To the Shareholders

Items Posted on Internet Concerning Notice of the 12th Ordinary General Meeting of Shareholders

May 26, 2016

SEGA SAMMY HOLDINGS INC.

Contents

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

1. Notes to Consolidated Financial Statements

I Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

Number of consolidated subsidiaries 81

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, 2016, the following were included in the Company's consolidated subsidiaries; Sammy Digital Security Co., Ltd. and two other companies, because of the newly establishment; Career Staff Co., Ltd., because of the Company's acquisition; SEGA Holdings Co., Ltd. and three other companies, establishment through an incorporation-type split; Sammy Facility Service Co., Ltd. and one other company, because of the increase of importance. Play Heart, Inc., which was an equity-method affiliate in the previous fiscal year, has become a consolidated subsidiary from the current fiscal year due to additional acquisition of equity. With the deemed date of acquisition set at the end of the current fiscal year, only balance sheets of this company are consolidated and its financial results are recognized as equity in earnings/losses of affiliates for the current fiscal year.

Effective as of the fiscal year ended March 31, 2016, the following have been excluded from the scope of consolidation; Index Corporation, sale of the share of stocks; D×L CREATION Co., Ltd. and three other companies, because of its liquidation; SEGA Networks Co., Ltd., because of merger with SEGA Games Co., Ltd.; SAMMYHANBAI CORPORATION and one other company, because of merger with Sammy Corporation.

Number of non-consolidated subsidiaries 11

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

Non-consolidated subsidiaries are excluded from the scope of consolidation because the combined amount of each of assets, net sales and net income corresponding to the percentage of equity interest held by the Company, and the combined amount of retained earnings corresponding to the percentage of equity interest held by the Company do not have significant effect on the consolidated financial statements.

(2) Application of the Equity Method

Number of non-consolidated subsidiaries accounted for under the equity-method -

Number of equity-method affiliates 12

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; ZEEG Co. Ltd., because of the newly establishment; Cloudzilla, Inc., because of the Company's acquisition; Zen Tiger S.à r.l., because of increase of importance.

The following have excluded from the scope of application of equity-method; ELTEX, Inc., because of sale of the share of stocks; Play Heart, Inc., because it has become a consolidated subsidiary due to additional acquisition of equity.

Number of non-consolidated subsidiaries and affiliates not accounted for under the equity method 13

Major non-consolidated subsidiaries and affiliates not accounted for under the equity method: CHARA-WEB.CO., LTD. etc.

Some of the Company's non-consolidated subsidiaries and affiliates are not accounted for by the equity method (non-consolidated subsidiaries and affiliates not accounted for by equity method) because the combined amount of net income corresponding to the percentage of equity interest held by the Company, and the combined amount of retained earnings corresponding to the percentage of equity interest held by the Company have little effect on the consolidated financial statements even if they are excluded from the scope of equity method, and have no significance as a whole.

(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
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
Dartslive China Ltd.	December 31
Play Heart, Inc.	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

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 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, 2016.

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.

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) Additional information

With the enactment of the "Act on Partial Revision to the Income Tax Act" (Act No. 15 of 2016) and the "Act on Partial Revision to the Local Tax Act" (Act. No. 13 of 2016) in the Diet on March 29, 2016, the income tax rate will be reduced from consolidated fiscal years beginning on or after April 1, 2016.

As a result of the changes, net deferred tax assets at the end of the fiscal year ended March 31, 2016, income taxes-deferred, valuation difference on available-for-sale securities, revaluation reserve for land, and remeasurements of defined benefit plans have increased by ¥243 million, ¥200 million, ¥340 million, ¥99 million, and ¥4 million respectively.

II Changes in Accounting Policies

(1) Adoption of accounting standard for business combinations, etc.

Effective from the fiscal year ended March 31, 2016, the Company adopted "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013) (hereinafter, the "Business Combinations Accounting Standard"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013), and other related accounting standards. Accordingly, the accounting methods have been changed to record the difference arising from changes in equity in subsidiaries which the Company continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which incurred.

For business combinations executed on and after April 1, 2015, the accounting method has been changed. For temporarily allocated acquisition costs adjusted upon the finalization of provisional accounting treatment, when such adjustment is made in the year following the year of the business combination, the impact amount of such adjustments on the balance as of the beginning of the fiscal year of such adjustments will be stated separately, and the balance as of the beginning of the fiscal year shall be the amount restated upon such impact.

Furthermore, presentation of net income and others have been changed and presentation of minority interests has been changed to non-controlling interests.

The Business Combinations Accounting Standard and other standards were applied from April 1, 2015 into the future in accordance with the transitional measures provided in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidation Accounting Standard and Paragraph 57-4 (4) of the Business Divestitures Accounting Standard.

As a result, capital surplus at the end of the fiscal year decreased by ¥892 million.

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

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

This accounting policy change was applied retroactively and cumulative effects of changes in accounting policies were reflected in the book value of net assets as of the beginning of the current fiscal year.

As a result, the balance of retained earnings as of April 1, 2015 decreased by ¥220 million as cumulative effects were reflected in net assets as of the beginning of the current fiscal year.

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

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

This accounting policy change was applied retroactively and cumulative effects of changes in accounting policies were reflected in the book value of net assets as of the beginning of the current fiscal year.

There was no effect of the change on net assets as of April 1, 2015.

III Changes in Presentation

Consolidated Statement of Income

"Restructuring loss" that was included in "other" under extraordinary loss for the previous fiscal year (¥862 million for the previous fiscal year) has now exceeded 10% of the amount of total extraordinary loss, and is therefore separately itemized beginning from the fiscal year ended March 31, 2016.

"Loss on valuation of shares of subsidiaries and associates" that was included in "other" under extraordinary loss for the previous fiscal year (¥188 million for the previous fiscal year) is separately itemized beginning from the fiscal year ended March 31, 2016 because of increase in importance.

IV Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥165,434 million

(2) Assets pledged

Shares of subsidiaries and associates (Note) ¥23,119 million

(Note) For loans from financial institutions to the equity-method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year ¥40,074 million (KR₩392,500 million), the shares of this company were provided as a pledge.

(3) Revaluation of Land

Consolidated subsidiary SEGA Holdings Co., Ltd. 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 Holdings Co., Ltd. has recorded an item for the revaluation reserve for land under net assets.

Revaluation method

SEGA Holdings Co., Ltd. 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: ¥99,625 million
Outstanding balance of commitment line: ¥20,000 million

V 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 ¥4,588 million

(2) R&D expenses included in general and administrative expenses and this fiscal year's production expenses ¥41,752 million

(3) Breakdown of major extraordinary items

① Breakdown of gain on sales of noncurrent assets

Buildings and structures	¥2 million
Machinery, equipment and vehicles	¥4 million
Land	¥6 million
Other property, plant and equipment	¥55 million
Other intangible assets	¥0 million
Total	¥68 million

② Breakdown of loss on sales of noncurrent assets

Machinery, equipment and vehicles	¥8 million
Other property, plant and equipment	¥64 million
Total	¥72 million

③Breakdown of impairment loss.

(Unit: millions of yen)

Use	Location	Type	Impairment loss
Amusement facilities	Yokohama-city, Kanagawa and 3 other locations	Buildings and structures	256
		Other property, plant and equipment	189
		Other intangible assets	1
Assets for business	Shinagawa -ward, Tokyo and 5 other locations	Buildings and structures	124
		Amusement machines and facilities	137
		Other property, plant and equipment	392
		Other intangible assets	204
Other	South Korea	Goodwill	22
		Total	1,329

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.

VI Notes to Consolidated Statement of changes in Net Assets

(1) Issued Stock

(Unit: shares)

Type of stock	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Common stock	266,229,476	–	–	266,229,476

(2) Treasury Stock

(Unit: shares)

Type of stock	As of April 1, 2015	Increase	Decrease	As of March 31, 2016
Common stock	28,801,789	3,107,179	74,161	31,834,807

(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	3,098,400 shares
Increase due to repurchase of fractional shares	8,779 shares

The causes of the decrease are as follows:

Decrease due to exercise of stock options	73,500 shares
Decrease due to request to purchase fractional shares	661 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 11, 2015	Common stock	4,748	20	March 31, 2015	May 27, 2015
Board of Directors' Meeting held on October 30, 2015	Common stock	4,687	20	September 30, 2015	December 1, 2015

② Of the dividends of which the record date is in the fiscal year ended March 31, 2016, 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 13, 2016	Common Stock	Retained Earnings	4,687	20	March 31, 2016	May 27, 2016

(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, 2016.

Common stock: 3,468,500 shares

VII 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. Most funds are invested primarily in low-risk and high-liquidity financial assets, while some are invested in compound financial instruments such as bonds etc. for the purpose of efficiently managing funds. Derivatives are mainly 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.

Short-term investment securities are mainly negotiable certificates of deposit. The Group's credit risk exposure is minimal as these transactions are restricted to highly rated financial institutions in accordance with the capital management rules etc. of each Group company. Investment securities are mainly stocks and the relevant information such as market prices of these stocks and financial conditions of the issuers (business partners) is reviewed and reported to the Board of Directors of each Group company, etc. on a regular basis. Shareholding status is also continually reviewed in view of the relationship with business partners that issue these stocks. With certain compound financial instruments etc., the Group is exposed to risks associated with market price fluctuations etc. in the stock markets but periodically evaluates them on a mark-to-market basis.

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 etc. 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, 2016 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	141,316	141,316	–
(2) Notes and accounts receivable - trade	55,612	55,612	(0)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	3,374	3,378	4
2) Available-for-sale securities (*1)	84,629	84,629	–
3) Stocks of affiliates	892	791	(100)
(4) Notes and accounts payable - trade	33,011	33,011	–
(5) Short-term loans payable	14,002	14,002	–
(6) Long-term loans payable	48,895	48,870	25
(7) Current portion of bonds	14,200	14,200	–
(8) Bonds payable	52,000	51,713	286
(9) Derivative transactions (*2)			
1) Transactions outside the scope of hedge accounting	4	4	–
2) Transactions subject to hedge accounting	(39)	(39)	–

(*1) Since market values of embedded derivatives cannot be reasonably categorized and measured, those of the entire compound 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, 2016 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.	3,011
Investment in investment limited partnerships, etc.	6,653
Stocks of non-consolidated subsidiaries	1,195
Stocks of affiliates	24,211
Investment in affiliates	938

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.

VIII 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.

IX Note Regarding Per Share Information

Net assets per share	¥1,257.43
Net income per share	¥22.90

X Note Regarding Business Combinations

Transactions under common control

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. (As of April 1, 2015)	SEGA Interactive Co., Ltd. (As of April 1, 2015)	SEGA LIVE CREATION Inc. (As of April 1, 2015)
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) (As of April 1, 2015)	SEGA Networks Co., Ltd. (Absorbed Company) (As of April 1, 2015)
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 "Business Combinations Accounting Standard" 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.

XI Note Regarding Material Subsequent Events
Not applicable.

2. Notes to Non-Consolidated Financial Statements

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 ¥2,859 million

(2) Assets pledged

Shares of subsidiaries and associates (Note) ¥20,737 million

(Note) For loans from financial institutions to the affiliated company PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year ¥40,074 million (KR₩392,500 million), the shares of this company were provided as a pledge.

(3) Guaranteed obligation

Guarantee	Amount	Description
SEGA Holdings Co., Ltd.	¥674 million (US $6 million)	Accounts payable - other

(4) Receivables from and payables to affiliates

Short-term receivables from affiliates	¥6,751 million
Short-term payables to affiliates	¥15,369 million

III Notes to Statement of Income

(1) Transactions with affiliates

Consulting fee income	¥4,727 million
Dividends income (Operating revenue)	¥8,010 million
SG&A expenses	¥63 million
Non-operating transactions	¥375 million

(2) Extraordinary loss

¥130 million of loss on support to subsidiaries and associates is recorded due to debt forgiveness of loans receivable from 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, 2016

Common stock	31,834,807 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	1,179
Exclusion from the deductible expenses of provision for bonuses	42
Exclusion from the deductible expenses of Provision of allowance for doubtful accounts	985
Exclusion from the deductible expenses of loss on valuation of investment securities	4,651
Exclusion from the deductible expenses of loss on valuation of shares of subsidiaries and associates	2,760
Disallowed portion of loss on investments in partnership	183
Valuation difference on available-for-sale securities	180
Other	77
Subtotal deferred tax assets	10,060
Valuation allowance	(10,007)
Offset against deferred tax liabilities	(1)
Total deferred tax assets	51
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(3,907)
Subtotal deferred tax liabilities	(3,907)
Offset against deferred tax assets	(1)
Total deferred tax liabilities	(3,906)
Deferred tax liabilities, net	(3,854)

(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	33.1%
(Adjustment)	
Permanently non-deductible expenses including entertainment expenses	3.2%
Exclusion from the deductible expenses of donation	8.1%
Amount excluded from gross revenue such as dividend income	(106.3%)
Other permanently non-taxable items	(1.3%)
Changes in valuation allowance	51.0%
Other	(0.4%)
Effective tax rate after tax effect accounting	(12.6%)

(3) Amendments to deferred tax assets and deferred tax liabilities due to changes in income tax rate

With the enactment of the "Act on Partial Revision to the Income Tax Act" (Act No. 15 of 2016) and the "Act on Partial Revision to the Local Tax Act" (Act. No. 13 of 2016) in the Diet on March 29, 2016, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2016 (those which will be reversed in the fiscal years beginning April 1, 2016) has been changed from the previous fiscal year's 33.10% to 30.86% for those to be collected or paid between April 1, 2016 and March 31, 2018 and 30.62% for those to be collected or paid on or after April 1, 2018, respectively.

As a result, deferred tax liabilities at the end of the fiscal year ended March 31, 2016 decreased by ¥219 million, while Valuation difference on available-for-sale securities increased by ¥219 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)	3,167	Accounts receivable-trade	285
				Consolidated taxation system	–	Accounts receivable-other	5,646
				Reception of deposits(Note 3)	–	Deposits received	9,528
				Payment of interests(Note 4)	9	–	–
Subsidiary	SEGA Holdings Co., Ltd.	100.0	Management guidance to the company, interlocking directorate	Consulting fee income(Note 2)	1,559	Accounts receivable-trade	140
				Lending of funds	2,540	Short-term loans receivable from subsidiaries and affiliates	2,140
				Collection of loans receivable	400		
				Reception of interests(Note 4)	24	Accrued interest	0
				Consolidated taxation system	–	Accounts payable-other	547
				Contribution in kind(Note 5)	87,985	–	–
Subsidiary	SEGA Games Co., Ltd.	100.0	Interlocking directorate	Collection of loans receivable	2,140	Short-term loans receivable from subsidiaries and affiliates	2,140
						Long-term loans receivable from subsidiaries and affiliates	8,580
				Reception of interests(Note 4)	183	Accrued interest	71
				Reception of dividend in kind (Note 6)	52,769	–	–
Subsidiary	SEGA SAMMY CREATION INC.	100.0	Interlocking directorate	Lending of funds	2,350	Long-term loans receivable from subsidiaries and affiliates(Note 7)	4,500
				Reception of interests(Note 4)	46	Accrued interest	0
						Deferred interest	0
Affiliate	PARADISE SEGASAMMY Co., Ltd.	45.0	Interlocking directorate	Underwriting of capital increase (Note 8)	9,252	–	–
				Provision of security (Note 9)	20,737	–	–

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. Lending and borrowing of funds is executed at any time between the Group companies, thus the transaction amount is omitted.
4. Interest is determined with consideration to market interest rates.
5. The Company made contribution in kind of the stocks of subsidiaries and affiliates following the intragroup reorganization as of April 1, 2015.
6. The Company received dividend in kind when it acquired the stocks of subsidiaries and affiliates following the intragroup reorganization as of April 1, 2015.
7. For long-term loans receivable from subsidiaries and affiliates from SEGA SAMMY CREATION INC., the Company recorded provision of allowance for doubtful accounts and allowance for doubtful accounts of ¥3,212 million for the fiscal year ended March 31, 2016.
8. The Company underwrote a capital increase through allotment to shareholders.
9. For part of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company were provided as a pledge.

(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
Director	Haruki Satomi	1.30	Director of the Company	Exercise of stock options (Note 2)	118	–	–
Company in which Directors or their relatives own majority voting rights	FSC Co., Ltd. (Note 3)	5.57	Insurance representative	Payment of insurance premium (Note 4)	11	Prepaid expenses	6
			Subcontractor	Payment of subcontracting fees (Note 4)	0	–	–
			Lending of real-estate and equipment	Rental income from real-estate and equipment (Note 4)	3	–	–

Notes: 1. Consumption taxes are not included in transaction amounts.
2. Stock options which were granted based on the resolution at the ordinary Board of Directors meeting on July 31, 2012 and exercised during the current fiscal year are listed. The transaction amount listed herein is calculated by multiplying the number of shares granted upon exercise of stock options during the current fiscal year by the amount of payment upon exercise.
3. Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% shares in FSC Co., Ltd.
4. 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	¥1,330.62
Net income per share	¥12.55

VIII Note Regarding Business Combinations

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. (As of April 1, 2015)	SEGA TOYS CO., LTD. (As of April 1, 2015)	TMS ENTERTAINMENT CO., LTD. (As of April 1, 2015)	MARZA ANIMATION PLANET INC. (As of April 1, 2015)
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 (Note)	¥100 million	¥8,816 million	¥100 million
Book value of the stock	¥12,065 million	¥21 million	¥12,011 million	¥842 million

Note: Sammy Networks Co., Ltd. reduced its capital stock from ¥300 million to ¥100 million on February 9, 2016.

(3) Ownership ratio after the contribution in kind

Indirect ownership: 100%

(4) Overview of the accounting procedures applied

Based on the "Business Combinations Accounting Standard" 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.

IX Notes Regarding Material Subsequent Events

Not applicable.