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Securities Code: 6460
May 28, 2012

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 8th Ordinary General Meeting of Shareholders to be held on June 19, 2012

You are cordially invited to attend the 8th 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 Tuesday, June 19, 2012 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 Monday, June 18, 2012.

Details of the Meeting

- 1. Date and time:** Tuesday, June 19, 2012 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
(Please note the change of venue for this year’s Ordinary General Meeting of shareholders [see address above]. For further details, please refer to “Venue of the 8th Ordinary General Meeting of Shareholders of page 13 of this notice.)
- 3. Agenda:**
- Matters to be reported:**
1. The Business Report and the Consolidated Financial Statements for the 8th fiscal year (from April 1, 2011 to March 31, 2012) and results of audits by the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the 8th fiscal year (from April 1, 2011 to March 31, 2012)

Matters to be resolved:

- Proposal 1:** To amend certain parts of the Articles of Incorporation
- Proposal 2:** To elect seven (7) Directors
- Proposal 3:** To change the amount of remuneration of Directors
- Proposal 4:** To issue share subscription rights to Directors as stock options

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

Matters Disclosed on the Internet

The Business Report and Consolidated/Non-consolidated Financial Statements audited by the Accounting Auditor and the Board of Corporate Auditors include Internal Control System and so forth to Ensure Appropriate Business Execution, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are posted on the website of the Company and are not provided herein. Pursuant to the provisions of laws and regulations and the Articles of Incorporation, Internal Control System and so forth to ensure appropriate business execution in the Business Report, Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements are posted on the website of the Company (<http://www.segasammy.co.jp/english/ir/library/data.html>) and not attached to this document.

- * The Business Report and Consolidated/Non-consolidated Financial Statements audited by the Accounting Auditor and the Board of Corporate Auditors include Internal Control System and so forth to Ensure Appropriate Business Execution, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are posted on the website of the Company and are not provided herein.

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 rights exercise website designated by the Company (<http://www.evotep.jp/>) from a PC or a smartphone, log on using the “logon ID” and “temporary password” printed on the enclosed voting rights exercise 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, exhibits (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, in the case of a convocation notice, 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.

Information on Exercise of Voting Rights

Exercise of voting rights by mail

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 rights exercise 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 a.m. and 5 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 designated 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 INCORPORATION.)

- (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 and telephone charges) 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, 2011 To March 31, 2012)

I Group's Current Condition

1. Business Development and Results

During the fiscal year ended March 31, 2012, although concern for the availability of parts and materials due to various impacts in the aftermath of the Great East Japan Earthquake and floods in Thailand is improving, some uncertainty prevailed in the Japanese economy from the effects of the struggle to cope with an expected prolonged shortage of electricity supply, and confusion in the global financial markets, mainly in Europe.

In this climate, although the pachislot and pachinko industry witnessed the replacement of older pachinko machines at a rather weak pace, the pachislot machines are on a recovery trend thanks to the positive factors including several newly launched machines popular on the market, a recovery in their utilization rate and an increase in the quantity installed in pachinko parlors.

In the amusement machine and amusement center industry, the market stays solid thanks primarily to consumer behavior turning to more accessible entertainment.

In the home video game software industry, demand remained weak due to the severe economic environment, primarily in the U.S. and Europe. The Group needs to adapt to changing business environment in which the market demand for new content geared to social networking service (SNS) and smartphones is expanding.

In this business environment, net sales for the fiscal year ended March 31, 2012 amounted to ¥395,502 million (a decrease of 0.3% from the previous fiscal year). The Group posted an operating income of ¥58,384 million (a decrease of 15.1% from the previous fiscal year) and ordinary income of ¥58,164 million (a decrease of 14.6% from the previous fiscal year). While recording extraordinary income of ¥3,382 million due to gain on negative goodwill etc., the Group posted extraordinary loss of ¥18,577 million due to factors including impairment loss, amortization of goodwill, the settlement payment for patent licensing and restructuring loss. As a result, the Group recorded a net income of ¥21,820 million (a decrease of 47.4% from the previous fiscal year).

The Company, its wholly owned subsidiary Sammy Corporation, and Sammy Corporation's subsidiary TAIYO ELEC Co., Ltd. have conducted an exchange of shares, effective August 1, 2011, with the purpose of converting Sammy Corporation into a wholly owning parent of TAIYO ELEC Co., Ltd. while converting TAIYO ELEC Co., Ltd. into a wholly owned subsidiary of Sammy Corporation, in consideration for the Company's common stock.

Additionally, the Company acquired all the shares of Phoenix Resort Co., Ltd. from RHJ International S.A. on March 26, 2012, and Phoenix Resort Co., Ltd. have become wholly owned subsidiary of the Company.

Furthermore, the Company resolved at the meeting of its Board of Directors held on August 1, 2011 to acquire treasury stocks, and acquired 5,000,000 shares (at an acquisition cost of ¥8,280 million), which was the upper limit for the number of shares to be acquired, during the period from August 1, 2011 through September 5, 2011.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachinko machine business, the Group launched “Pachinko SOUTEN-NO-KEN” and “Pachinko CR ALADDIN NEO” under the Sammy brand. However, total sales of pachinko machines decreased slightly year on year to 332 thousand units reflecting stagnant market conditions.

In the pachislot machine business, “Pachislot Hokuto No Ken”, under the Sammy brand, and “Pachislot Monster Hunter”, under the RODEO brand, were highly regarded by the market. Nonetheless, overall pachislot machine sales generally remained flat on a year-on-year basis at 300 thousand units, due to revised sales schedules on some titles caused by disruptions from floods in Thailand.

Additionally, the Group continued its initiatives to promote reuse of components, especially those related to liquid crystal displays.

Furthermore, Sammy Corporation, a subsidiary of the Company, has started construction of a new plant as well as a new distribution center.

As a result, net sales in this segment were ¥212,334 million (an increase of 0.0% from the previous fiscal year) and operating income was ¥71,040 million (an increase of 10.5% from the previous fiscal year).

Main Pachinko Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachinko SOUTEN-NO-KEN	(Sammy)	62
Pachinko CR ALADDIN NEO	(Sammy)	57
Pachinko Hokuto No Ken Series	(Sammy)	40
Pachinko CR Ring ni Kakero 1 -Golden Japan Jr. Series-	(Sammy)	35
CR Ryu ga Gotoku Kenzan! Series	(Taiyo Elec)	24

Main Pachislot Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachislot Hokuto No Ken	(Sammy)	177
Pachislot Monster Hunter	(Rodeo)	56
Pachislot Kaze no Yojimbo 2	(Rodeo)	23
Pachislot Kaitou Tenshi Twin Angel 3	(Sammy)	16
GINTOKIN	(Taiyo Elec)	9

《Amusement Machine Sales》

In the amusement machine sales business, the sales of the major titles such as “StarHorse3 Season I A NEW LEGEND BEGINS.” remained solid, and the sales of CVT KITS, such as “SEGA NETWORK MAHJONG MJ5” and “WORLD CLUB Champion Football”, etc., and consumables including cards also remained solid. In addition, distribution revenue continued to remain solid thanks to the operation of revenue sharing models.

As a result, net sales in this segment were ¥53,000 million (an increase of 5.3% from the previous fiscal year) and operating income was ¥7,415 million (an increase of 1.3% from the previous fiscal year).

《Amusement Center Operations》

In the amusement center operations business, thanks to current consumer behavior turning to more accessible entertainment, in addition to the Company’s efforts to reinforce management capabilities of the existing amusement centers, sales at existing SEGA amusement centers in Japan were solid and registered a 100.5% of the level compared to the previous fiscal year. The Group operated a total of 241

amusement centers at the end of the period. Additionally, the group sold its amusement centers in the U.S.

As a result, net sales in this segment were ¥44,608 million (a decrease of 2.4% from the previous fiscal year) and operating income was ¥355 million (an increase of 3.9% from the previous fiscal year).

《Consumer Business》

In the consumer business, a number of titles such as “Mario & Sonic at the London 2012 Olympic Games™” and “Sonic Generations” were sold in the packaged game software field. Even so, sales of new titles remained weak primarily in the U.S. and Europe due to adverse market conditions, resulting in a year-on-year decline in the total volume of packaged software sales to 17,240 thousand copies, including 6,140 thousand copies in the U.S., 8,290 thousand copies in Europe and 2,800 thousand copies in Japan and other regions.

On the other hand, in the field of digital game software for mobile phones, smartphones and PC downloading, “Kingdom Conquest”, a title for smartphones, exceeded 2.5 million downloads on a cumulative basis in March 2012. Launch of an Android version in December 2011, which follows the existing iOS version, is expected to further diffuse the software on the market. Meanwhile, a smartphone version of “777townSP” service was started in our pachinko and pachislot game website for mobile phones and PCs.

In the toy sales division, sales remained weak on the whole despite solid sales in mainstay products such as “Anpanman Series” and “Jewelpod”.

In the animated films business, license revenue from “Anpanman”, “Detective Conan” and TV series “CARDFIGHT!! VANGUARD” remained solid.

As a result, net sales in this segment were ¥86,433 million (a decrease of 3.5% from the previous fiscal year), and an operating loss was ¥15,182 million (an operating income of ¥1,969 million for the previous fiscal year).

In the consumer business, we have decided to carry out streamlining of the organization responsible for the packaged game software field in the U.S. and European markets in a bid to establish a structure that can consistently generate profit, as part of the strategies to restore growth as well as improve profitability. Due to the cost of this move, we have posted ¥345 million for impairment loss and ¥6,308 million for restructuring loss. From here on, we will endeavor to shift our business structure with a view to adapting to the changes in the business environment, including further focus on the development of the field of digital games.

2. Issues to be Addressed

In the pachislot and pachinko machines business, the Group will strive to adapt to the changes in business environment, through efforts including the development and supply of products with innovative gameplay that meet market needs reflecting changes in user preference.

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

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

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

Another issue is flexible adaptation to circumstances including power shortages due to suspended nuclear power plants.

3. Fund Procurement, etc.

(1) Fund Procurement

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

Regarding fund procurement for the fiscal year ended March 31, 2012, the Company borrowed ¥32,000 million, including a syndicate loan from ten financial institutions to finance future long-term working capital and equipment.

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

(2) Capital Expenditures

The Group’s capital expenditures totaled ¥36,141 million, including ¥12,726 million for increasing mold tools, initiating construction of the new factory and other investments in the pachinko pachislot business. In addition, there were ¥8,328 million in capital expenditures related to amusement centers operated by SEGA CORPORATION 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, 2012.

(4) Business Transfer from Other Companies

There is no applicable material information for the fiscal year ended March 31, 2012.

(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, 2012.

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

The Company, its wholly owned subsidiary Sammy Corporation, and Sammy Corporation’s subsidiary TAIYO ELEC Co., Ltd. have conducted an exchange of shares, effective August 1, 2011, with the purpose of converting Sammy Corporation into a wholly owning parent of TAIYO ELEC Co., Ltd. while converting TAIYO ELEC Co., Ltd. into a wholly owned subsidiary of Sammy Corporation, in consideration for the Company’s common stock.

The Company has acquired all the outstanding shares of Phoenix Resort Co., Ltd. on March 26, 2012.

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

Item	Fiscal Year	FY2009	FY2010	FY2011	FY2012
		From April 1, 2008 To March 31, 2009	From April 1, 2009 To March 31, 2010	From April 1, 2010 To March 31, 2011	From April 1, 2011 To March 31, 2012
Net sales	(¥ million)	429,194	384,679	396,732	395,502
Ordinary income (loss)	(¥ million)	6,636	35,925	68,123	58,164
Net income (loss)	(¥ million)	(22,882)	20,269	41,510	21,820
Net income (loss) per share	(¥)	(90.83)	80.46	163.19	86.73
Total assets	(¥ million)	423,938	423,161	458,624	497,451
Net assets	(¥ million)	242,532	256,770	285,461	296,376

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	Information provider services, etc.

6. Major Business Locations of the Group

- (1) The company: SEGA SAMMY HOLDINGS INC.
Head Office (Minato-ku, Tokyo)
- (2) Office of the main subsidiaries
 - ① Sammy Corporation
Head Office (Toshima-ku, Tokyo)
Kawagoe Factory (Kawagoe, Saitama)
Branches (8 Branches)
 - ② SEGA CORPORATION
Head Office (Ohta-ku, Tokyo)
Amusement Center Operating Locations: (199 locations)
- (3) Employees of the Group
Number of employees (change from end of previous year) 6,700 (700 up)
Note: The number of employees includes full-time staff and staff on loan, but not temporary employees.

7. Material Parent Company and Subsidiaries

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

Company	Capital	Percentage ratio of issued shares	Main business
Sammy Corporation	¥18,221 million	100.0%	Development/manufacture/sales of pachislot and pachinko machines
SEGA CORPORATION	¥60,000 million	100.0%	Development/manufacture/sales of game machines used in amusement arcades Development/operations of amusement centers Development/sales of home videogame software
RODEO Co., Ltd.	¥100 million	65.0% (Note)	Development/manufacture/sales of pachislot machines

Company	Capital	Percentage ratio of issued shares	Main business
Sammy Design Co., Ltd.	¥40 million	100.0% (Note)	Planning/design/construction of pachinko parlors
TAIYO ELEC Co., Ltd.	¥5,125 million	100.0% (Note)	Development/manufacture/sales of pachislot and pachinko machines
Sega Logistics Service Co., Ltd.	¥200 million	100.0% (Note)	Maintenance service, transportation and warehouse business
SEGA BeeLINK Co., Ltd.	¥100 million	100.0% (Note)	Operation of darts bars
DARTSLIVE Co., Ltd.	¥10 million	100.0% (Note)	Planning/development/sales of game equipment and game software
Sega Amusements Europe Ltd.	£ 26,485 thousand	100.0% (Note)	Import/manufacture/sales of amusement equipment
Sega of America, Inc.	US\$110,000 thousand	100.0% (Note)	Development/management/sales of home video game software
Sega Publishing America, Inc.	US\$41,900 thousand	100.0% (Note)	Sales of home video game software
Sega Europe Ltd.	£ 10,000 thousand	100.0% (Note)	Sales of home video game software
Sega Publishing Europe Ltd.	£ 0 thousand	100.0% (Note)	Sales of home video game software
Sammy NetWorks Co., Ltd.	¥2,330 million	100.0%	Planning/production 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, LTD.	¥8,816 million	100.0%	Planning/production/sales and other activities involving animated movies
MARZA ANIMATION PLANET INC.	¥100 million	100.0%	Production of computer graphics animations, planning/production of animated movies, licensing business, investment advisory business and operation/management of investment business partnership (funds), etc.
Japan Multimedia Services Corporation	¥835 million	88.9% (Note)	Information providing service, call center service and temporary staffing service
Phoenix Resort Co., Ltd.	¥93 million	100.0%	Operation of resort facilities, including hotels, spas, golf courses, restaurants and international conference halls

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

8. Main Banks and Borrowings

Lenders	Balance of loans payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥8,725 million
Sumitomo Mitsui Banking Corporation	¥7,475 million
Mitsubishi UFJ Trust and Banking Corporation	¥6,230 million
Aozora Bank, Ltd.	¥5,500 million
The Hokuriku Bank, Ltd.	¥3,770 million
The Bank of Yokohama, Ltd.	¥1,350 million
Others	¥2,196 million
Total	¥35,246 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 gives priority to returning profits to shareholders. The Company's basic policy is to pay an appropriate dividend that is commensurate with earnings.

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

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

10. Other Significant Events of the Group

There is no applicable material information for the fiscal year ended March 31, 2012.

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** **88,239**
4. **Principal shareholders (Top 10)**

Name of shareholder	Investment in SEGA SAMMY HOLDINGS	
	Shares held	Shareholding ratio (%)
Hajime Satomi	43,569,338	17.35
Mellon Bank N.A. Treaty Client Omnibus	16,640,094	6.62
FSC Co., Ltd.	14,172,840	5.64
Japan Trustee Services Bank, Ltd. (Trustee)	9,138,600	3.64
The Master Trust Bank of Japan, Ltd. (Trustee)	7,753,600	3.08
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	5,851,700	2.33
State Street Bank and Trust Company	3,211,024	1.27
Japan Trustee Services Bank, Ltd. (Trustee 9)	2,982,300	1.18
Hideo Ando	2,694,500	1.07
JPMorgan Chase Bank 385078	2,637,566	1.05

Note: Shareholding ratio was calculated excluding treasury stock (15,194,836 shares)

III Company's Share Subscription Rights

1. Outline of Share Subscription Rights Issued to the Company's Directors and Corporate Auditors as Remuneration for Their Services as of the End of the Fiscal Year Ended March 31, 2012

Date of Resolutions of the Ordinary General Meeting of Shareholders	June 30, 2010
Number of individuals with rights Company directors	4
Number of share subscription rights (Note 1)	1,720
Class of shares for share subscription rights	Common stock
Number of shares for share subscription rights	172,000
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)	¥1,312
Period for exercise of share subscription rights	August 1, 2012 – July 31, 2014
Terms and conditions for exercise of share subscription rights	(Note 2)
Matters concerning the transfer of share subscription rights	When transferring share subscription rights, approval must be obtained from the Board of Directors

Notes: 1. Number of shares of share subscription rights is 100 per the right.

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

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

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

2. Outline of Share subscription rights Issued to Company Employees or Subsidiary Directors, Corporate Auditors, or Employees as Remuneration for Their Services During the Fiscal Year Under Review

There is no pertinent matter.

IV Company Directors and Corporate Auditors

1. Directors and Corporate Auditors

Title	Name	Main Responsibilities
Chairman of the Board and Chief Executive Officer	Hajime Satomi	Chairman and CEO, Sammy Corporation Chairman and CEO, SEGA CORPORATION
Executive Vice President and Representative Director Executive for Group Communications Office, Corporate Strategy and External Affairs, Administrations Division, Group CSR Promotion Office	Keishi Nakayama	President and COO, Sammy Corporation
Director	Okitane Usui	President and COO, SEGA CORPORATION
Director	Hisao Oguchi	Senior Managing Director, Sammy Corporation
Director	Yuji Iwanaga	Attorney
Director	Takeshi Natsuno	
Standing Corporate Auditor	Tomio Kazashi	
Corporate Auditor	Toshio Hirakawa	Standing Corporate Auditor, Sammy Corporation
Corporate Auditor	Hisashi Miyazaki	Standing Corporate Auditor, SEGA CORPORATION
Corporate Auditor	Mineo Enomoto	Corporate Auditor, SEGA CORPORATION, Attorney

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

2. Director Okitane Usui resigned on March 31, 2012.

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

4. The Company has submitted an Independent Directors/Corporate Auditors Notification Form to register Standing Corporate Auditor Tomio Kazashi as Independent Director at Tokyo Stock Exchange, Inc.

5. The Company has adopted the executive officer system to speed up decision-making, strengthen oversight of business execution, and reinforce business execution functions. The Company has six executive officers: Hideo Yoshizawa, Division Manager of the Administrative Division; Koichi Fukazawa, Seiji Shintani, Takatoshi Akiba and Kenichirou Hori, the Corporate Strategy and External Affairs; Tetsushi Ikeda, Division Manager of the Group Internal Control Office, Group CSR Promotion Office and Internal Audit Office.

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

Title	Number of individuals	Remuneration, etc.
Director	6	¥578 million
Corporate Auditor	2	¥24 million
Total	8	¥602 million

Notes: 1. Remuneration, etc., includes bonuses to directors/corporate auditors in the amount of ¥153 million (¥150 million for directors, ¥3 million for corporate auditors) and stock options to directors in the amount of ¥25 million (¥25 million for directors).

2. The remuneration limit for directors is ¥600 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders on June 20, 2006.

3. The remuneration limit for corporate auditors is ¥50 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders of Sammy Corporation on June 25, 2004, and at the Ordinary General Meeting of Shareholders of SEGA CORPORATION on June 29, 2004.

3. Main Activities of Outside Directors and Corporate Auditors

Title	Name	Major Activities
Outside Director	Yuji Iwanaga	He attended 16 Board of Directors meetings out of the 16 meetings held during the year (11 out of 11 regular meetings) and expressed his opinion on professional and managerial view points as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.
Outside Director	Takeshi Natsuno	He attended 16 Board of Directors meetings out of the 16 meetings held during the year (11 out of 11 regular meetings) and expressed his opinion on managerial view points. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.
Outside Corporate Auditor	Tomio Kazashi	He attended 16 Board of Directors meetings out of the 16 meetings held during the year (11 out of 11 regular meetings) and expressed his opinion on managerial view points. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 14 Corporate Auditors meetings out of the 14 meetings held during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.
Outside Corporate Auditor	Toshio Hirakawa	He attended 16 Board of Directors meetings out of the 16 meetings held during the year (11 out of 11 regular meetings) and expressed his opinion on managerial view points. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 14 Corporate Auditors meetings out of the 14 meetings held during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.
Outside Corporate Auditor	Mineo Enomoto	He attended 15 Board of Directors meetings out of the 16 meetings held during the year (10 out of 11 regular meetings) and expressed his opinion on professional and managerial view points as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 12 Corporate Auditors meetings out of the 14 meetings held during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.

4. Liability Limitation Agreements for Outside Directors and Corporate Auditors

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

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

(Outline of Liability Limitation Agreement)

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

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

	Number of individuals	Remuneration, etc.	Remuneration, etc., from subsidiary
Total remuneration, etc., to outside Directors and Corporate Auditors	5	¥76 million	¥20 million

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

2. The remuneration, etc. includes director's bonuses in the amount of ¥5 million (¥5 million for corporate auditor), that is planned to be paid from subsidiary.

V Independent Auditors

1. Name

KPMG AZSA LLC

2. Liability Limitation Agreement with Independent Auditors

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 with independent auditors.

An outline of the content of the liability limitation agreement that the Company has entered into with KPMG AZSA LLC, the Company's independent auditor, is as follows:

(Outline of Content of Liability Limitation Agreement)

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

3. Remuneration, etc.

	Remuneration, etc
Remuneration, etc., related to the fiscal year ended March 31, 2012	¥109 million
Total of cash and other profits that should be paid to independent auditors by the Company and its subsidiaries	¥300 million

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

4. Policy Regarding Determination of Termination or Not Reappointing

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

Consolidated Balance Sheet

(As of March 31, 2012)

(Unit: millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	327,645	Current liabilities	132,398
Cash and deposits	127,721	Notes and accounts payable-trade	59,917
Notes and accounts receivable-trade	73,554	Short-term loans payable	10,194
Short-term investment securities	66,509	Current portion of bonds	23,515
Merchandise and finished goods	6,677	Income taxes payable	5,550
Work in process	6,992	Accrued expenses	12,573
Raw materials and supplies	20,890	Provision for bonuses	2,745
Income taxes receivable	6,740	Provision for directors' bonuses	917
Deferred tax assets	6,347	Provision for business restructuring	4,737
Other	12,805	Asset retirement obligations	199
Allowance for doubtful accounts	(593)	Deferred tax liabilities	0
Noncurrent assets	169,805	Other	12,046
Property, plant and equipment	78,173	Noncurrent liabilities	68,676
Buildings and structures, net	22,370	Bonds payable	11,943
Amusement machines and facilities, net	5,701	Long-term loans payable	25,052
Land	29,457	Provision for retirement benefits	14,527
Construction in progress	12,608	Provision for directors' retirement benefits	293
Other, net	8,035	Deferred tax liabilities	3,498
Intangible assets	21,308	Deferred tax liabilities for land revaluation	846
Goodwill	10,790	Asset retirement obligations	1,943
Other	10,517	Other	10,572
Investments and other assets	70,324	Total liabilities	201,075
Investment securities	52,725	Net assets	
Long-term loans receivable	291	Shareholders' equity	298,456
Lease and guarantee deposits	13,057	Capital stock	29,953
Deferred tax assets	357	Capital surplus	119,397
Other	5,131	Retained earnings	175,173
Allowance for doubtful accounts	(1,239)	Treasury stock	(26,067)
		Accumulated other comprehensive income	(5,350)
		Valuation difference on available-for-sale securities	18,872
		Revaluation reserve for land	(4,541)
		Foreign currency translation adjustment	(19,681)
		Subscription rights to shares	991
		Minority interests	2,279
		Total net assets	296,376
Total assets	497,451	Total liabilities and net assets	497,451

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

Consolidated Statement of Income

(From April 1, 2011 To March 31, 2012)

(Unit: millions of yen)

Item	Amount	
Net sales		395,502
Cost of sales		233,839
Gross profit		161,663
Selling, general and administrative expenses		103,279
Operating income		58,384
Non-operating income		
Interest income	386	
Dividends income	495	
Gain on investments in partnership	507	
Income from operation of lease asset	88	
Gain on valuation of derivatives	18	
Other	562	2,058
Non-operating expenses		
Interest expenses	676	
Equity in losses of affiliates	8	
Sales discounts	33	
Commission fee	481	
Provision of allowance for doubtful accounts	2	
Loss on investments in partnership	140	
Foreign exchange losses	210	
Penalty payment for cancellation of game center lease	2	
Other	721	2,278
Ordinary income		58,164

(Unit: millions of yen)

Item	Amount	
Extraordinary income		
Gain on sales of noncurrent assets	163	
Gain on sales of subsidiaries and affiliates' stocks	173	
Gain on sales of investment securities	56	
Reversal of recovery costs of video game arcades	1	
Gain on negative goodwill	2,152	
Gain on liquidation of subsidiaries and affiliates	489	
Other	346	3,382
Extraordinary loss		
Loss on sales of noncurrent assets	2	
Impairment loss	3,341	
Loss on valuation of investment securities	189	
Loss on liquidation of subsidiaries	5	
Amortization of goodwill	3,363	
The settlement payment for patent licensing	3,500	
Restructuring loss	6,308	
Other	1,866	18,577
Income before income taxes and minority interests		42,969
Income taxes-current	13,056	
Income taxes-deferred	7,465	20,522
Income before minority interests		22,446
Minority interests in income		626
Net income		21,820

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, 2011 To March 31, 2012)

(Unit: millions of yen)

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

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

(Unit: millions of yen)

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

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

Independent Auditors' Report

May 9, 2012

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

Satoshi Nakaizumi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Michitaka Shishido
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroyuki Nakamura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SEGA SAMMY HOLDINGS INC. as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 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, 2012)

(Unit: millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	51,048	Current liabilities	33,271
Cash and deposits	12,967	Short-term loans payable	10,000
Accounts receivable-trade	399	Current portion of long-term loans payable	6,400
Short-term investment securities	13,306	Accounts payable-other	7,224
Prepaid expenses	214	Income taxes payable	6
Short-term loans receivable from subsidiaries and affiliates	8,978	Accrued expenses	332
Accounts receivable-other	8,809	Deposits received	8,913
Income taxes receivable	6,274	Unearned revenue	19
Deferred tax assets	41	Provision for bonuses	140
Other	57	Provision for directors' bonuses	153
Noncurrent assets	352,026	Other	82
Property, plant and equipment	6,651	Noncurrent liabilities	33,324
Buildings, net	911	Long-term loans payable	22,400
Structures, net	760	Provision for retirement benefits	62
Machinery and equipment, net	4	Deferred tax liabilities	10,546
Vehicles, net	28	Other	315
Tools, furniture and fixtures, net	407	Total liabilities	66,595
Land	1,418	Net assets	
Construction in progress	3,121	Shareholders' equity	317,243
Intangible assets	13	Capital stock	29,953
Right of trademark	5	Capital surplus	192,380
Software	5	Legal capital surplus	29,945
Other	2	Other capital surplus	162,435
Investments and other assets	345,361	Retained earnings	121,307
Investment securities	42,818	Other retained earnings	121,307
Stocks of subsidiaries and affiliates	300,796	Retained earnings brought forward	121,307
Investments in other securities of subsidiaries and affiliates	296	Treasury stock	(26,397)
Long-term loans receivable from subsidiaries and affiliates	613	Valuation and translation adjustments	18,245
Long-term prepaid expenses	43	Valuation difference on available-for-sale securities	18,245
Other	793	Subscription rights to shares	991
		Total net assets	336,480
Total assets	403,075	Total liabilities and net assets	403,075

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

Non-Consolidated Statement of Income

(From April 1, 2011 To March 31, 2012)

(Unit: millions of yen)

Item	Amount	
Operating revenue		
Consulting fee income	4,560	
Dividends income	3,632	8,192
Operating expenses		
Operating expenses	5,797	5,797
Operating income		2,395
Non-operating income		
Interest income	76	
Interest on securities	13	
Dividends income	399	
Gain on investments in partnership	112	
Income from operation of lease asset	88	
Other	38	728
Non-operating expenses		
Interest expenses	213	
Commission fee	400	
Foreign exchange losses	149	
Other	25	789
Ordinary income		2,333
Extraordinary income		
Gain on sales of noncurrent assets	0	
Gain on sales of investment securities	25	25
Extraordinary loss		
Loss on valuation of stocks of subsidiaries and affiliates	5,648	
Loss on valuation of investment securities	138	
Loss on disaster	1	5,788
Income before income taxes		3,428
Income taxes-current	(7,006)	
Income taxes-deferred	5,961	(1,044)
Net income		2,384

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, 2011 To March 31, 2012)

(Unit: millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balances as of April 1, 2011	29,953	29,945	163,302	193,247
Changes of items during the period				
Dividends from surplus				
Net loss				
Reissuance of treasury stock to third parties			(866)	(866)
Purchase of treasury stock				
Disposal of treasury stock			(0)	(0)
Total changes of items during the period	-	-	(867)	(867)
Balances as of March 31, 2012	29,953	29,945	162,435	192,380

	Shareholders' equity			
	Retained earnings		Treasury stock	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balances as of April 1, 2011	133,748	133,748	(25,804)	331,145
Changes of items during the period				
Dividends from surplus	(10,057)	(10,057)		(10,057)
Net loss	(2,384)	(2,384)		(2,384)
Reissuance of treasury stock to third parties			7,869	7,002
Purchase of treasury stock			(8,469)	(8,469)
Disposal of treasury stock			6	6
Total changes of items during the period	(12,441)	(12,441)	(593)	(13,902)
Balances as of March 31, 2012	121,307	121,307	(26,397)	317,243

	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, 2011	10,902	10,902	406	342,454
Changes of items during the period				
Dividends from surplus				(10,057)
Net loss				(2,384)
Reissuance of treasury stock to third parties				7,002
Purchase of treasury stock				(8,469)
Disposal of treasury stock				6
Net changes of items other than shareholders' equity	7,342	7,342	585	7,928
Total changes of items during the period	7,342	7,342	585	(5,974)
Balances as of March 31, 2012	18,245	18,245	991	336,480

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

Independent Auditors' Report

May 9, 2012

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

Satoshi Nakaizumi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Michitaka Shishido
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hiroyuki Nakamura
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of SEGA SAMMY HOLDINGS INC. as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Audit Report

The Board of Corporate Auditors has received the reports of the audit procedures and results concerning the execution of the duties of the Directors during the 8th fiscal year from April 1, 2011 through March 31, 2012 prepared by each of the auditors. After discussing the reports, we have prepared this Audit Report and report as follows.

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

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

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

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

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

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

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

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

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

2. Result of audit

(1) The Report of Business Operations

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

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

- 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 10, 2011
Board of Corporate Auditors,
SEGA SAMMY HOLDINGS INC.
Tomio Kazashi, Standing Corporate Auditor
(Outside Auditor)
Toshio Hirakawa, Corporate Auditor
(Outside Auditor)
Hisashi Miyazaki, Corporate Auditor
Mineo Enomoto, Corporate Auditor
(Outside Auditor)

Reference Documents for General Meeting of Shareholders

Proposals and reference information

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

1. Reasons for the amendments

In accordance with the conversion of Phoenix Resort K.K. into a wholly owned subsidiary of the Company through the acquisition of all outstanding shares of the company in March 2012, the business purposes stipulated in the Articles of Incorporation of the wholly owned subsidiary shall be added to the business purposes of companies in which the Company holds shares as stipulated in Article 2 of the Articles of Incorporation of the Company.

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
<p>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:</p> <p>(1) to (9) (Omitted)</p> <p>(10) Planning, design and administration of various facilities, such as commercial and industrial facilities, and educational facilities, and displays</p> <p>(11) (Omitted)</p> <p>(12) Building maintenance and providing invitation of and guidance to member shops on franchise systems and marketing of cleanup products (carpets, mops, cloth, rolls of towels, air fresheners for bathrooms and home, air purifiers, and water purifiers) and lease thereof;</p> <p>(13) Operation of amusement centers, game arcades, amusement parks, <u>hotels, Japanese-style inns, catering establishments, golf courses, sports facilities, spa 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;</u></p> <p>(14) Planning, management and operation of a variety of events such as theater plays, theatrical entertainment, movies and concerts;</p> <p>(15) to (30) (Omitted)</p> <p>(31) Serving as a non-life insurance agent <u>and</u> conducting operations concerning the collection of life insurances;</p> <p>(32) to (39) (Omitted) (New)</p>	<p>Article 2 (Purpose) (Not amended)</p> <p>(1) to (9) (Not amended)</p> <p>(10) Planning, design, <u>construction</u> and administration of various facilities, such as commercial and industrial facilities, educational facilities, <u>building equipment</u> and displays;</p> <p>(11) (Not amended)</p> <p>(12) Maintenance of <u>buildings and other related facilities, as well as providing invitation of and guidance to member shops on franchise systems and marketing of cleanup products (carpets, mops, cloth, rolls of towels, air fresheners for bathrooms and home, air purifiers, and water purifiers) and lease thereof;</u></p> <p>(13) Operation of <u>entertainment facilities</u> such as amusement centers, game arcades and amusement parks, <u>hotel facilities, restaurants, golf courses, sports facilities, shopping facilities, cultural facilities, spa facilities, healthcare facilities,</u> Karaoke facilities, parking facilities and car washes; and recruitment and support of franchisees, and sale of franchises through a franchise system of those businesses listed above;</p> <p>(14) Planning, management and operation of a variety of events such as <u>sports, entertainment,</u> theater plays, theatrical entertainment, movies and concerts;</p> <p>(15) to (30) (Not amended)</p> <p>(31) Serving as a non-life insurance agent <u>and</u> conducting operations concerning the collection of life insurance, <u>as well as agent business under the Automobile Liability Security Law;</u></p> <p>(32) to (39) (Not amended)</p> <p>(40) <u>Management of conference halls and planning and management of meetings;</u></p>

Present Articles of Incorporation	Proposed Amendment
(New)	(41) <u>Ground, marine and air transportation and agent business thereof;</u>
(New)	(42) <u>Trading in the following items:</u>
	1) <u>Souvenirs, crafts and farm and marine products;</u>
	2) <u>Petroleum and other fuels and their products;</u>
	3) <u>Vehicles, vehicle parts and vehicle supplies;</u>
	4) <u>Machinery, equipment and parts thereof;</u>
	5) <u>Paper pulp and paper products;</u>
	6) <u>Plastic products, textile products and household goods;</u>
	7) <u>Agricultural and marine products and related processed products</u>
(New)	(43) <u>Processing, repairs and contracting work thereof for the products set forth in 2) through 7) of the preceding paragraph;</u>
(New)	(44) <u>Businesses concerning rights for mineral springs;</u>
(New)	(45) <u>Trading in antiques;</u>
(New)	(46) <u>Warehousing;</u>
(New)	(47) <u>Information and software provision service through domestic and global VAN (value added network);</u>
(New)	(48) <u>Gardening construction and forestry management businesses;</u>
(New)	(49) <u>Laundry business; and</u>
(New)	(50) <u>Tour business under the Travel Agency Law.</u>
2.	2.
(Omitted)	(Not amended)

Proposal 2: To elect seven (7) Directors

The terms of office of all five (5) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. We are seeking the election of seven (7) Directors, two (2) of which are Outside 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. (current position)</p> <p>Feb 2004 Chairman and Representative Director of SEGA CORPORATION</p> <p>May 2004 Chairman of JAMMA (Japan Amusement Machinery Manufacturers' Association) (current position)</p> <p>Jun 2004 Chairman, Representative Director and Chief Executive Officer of Sammy Corporation</p> <p>Jun 2004 Chairman, CEO and Representative Director of SEGA CORPORATION</p> <p>Oct 2004 Chairman of the Board and Chief Executive Officer of the Company (current position)</p> <p>Mar 2005 Senior Advisor to Nichiyukyo (Japan Play Equipment Industry Association) (current position)</p> <p>May 2005 Advisor to NDK (Japan Electric Game Manufacturers' Association)</p> <p>Jun 2005 Chairman and Director of SEGA TOYS, CO., LTD. (current position)</p> <p>Jun 2005 Chairman and Director of TMS ENTERTAINMENT, LTD. (current position)</p> <p>Dec 2006 Chairman of Japan Amusement Industry Association (current position)</p> <p>May 2007 Chairman of NDK (current position)</p> <p>Jun 2007 President, Representative Director, Chief Executive Officer and Chief Operating Officer of SEGA CORPORATION</p> <p>May 2008 Chairman, Representative Director and Chief Executive Officer of the above (current position)</p> <p>Mar 2012 Outside Director of Phoenix resort Co., Ltd.</p> <p>Apr 2012 Chairman of Sammy Corporation (current position)</p> <p>May 2012 Director of Phoenix resort Co., Ltd. (current position)</p>	43,569,338 shares
2	Keishi Nakayama (July 23, 1942)	<p>Sep 1989 Joined Sammy Industry Co., Ltd. (now Sammy Corporation) as Division Manager of the General Affairs Division</p> <p>Jun 1993 Director and General Manager of the President's Office of the above</p> <p>Jan 2000 Managing Director and General Manager of the President's Office of the above</p> <p>Mar 2004 Senior Managing Director in charge of the President's Office of Sammy Corporation</p> <p>Oct 2004 Senior Managing Director of the Company</p> <p>Apr 2005 Director of SEGA SAMMY GOLF ENTERTAINMENT INC.</p> <p>Jun 2005 Executive Vice President and Director of the Company</p> <p>Jul 2006 Chairman and Director of SEGA SAMMY GOLF ENTERTAINMENT INC. (current position)</p> <p>Jun 2007 Executive Vice President and Representative Director of the Company (current position)</p> <p>May 2008 President, Representative Director and Chief Operating Officer of Sammy Corporation</p> <p>May 2008 Chairman and Director of WAVEMASTER, INC. (current position)</p> <p>Mar 2011 Director of Sammy NetWorks Co., Ltd. (current position)</p> <p>Apr 2012 Vice Chairman, Representative Director and Chief Executive Officer of Sammy Corporation (current position)</p>	400,100 shares

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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	*Naoya Tsurumi (February 8, 1958)	<p>Mar 1992 Joined Sega Enterprises, Ltd. (now SEGA CORPORATION)</p> <p>Dec 2004 Executive Officer, SEGA CORPORATION</p> <p>Sep 2005 SEGA PUBLISHING EUROPE LTD. CEO (current position)</p> <p>Jun 2006 Senior Executive Officer, SEGA CORPORATION</p> <p>Jun 2006 Sega Holdings U.S.A., Inc. CEO and President (current position)</p> <p>Oct 2006 SEGA OF AMERICA, INC. Chairman (current position)</p> <p>Oct 2006 SEGA PUBLISHING AMERICA, INC. Chairman (current position)</p> <p>May 2007 Senior Executive Officer, SEGA CORPORATION, General Manager of Europe and US Consumer Business Div.</p> <p>May 2008 Director, General Manager of Overseas Consumer Business Div.</p> <p>May 2009 Director, General Manager of Consumer Business Div.</p> <p>Jun 2009 Managing Director, General Manager of Consumer Business Div.</p> <p>Sep 2009 SEGA EUROPE LTD. Chairman (current position)</p> <p>Jul 2010 Managing Director, General Manager of Sega International</p> <p>Aug 2010 SEGA AMUSEMENT EUROPE LTD. CEO (current position)</p> <p>Jun 2011 Managing Director, General Manager of Sega International and Global Consumer Business</p> <p>Apr 2012 President, Representative Director (COO) (current position)</p>	—
4	Hisao Oguchi (March 5, 1960)	<p>Apr 1984 Joined Sega Enterprises, Ltd. (now SEGA CORPORATION)</p> <p>Jun 2000 Corporate Officer of the above</p> <p>Jun 2002 Senior Corporate Officer of the above</p> <p>Jun 2003 President and Representative Director of the above</p> <p>Jun 2004 President, COO and Representative Director of the above</p> <p>Oct 2004 Vice Chairman and Director of the Company</p> <p>Aug 2005 CEO of SEGA HOLDINGS EUROPE LTD.</p> <p>May 2006 Chairman of SEGA HOLDINGS U.S.A., Inc.</p> <p>Jun 2007 Executive Vice President and Representative Director of SEGA CORPORATION</p> <p>Feb 2008 Representative Director of the above</p> <p>May 2008 Director of the above</p> <p>May 2008 Director of Sammy Corporation</p> <p>Jun 2008 CCO and Director of SEGA CORPORATION</p> <p>Jun 2008 CCO and Director of the Company (current position)</p> <p>Apr 2009 Senior Managing Director of Sammy Corporation</p> <p>Jun 2009 Director of SEGASAMMY VISUAL ENTERTAINMENT INC. (now MARZA ANIMATION PLANET INC.) (current position)</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 (current position)</p>	22,400 shares

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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
5	*Haruki Satomi (January 11, 1979)	Apr 2001 Joined KOKUSAI Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) Mar 2004 Joined Sammy Corporation Jan 2005 Joined SEGA CORPORATION Oct 2005 Sega of America, Inc. Director Oct 2005 Sega Holdings U.S.A., Inc. Director Jul 2009 Sega of America, Inc., Vice President of Digital Business Oct 2011 Sega of America, Inc., Senior Vice President of Digital Business (current position) Nov 2011 Director, Sammy NetWorks Co., Ltd. Apr 2012 President, Representative Director (CEO) (current position)	470,448 shares
6	Yuji Iwanaga (April 3, 1941)	Apr 1964 Joined Tohato Inc. Sep 1970 Joined General Aircon Inc. Apr 1981 Registered with The Japan Federation of Bar Associations (current position) Apr 1981 Joined Yanagita Sakuragi Law Office Sep 1984 Partner of Lillick McHose and Charles Law Office (Now Pilsbury Winthrop Shaw Pittman LLP) (current position) Dec 1984 Registered with the State Bar of California (current position) Apr 2003 Outside Director of Manufacturers Bank Jun 2005 Outside Director of JMS North America Corporation (current position) Jun 2006 Outside Director of TAIYO YUDEN Co., Ltd. (current position) Jun 2007 Outside Director of the Company (current position)	—
7	Takeshi Natsuno (March 17, 1965)	Apr 1988 Joined Tokyo Gas Co., Ltd. Sep 1997 Joined NTT Mobile Communications Network, Inc. (now NTT DoCoMo, Inc.) Jun 2005 Senior Vice President, Managing Director, Multimedia Services Department of NTT DoCoMo, Inc. May 2008 Guest Professor, Media and Governance of Keio University (current position) Jun 2008 Outside Director of the Company (current position) Jun 2008 Director of PIA Corporation (current position) Jun 2008 Outside Director of transcocosmos inc. (current position) Jun 2008 Director of NTT Resonant Inc. (current position) Jun 2008 Director of SBI Holdings, Inc. (current position) Dec 2008 Director of DWANGO Co., Ltd. (current position) Jun 2009 Outside Director of DLE, Inc. (current position) Sep 2009 Outside Director of GREE, Inc. (current position) Jan 2010 Outside Director of bitWallet, Inc. (current position) Dec 2010 Director of U-NEXT (current position) Apr 2011 Outside Director of CUUSO SYSTEM Co., Ltd. (current position)	2,000 shares

(Nominees marked with “*” are new nominees for Director)

- Notes:
1. Business arrangements including a lease agreement exist between Hajime Satomi and the Company.
 2. There are no special interests between the Company and the other Director-nominees.
 3. Haruki Satomi is expected to be appointed President and CEO and Representative Director of SEGA Networks, Ltd., an “incorporated company in incorporation –type split,” with SEGA CORPORATION, the “transferring company,” transferring a part of the company’s business, on July 2, 2012.
 4. Yuji Iwanaga and Takeshi Natsuno are Outside Director-nominees, and the Company plans to notify the Tokyo Stock Exchange of their inauguration as Independent Directors based on the Rules of TSE.
 5. 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 lawyer. 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.
 6. 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.
 7. Mr. Iwanaga and Mr. Natsuno shall have served as Outside Directors of the Company for five years and four years, respectively, at the conclusion of this Ordinary General Meeting of Shareholders.

Proposal 3: To change the amount of remuneration of Directors

The current annual remuneration amount to Directors was approved to be within ¥600 million (not including the employee salary portion for those that serve concurrently as an employee and director) at the 2nd Ordinary General Meeting of Shareholders held on June 20, 2006. However, we hereby propose revising the annual remuneration amount to Directors to be within ¥1.0 billion for the purpose of paying remuneration that factors in the consolidated operating results of the Group, in addition to the fixed remuneration for Directors, as an incentive to facilitate management that is geared toward improving corporate value of the Group. We are also taking into consideration the increase in remuneration amount in accordance with the change in the number of Directors, since the number of Directors will increase to seven from the current five when Proposal 2 is approved as originally proposed at the 8th Ordinary General Meeting of Shareholders.

As in the past, the employee salary portion for those who serve concurrently as an employee and director shall not be included in the remuneration amount to Directors.

Proposal 4: To issue share subscription rights to directors as stock options

The current annual remuneration amount to Directors was approved to be within ¥600 million (not including the employee salary portion for those that serve concurrently as an employee and director) at the 2nd Ordinary General Meeting of Shareholders held on June 20, 2006. We propose issuing share subscription rights as Stock Options to the Directors excluding Outside Directors, of the Company to be within the annual amount of ¥150 million in addition to the above-mentioned remuneration for Directors.

This remuneration does not include the employee salary portion in the case of directors who concurrently serve as employees.

Currently the number of Directors excluding Outside Directors is three (3). If Proposal 2 is approved as originally proposed, the number will increase to five (5).

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

The stock options are 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 shares. If it is appropriate to adjust the number of shares because of a merger, issuance of subscription shares, a split of the company, 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 acquired upon exercise of the share subscription rights

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

If it is appropriate to adjust the number of shares because of a merger, issuance of subscription shares, a split of the company, 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 to be contributed per share upon the exercise of the share subscription rights (hereinafter referred to as the "Exercise Price") by the number of shares of 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 common 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 number of shares because of a merger, issuance of subscription shares, a split of the company, 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 when the share subscription rights were allotted.

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

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A person who received the allotment of the share subscription rights must be a Director of the Company or in a position equivalent to this even when the share subscription rights are exercised. However, this does not apply to a case where there is a valid reason for 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 transfer

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

(9) 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.

Venue of the 8th Ordinary General Meeting of Shareholders

- 1. Date and time:** Tuesday, June 19, 2012 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. Phone:** +81-3-5400-1111 (Main Number)
4. Website: <http://www.princehotels.co.jp/parktower/>

The venue for this year is The Prince Park Tower Tokyo.
Please note that the venue for this year is NOT The Prince Hotel Tokyo.

Access by Rail

- 2-minute walk from the Akabanebashi Exit of Akabanebashi Station (Oedo Line)
- 3-minute walk from the A4 Exit of Shibakoen Station (Mita Line)

* You are strongly advised to take public transportation on the day of the Meeting, as congestion is expected on the streets and parking areas surrounding the venue.