	22.8%
Amount excluded from gross revenue such as dividend income	(101.7%)
Changes in valuation allowance	33.8%
Other	(0.1%)
Effective tax rate after tax effect accounting	<u>(1.9%)</u>

(3) Amendments to deferred tax assets and deferred tax liabilities due to changes in income tax rate
With the “Partial Revision on the Income Tax Act” (Act No. 9 of 2015) promulgated on March 31, 2015, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2015 (those which will be reversed in the fiscal years beginning April 1, 2015) has been changed from the previous fiscal year’s 35.64% to 33.10% for those to be collected or paid between April 1, 2015 and March 31, 2016 and 32.34% for those to be collected or paid on or after April 1, 2016, respectively.

As a result, deferred tax liabilities at the end of the fiscal year ended March 31, 2015 decreased by ¥735 million, while Valuation difference on available-for-sale securities increased by ¥735 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)	3,758	Accounts receivable-trade	338
				Consolidated taxation system	—	Accounts receivable-other	3,823
				Reception of deposits(Note 3)	—	Deposits received	9,915
Subsidiary	SEGA CORPORATION	100.0	Management guidance to the company, interlocking directorate	Consulting fee income(Note 2)	1,851	Accounts receivable-trade	166
				Collection of loans receivable	2,140	Short-term loans receivable from subsidiaries and affiliates	2,140
						Long-term loans receivable from subsidiaries and affiliates	10,720
				Reception of interests(Note 5)	217	Accrued interest	85
				Consolidated taxation system	—	Accounts payable-other	2,765
Subsidiary	MARZA ANIMATION PLANET INC.	100.0	Interlocking directorate	Debt forgiveness (Note 6)	2,000 (Note 6)	—	—
Subsidiary	SEGA TOYS CO., LTD.	100.0	Interlocking directorate	Debt forgiveness (Note 7)	2,677 (Note 7)	—	—

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. SEGA CORPORATION changed its trade name to SEGA Games Co., Ltd. on April 1, 2015

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

6. For ¥2,000 million of long-term loans receivable from MARZA ANIMATION PLANET INC., the Company implemented debt forgiveness. Debt forgiveness of ¥2,000 million of long-term loans receivable was recorded as loss on support to subsidiaries and associates for the fiscal year ended March 31, 2015.

7. For ¥2,677 million of long-term loans receivable from SEGA TOYS CO., LTD., the Company implemented debt forgiveness. Among the amounts of debt forgiveness of long-term loans receivable, allowance for doubtful accounts was provided to cover ¥1,666 million until the previous fiscal year, while the rest of the amounts, ¥1,011 million, was recorded as loss on support to subsidiaries and associates for the fiscal year ended March 31, 2015.

(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)	5.50	Insurance representative	Payment of insurance premium (Note 3)	8	Prepaid expenses	2
			Subcontractor	Payment of subcontracting fees (Note 3)	9	—	—
			Lending of real-estate and equipment	Rental income from real-estate and equipment (Note 3)	3	Current liabilities-other	0

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	¥1,391.67
Net income per share	¥30.55

VIII Notes Regarding Material Subsequent Events

The Company conducted contribution in kind of all of the shares of the Company's subsidiaries, Sammy Networks Co., Ltd., SEGA TOYS CO., LTD., TMS ENTERTAINMENT CO., LTD. and MARZA ANIMATION PLANET INC. to a subsidiary of the Company, SEGA Holdings Co., Ltd. (established on April 1, 2015) as of April 1, 2015.

(1) Purpose

As part of the measures for restructuring into three business groups, it is to clarify the responsible business field of each Group company and thereby continuously review businesses owned by the Group to promote further business reorganization.

(2) Overview of the subsidiaries

Name	Sammy Networks Co., Ltd.	SEGA TOYS CO., LTD.	TMS ENTERTAINMENT CO., LTD.	MARZA ANIMATION PLANET INC.
Business description	Planning, production, sales of game and music contents through mobile phones and Internet, etc.	Development, manufacture, sales of toys	Planning, production, sales and other activities involving animated movies	Production of computer graphics animations, planning, production of animated movies, licensing business
Head office	1-6-1, Roppongi, Minato-ward, Tokyo	1-1-39 Hiroo, Shibuya-ward, Tokyo	3-31-1, Nakano, Nakano-ward, Tokyo	2-2-20, Higashi-Shinagawa, Shinagawa-ward, Tokyo
Capital stock	¥300 million	¥100 million	¥8,816 million	¥100 million
Book value of the stock	¥12,065 million	¥21 million	¥12,011 million	¥842 million

(3) Ownership ratio after the contribution in kind

Indirect ownership: 100%

(4) Overview of the accounting procedures applied

Based on the “Accounting Standard for Business Combinations” (Accounting Standard Board of Japan “ASBJ” Statement No. 21, issued on September 13, 2013) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on September 13, 2013), the Company applied an accounting procedure as a transaction under common control.

Independent Auditor's Report

May 8, 2015

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

Kiyoyuki Sakurai (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naoya Miyaki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta (Seal)
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, 2015 and for the year from April 1, 2014 to March 31, 2015 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 Audit & Supervisory Board has received the reports of the audit procedures and results concerning the execution of the duties of the Directors during the 11th fiscal year from April 1, 2014 through March 31, 2015 prepared by each of the Audit & Supervisory Board Members. After discussing the reports, we have prepared this Audit Report and report as follows.

1. Procedures and details of the audits by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board established the audit policy, allocation of duties, and other relevant matters, and received reports from each Audit & Supervisory Board Member 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 Audit & Supervisory Board Member complied with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, 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, Audit & Supervisory Board members, 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

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

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 11, 2015

Audit & Supervisory Board,

SEGA SAMMY HOLDINGS INC.

Tomio Kazashi, Standing Audit & Supervisory Board Member

(Outside Audit & Supervisory Board Member)

Toshio Hirakawa, Outside Audit & Supervisory Board Member

Yukito Sakaue, Audit & Supervisory Board Member

Mineo Enomoto, Outside Audit & Supervisory Board Member

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 add the purposes of the Company and amend them as required.
- (2) In line with the amendment of the scope of corporate officers with whom a company can conclude a contract to limit their liabilities under the Act for Partial Revision of the Companies Act (Act No. 90 of 2014), enforced on May 1, 2015, provisions regarding concluding a contract of limitation of liabilities will be newly established or partially amended. Each Audit & Supervisory Board Member has given consent to the establishment of Article 34 of the proposed amendment.
- (3) In line with the establishment described in (2) above, the Company will conduct necessary moving down of the number of clauses.

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 (Omitted)	Article 1 (Unchanged)
Article 2 (Purpose) 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) (Unchanged)
(1) to (30) (Omitted)	(1) to (30) (Unchanged)
(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;	(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, car washes, <u>sound studios, and clubs with live music</u> ; and recruitment and support of franchisees, and sale of franchises through a franchise system of those businesses listed above;
(32) to (40) (Omitted) (Newly established)	(32) to (40) (Unchanged)
(41) to (57) (Omitted)	(41) <u>Pay employment placement businesses</u> (42) to (58) (Unchanged)
(Newly established)	(59) <u>Operation to manage and control the business activities of the corporations that conduct the businesses set forth in each of the preceding items and businesses equivalent thereto by owning shares in such corporations.</u>

Present Articles of Incorporation	Proposed Amendment
2. (Omitted)	2. (Unchanged)
Article 3 to 11 (Omitted)	Article 3 to 11 (Unchanged)
Article 12 (Record date) (Omitted)	Article 12 (Record date) (Unchanged)
2. In addition to the case of the preceding paragraph or Article 53, the Company may, by giving prior public notice, set a certain date as record date by a resolution of the Board of Directors, if it is necessary in order to define persons entitled to exercise their rights as shareholders or registered share pledgees.	2. In addition to the case of the preceding paragraph or Article 54, the Company may, by giving prior public notice, set a certain date as record date by a resolution of the Board of Directors, if it is necessary in order to define persons entitled to exercise their rights as shareholders or registered share pledgees.
Article 13 to 33 (Omitted)	Article 13 to 33 (Unchanged)
(Newly established)	<u>(Limited liability contract with Directors)</u> Article 34 <u>The Company may, pursuant to the provision of Article 427, paragraph 1 of the Companies Act, conclude a contract with Directors for the purpose of limiting their liability for compensation, in the case that the requirements of relevant laws and regulations regarding the liability for compensation stipulated in Article 423, paragraph 1 of the said Act are fulfilled; provided, however, that the maximum amount of liability under such contract shall be the minimum liability limit stipulated in relevant laws and regulations.</u>
Article 34 to 45 (Omitted)	Article 35 to 46 (Unchanged)
Article 46 (Limited liability contract with <u>outside Audit & Supervisory Board Members</u>) The Company may, pursuant to the provision of Article 427, paragraph 1 of the Corporate Law, conclude a contract with <u>outside Audit & Supervisory Board Members</u> for the purpose of limiting their liability for compensation, in the case that the requirements of relevant laws and regulations regarding the liability for compensation stipulated in Article 423, paragraph 1 of the said Law are fulfilled; provided, however, that the maximum amount of liability under such contract shall be the minimum liability limit stipulated in relevant laws and regulations.	Article 47 (Limited liability contract with <u>Audit & Supervisory Board Members</u>) The Company may, pursuant to the provision of Article 427, paragraph 1 of the Corporate Law, conclude a contract with <u>Audit & Supervisory Board Members</u> for the purpose of limiting their liability for compensation, in the case that the requirements of relevant laws and regulations regarding the liability for compensation stipulated in Article 423, paragraph 1 of the said Law are fulfilled; provided, however, that the maximum amount of liability under such contract shall be the minimum liability limit stipulated in relevant laws and regulations.
Article 47 to 54 (Omitted)	Article 48 to 55 (Unchanged)

Proposal 2: To elect nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we are seeking to elect nine (9) Directors.

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.</p> <p>Feb. 2004 Chairman and Representative Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</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 (now SEGA Games Co., Ltd.)</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.</p> <p>Jun. 2005 Chairman and Director of TMS ENTERTAINMENT CO., LTD.</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 (now SEGA Games Co., Ltd.)</p> <p>May 2008 Chairman, Representative Director and Chief Executive Officer of the above</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 (now SEGA Games Co., Ltd.)</p> <p>May 2013 Chairman, Representative Director and Chief Executive Officer of Sammy Corporation (current position)</p> <p>Apr. 2015 Chairman, Representative Director and Chief Executive Officer of SEGA Holdings Co., Ltd. (current position)</p>	33,619,338 shares

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

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
2	Naoya Tsurumi (February 8, 1958)	Mar. 1992 Joined Sega Enterprises, Ltd. (now SEGA Games Co., Ltd.)	12,100 shares
		Dec. 2004 Executive Officer of SEGA CORPORATION	
		Sep. 2005 CEO of SEGA PUBLISHING EUROPE LTD.	
		Jun. 2006 Senior Executive Officer of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Jun. 2006 CEO and President of SEGA HOLDINGS U.S.A., INC.	
		Oct. 2006 Chairman of SEGA OF AMERICA, INC.	
		Oct. 2006 Chairman of SEGA PUBLISHING AMERICA, INC.	
		May 2007 Senior Executive Officer, General Manager of Europe and US Consumer Business Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		May 2008 Director, General Manager of Overseas Consumer Business Division of the above	
		May 2009 Director of General Manager of Consumer Business Division of the above	
		Jun. 2009 Managing Director of General Manager of Consumer Business Division of the above	
		Sep. 2009 Chairman of SEGA EUROPE LTD.	
		Jul. 2010 Managing Director, General Manager of Overseas Regional Department of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Aug. 2010 CEO of SEGA AMUSEMENT EUROPE LTD.	
		Jun. 2011 Managing Director, General Manager of Overseas Regional Department and in charge of Global Consumer Business of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Apr. 2012 President, Representative Director and Chief Operating Officer of the above	
		May 2012 Vice Chairman and CEO of Sega Jinwin (Shanghai) Amusements Co., Ltd.	
		Jun. 2012 CEO and President of SEGA HOLDINGS EUROPE LTD.	
		Jun. 2012 Director of the Company	
		Jul. 2012 Director of SEGA Networks, Co., Ltd. (now SEGA Games Co., Ltd.)	
		Sep. 2013 President and Representative Director of SEGA DREAM CORPORATION (now ATLUS. CO., LTD.)	
		Apr. 2014 Vice Chairman of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Apr. 2014 Senior Managing Director and Representative Director of the Company in charge of New Business Development Department, Strategic Planning Department, and Corporate Business Promotion Department (current position)	
Jun. 2014 Vice Chairman and Director of PHOENIX RESORT CO., LTD. (current position)			
Apr. 2015 Vice Chairman of the Board of SEGA Holdings Co., Ltd. (current position)			
Apr. 2015 Chairman, Representative Director of SEGA LIVE CREATION Inc.			
May 2015 Chairman, President, Representative Director of SEGA LIVE CREATION Inc. (current position)			

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

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
3	*Koichi Fukazawa (November 2, 1965)	<p>Apr. 1990 Joined The Sanwa Bank, Limited (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>Jul. 2003 Joined Sammy Corporation</p> <p>Aug. 2003 Executive Officer and General Manager of the President's Office of the above</p> <p>Oct. 2004 Executive Officer and General Manager of the President's Office of the Company</p> <p>Oct. 2004 Executive Officer and General Manager of Chairman and President's Office of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jan. 2005 Director of SEGA SAMMY ASSET MANAGEMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Jun. 2005 Director and General Manager of Chairman and President Office of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jul. 2006 Executive Officer and General Manager of Business Planning Department of the Company</p> <p>Jan. 2007 President and Representative Director of SEGA SAMMY ASSET MANAGEMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Aug. 2007 Senior Executive Officer and in charge of the Corporate Strategy and External Affairs of the Company</p> <p>Oct. 2007 Director and General Manager of Amusement Business Planning Department of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>May 2008 Director and Division Manager of New Business Division of the above</p> <p>Apr. 2009 Officer of Keizai Doyukai (Japan Association of Corporate Executives) (current position)</p> <p>Jun. 2009 Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2009 President and Representative Director of SEGASAMMY VISUAL ENTERTAINMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Mar. 2011 President and Representative Director of MARZA ANIMATION PLANET INC.</p> <p>Jun. 2012 Director and in charge of the President's Office of Sammy Corporation</p> <p>Jun. 2013 Senior Executive Officer of the Company</p> <p>Apr. 2014 Senior Managing Director and Representative Director of SEGA TOYS CO., LTD.</p> <p>Apr. 2015 Director of the above (current position)</p> <p>Apr. 2015 Senior Executive Officer, Assistant to Senior Managing Director and in charge of Group Executive Office and Executive Secretariat Department of the Company (current position)</p>	4,900 shares

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

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
4	Haruki Satomi (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 (now SEGA Games Co., Ltd.)</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.</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 OF AMERICA, INC. (current position)</p> <p>Jun. 2012 Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2012 Director of the Company (current position)</p> <p>Jul. 2012 President and CEO, Representative Director of SEGA Networks Co., Ltd. (now SEGA Games Co., Ltd.)</p> <p>Apr. 2014 Director of Sammy Corporation (current position)</p> <p>Jun. 2014 Director of Sanrio Company, Ltd. (current position)</p> <p>Nov. 2014 Executive Vice President and Representative Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Apr. 2015 Executive Vice President and Representative Director of SEGA Holdings Co., Ltd. (current position)</p> <p>Apr. 2015 President, Representative Director and Chief Executive Officer of SEGA Games Co., Ltd. (current position)</p>	689,748 shares
5	Shigeru Aoki (January 3, 1952)	<p>May 2005 Joined SEGA CORPORATION (now SEGA Games Co., Ltd.) 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>	24,000 shares

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

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
6	Hideki Okamura (February 1, 1955)	Jan. 1987 Joined Sega Enterprises, Ltd. (now SEGA Games Co., Ltd.)	19,112 shares
		Jun. 1997 Director and Deputy Division Manager of Consumer Business Group Division, General Manager of Saturn Business Division of the above	
		Jun. 2000 Director in charge of Dreamcast Business Division of the above	
		Jun. 2002 Vice President and Representative Director of DigiCube Co., Ltd.	
		Jun. 2003 Senior Executive Officer, Division Manager of Consumer Business Group Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Jun. 2004 Director of TMS ENTERTAINMENT CO., LTD.	
		Jun. 2004 Managing Director, Division Manager of Consumer Business Group Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Oct. 2004 Director of the Company	
		Jun. 2007 Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Jun. 2008 President and Representative Director of TMS ENTERTAINMENT CO., LTD.	
		Apr. 2014 Vice Chairman and Director of TMS ENTERTAINMENT CO., LTD.	
		Apr. 2014 President, Representative Director and COO of SEGA CORPORATION (now SEGA Games Co., Ltd.)	
		Jun. 2014 Director of the Company (current position)	
		Apr. 2015 President, Representative Director and Chief Operating Officer of SEGA Holdings Co., Ltd. (current position)	
		Apr. 2015 Chairman of the Board of SEGA Games Co., Ltd. (current position)	
		Apr. 2015 Chairman of the Board of SEGA Interactive Co., Ltd. (current position)	
		Apr. 2015 Chairman, Representative Director of TMS ENTERTAINMENT Co., LTD. (current position)	
		Apr. 2015 Chairman, Representative Director of SEGA TOYS CO., LTD. (current position)	
		Apr. 2015 Chairman, Representative Director of MARZA ANIMATION PLANET INC. (current position)	
		Apr. 2015 Chairman, Representative Director of Index Corporation (current position)	
Apr. 2015 Chairman, Representative Director of DARTSLIVE Co., Ltd. (current position)			

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

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
7	Hisao Oguchi (March 5, 1960)	<p>Apr. 1984 Joined Sega Enterprises, Ltd. (now SEGA Games Co., Ltd.)</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 (now SEGA Games Co., Ltd.)</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 (now SEGA Games Co., Ltd.)</p> <p>Jun. 2008 CCO and Director of the Company (current position)</p> <p>Nov. 2008 Director, CCO of Sammy Corporation</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>	31,500 shares
8	Yuji Iwanaga (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 Pillsbury 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 (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
9	Takeshi Natsuno (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.</p> <p>Nov. 2013 Guest Professor, Graduate School of Media and Governance of Keio University (current position)</p> <p>Oct. 2014 Director, Member of the Board of KADOKAWA DWANGO CORPORATION (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 eight years and seven years, respectively, at the conclusion of this Ordinary General Meeting of Shareholders.

Proposal 3: 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 ¥130 million in addition to the above-mentioned remuneration for Directors.

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

The number of Directors excluding Outside Directors will be seven (7) if Proposal 2 is approved as originally proposed.

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 4: To issue share subscription rights as share options to employees of the Company and to directors and employees of its subsidiaries

We propose issuing share subscription rights as share options to employees of the Company and to directors and employees of 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 to directors and employees of 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, Audit & Supervisory Board Member or employee of the Company, or a director, Audit & Supervisory Board member 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.