To the Shareholders

Items Posted on Internet Concerning

Notice of the 8th Ordinary General Meeting of Shareholders

May 28, 2012

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/library/data.html).
Information in English will be posted on our English website (http://www.segasammy.co.jp/english/ir/library/data.html).english/ir/library/data.html).

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

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

(1) System to Ensure the Efficient Implementation of Directors’ Duties and Compliance with Laws and the Articles of Incorporation
Establish a Group CSR Charter and Group Code of Conduct, and Representative Directors will repeatedly communicate the spirit of such charter and code to employees in administrative post, in order to thoroughly establish compliance with laws as a condition for all corporate activities. These efforts will reflect the Company’s fundamental policy of fulfilling its social responsibility as a member of society and provide a basis for establishing a compliance system that comprises such policy. In addition, in the interest of further strengthening corporate governance, the Board of Directors will make efforts to build an effective internal controls system and to secure a system for compliance with laws and the Articles of Incorporation for the Company as a whole, so that the Company’s business execution is appropriate and sound. Also, the Board of Corporate Auditors will audit the effectiveness and functionality of this internal controls system, and make efforts to identify and correct issues early through regular inspection.

(2) System Related to the Retention and Management of Information Related to the Implementation of Directors’ Duties
Representative Directors will appoint the Director in charge of the Administrative Division as the person in charge of the entire Company with respect to preservation and management of information related to execution of Directors’ duties. Information related to execution of Directors’ duties will be recorded in writing or electronic media based on the Company regulations etc., and preserved and managed so that the Directors and Corporate Auditors are able to appropriately and accurately view such information and also so that such information is easy to search.

(3) Regulations and Other Systems Regarding Risk Management for Losses
With respect to risks related to the Company’s business, each relevant division and department will analyze and identify anticipated risks and clarify the risk management system. The Internal Audit Department and Internal Control Department will audit each division’s and department’s risk management and report the results regularly to the management decision-making body and executive and supervisory management organization. In the event of a situation likely to have a severe impact on the Group, crisis management teams of the Company and the Group companies shall cooperate to discuss about countermeasures for prompt and effective actions.

(4) System to Ensure that Directors’ Duties are Implemented Efficiently
Adopt a corporate auditor system for efficient implementation of Directors’ duties, as well as for Company Directors and Corporate Auditors to be well-informed about the Group’s businesses and promptly and appropriately make decisions for the Group. The system should also enable appropriate and efficient implementation of duties under rules related to authorities and decision-making based on the Regulations of the Board of Directors, and so forth.

(5) System to Ensure Appropriate Compliance with Law, and the Articles of Incorporation Concerning the Performance of Employees’ Duties
① Grant the Corporate Governance Committee, which governs the Company’s and Group’s compliance related governing functions. Employees in administrative posts can act in compliance with law, the Articles of Incorporation, Company regulations, and social norms. Make the foregoing known thoroughly inside the Company and promote compliance.
② Establish a “Hot Line” system that enables an employee to report in the interest of public good any violation of law, the Articles of Incorporation, Company regulations, or conduct in violation of social norms. Also establish a system that enables the person in charge promptly to report any material matters to the Board of Directors and Board of Corporate Auditors. Also, protect such an informant, and authorize the Company Compliance Department and so forth, and outside counsel as recipients of an informant’s report outside the ordinary reporting line, as part of a system that maintains transparency and accurately addresses relevant issues.

(6) System to Ensure that the Businesses of the Group, Comprised of the Company, its Parent, and its Subsidiaries, are Executed Properly
Hold meetings for the Group's Directors and Group's Corporate Auditors, where various problems in the Group or governance matters with material risks are addressed. The Company's department in charge of internal audit will conduct audits for the benefit of the Group as a whole, and efforts will be made to ensure to the extent possible that information is shared among members of the Group and businesses are properly executed.

(7) Matters Regarding Employees whom Corporate Auditors Request to Assist them in the Performance of their Duties
Establish a Corporate Auditor's Office as an organization that reports directly to the Board of Corporate Auditors and employees in such office will assist the Corporate Auditors' duties under their direction and order.

(8) Matters Related to the Independence of Corporate Auditors' Staff from Directors Described in the Previous Clause
① An employee who assists a Corporate Auditor's duties is a dedicated employee who is not directed or supervised by Directors.
② Appointment, termination, personnel transfer, evaluation, disciplinary action, revision of wages, and so forth, of or involving employees described in the previous section will require prior agreement of the Board of Corporate Auditors.

(9) System to Enable Directors or Employees to Report to Corporate Auditors, and other Systems Related to Reporting to Corporate Auditors
① Directors and employees promptly must report to the Board of Corporate Auditors material violations of law or the Articles of Incorporation or illegal conduct related to performance of duties or risks of conspicuous harm to the Company that they learn.
② Directors and employees must report promptly to the Board of Corporate Auditors decisions that materially affect the Company's business or organization, results of internal audits, or results of evaluation of the internal control system associated with financial reports.

(10) Systems Established to Ensure the Efficacious Performance of Auditing Responsibilities by Corporate Auditors
① Representative Directors regularly will meet with Corporate Auditors, exchange opinions related to Company management, in addition to business reports, and otherwise communicate effectively with them.
② The Board of Directors will ensure Corporate Auditors' participation in important work-related meetings to ensure that the Company's business is executed properly.
③ The Board of Corporate Auditors will use attorneys, certified public accountants, and other outside advisors, as necessary for itself, and its opportunities to receive advice related to audit work will be guaranteed.

2. Notes to Consolidated Financial Statements

I Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

Number of consolidated subsidiaries 63

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

Effective as of the fiscal year ended March 31, 2012, the following became the Company's consolidated subsidiaries; Phoenix Resort Co., Ltd. and one other company, because of the Company's acquisition of the shareholdings; Sega Jinwin (Shanghai) Amusements Co., Ltd. and one other company, because of the increase of importance; D×L CREATION Co., Ltd. and one other company, which were newly established with the Company's investment.

Effective as of the fiscal year ended March 31, 2012, the following have been excluded from the scope of consolidation; REALUS INC. and four other companies, because of sale of the group companies' shareholdings; Sega Amusements U.S.A., Inc. and four other companies, because of its liquidation; patina Co., Ltd., because of its merger with SAKO Co., Ltd. (accordingly changing its trade name to patina Co., Ltd.).

Number of non-consolidated subsidiaries 12

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

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

(2) Application of the Equity Method

Number of equity-method non-consolidated subsidiaries 3

Main equity-method non-consolidated subsidiaries: DARTSLIVE INTERNATIONAL Ltd. etc.

From the fiscal year ended March 31, 2012, the following were included in the scope of application of equity-method; DARTSLIVE INTERNATIONAL Ltd., which was newly established with the Company's investment; DARTSLIVE ASIA Ltd. and one other company, because of the increase of importance.

Number of equity-method affiliates 9

Main equity-method affiliates: INTERLIFE HOLDINGS CO., LTD., CRI Middleware Co., Ltd., etc.

Number of non-consolidated subsidiaries and affiliates not accounted for by the equity method 16

Main non-consolidated subsidiaries and affiliates not accounted for by the equity method:
Liverpool Co., Ltd. etc.

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

(3) Fiscal Year for Consolidated Subsidiaries

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

Consolidated subsidiary	Fiscal year-end
Sega Amusements Taiwan Ltd.	December 31
Shanghai New World Sega Recreation Co., Ltd.	December 31
Sega Beijing Mobile Entertainment Co., Ltd.	December 31
Sega Jinwin (Shanghai) Amusements Co., Ltd.	December 31
Three investment in partnerships, etc.	December 31

(4) Accounting Standards

① Valuation standards and accounting treatment for important assets

a. Held-to-maturity debt securities are stated at amortized cost (the straight - line method).

b. Other marketable securities

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

c. Other securities without quoted market prices are carried at cost, which is determined by the moving-average method.

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

d. Derivatives

Derivatives are stated at fair market value.

e. Inventories

Inventories are stated at cost, cost being determined mainly by the gross-average method (With regard to the amounts stated in the balance sheet, the method of book value devaluation based on decline in profitability is used).

Also, work in process is stated at cost, cost being determined mainly by the specific identification method (With regard to the amounts stated in the balance sheet, the method of book value devaluation based on decline in profitability is used).

② Method for depreciating and amortizing important assets

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

Depreciation is calculated primarily using the declining-balance method.

However, buildings (excluding attached equipment) acquired after April 1, 1998 are depreciated using the straight-line method.

Useful life for primary assets is as follows:

Building/Structure: 2-50 years

Amusement game machines: 2-5 years

Regarding buildings and structures built on land leased under term leasehold contracts, the straight-line method is used with the remaining lease period as the useful life and the residual value as zero.

Regarding property, plant and equipment acquired on or before March 31, 2007, the residual values are depreciated in accordance with the revised Corporation Tax Law. When the depreciated value of a property, plant and equipment reaches residual values in a certain fiscal year, the residual values of the asset is depreciated in an equal amount over five years from the next fiscal year.

b. Intangible assets (excluding lease assets):

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

c. Lease assets

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

Depreciation method for such assets is the same as that which applied to property, plant and equipment owned by the Company.
Lease assets involving finance lease transactions of which the ownership is not transferred to lessees:
Depreciation method is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.

③ Accounting for deferred assets
Founding expense : All expenses are expensed when incurred.
Stock issue expense : All expenses are expensed when incurred.
Bond issue expense : All expenses are expensed when incurred.

④ Accounting for allowances and provisions
a. Allowance for doubtful accounts
The reserve for doubtful accounts is provided in amount sufficient to cover possible losses estimated as a historical write-off ratio of bad debts for general receivables. Allowance for doubtful accounts and bankrupt receivables are calculated on an individual assessment of the possibility of collection.
b. Provision for bonuses
Accrued employees' bonuses are provided based on the estimated amount to be paid.
c. Provision for directors' bonuses
The estimated amount of bonuses was recorded to meet the bonus payments to Directors and Corporate Auditors.
d. Provision for business restructuring
Of the expenses expected to incur in connection with business restructuring, those recognized to have incurred in the fiscal year are recorded.
e. Provision for retirement benefits
The Company and its consolidated subsidiaries provide provision for retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service cost is charged to income when incurred except for SEGA CORPORATION and three other subsidiaries that recognize prior service cost as expenses using the straight-line method over ten years. Actuarial gains and losses are charged to income in the succeeding period except for SEGA CORPORATION and three other subsidiaries that recognize actuarial gains and losses as expenses using the straight-line method over ten years commencing from the succeeding period.
f. Provision for directors' retirement benefits
The Company and certain domestic consolidated subsidiaries provide provision for directors' retirement benefits to adequately cover payment of such benefits at the end of the applicable period in accordance with internal regulations.

⑤ Accounting for significant hedge
a. Hedge accounting
The Company adopts deferred hedge accounting. However, special treatment (under special treatment, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed) is used for qualifying interest rate swap transactions. Moreover, allocation hedge accounting is applied to qualifying foreign exchange forward contracts.
b. Hedging instruments and hedged items
Hedging instrument: Interest rate swaps, foreign currency forward contracts
Hedged item: Interest on debts, receivables and payables denominated in foreign currencies
c. Hedge policy
Derivative instruments are used to mitigate risks associated with foreign currency exchange and interest rate fluctuations.
As a rule, hedging is only used for items in which actual demand exists, and not for speculative purposes.
d. Evaluation of hedge effectiveness
Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations

in the market between the hedged item and hedging instrument. For interest rate swaps applied to special treatment, hedge effectiveness is not evaluated.

⑥ Amortization method and period of goodwill
If the duration of the effect of goodwill can be rationally estimated, amortization is made over the estimated number of years. In other cases, amortization is made over a five-year-period by the straight line method.

⑦ Accounting method for consumption taxes
Consumption taxes and local consumption taxes are accounted using the net-of-tax method.

⑧ Application of the Consolidated Taxation System
The Company applied the Consolidated Taxation System from the fiscal year ended March 31, 2012.

(5) Additional information

① For accounting changes and corrections of prior period errors which are made after the beginning of the fiscal year ended March 31, 2012, "Accounting Standard for Accounting Changes and Error Corrections"(Accounting Standards Board of Japan (ASBJ) Statement No.24, issued on December 4, 2009) and " Guidance on Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

② Due to the promulgation on December 2, 2011, of The Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114 of 2011), and The Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Tohoku Earthquake (Law No.117 of 2011), for fiscal years beginning on or after April 1, 2012, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted.
As a result of this tax rate change, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥795 million, income taxes-deferred increased by ¥869 million, valuation difference on available-for-sale securities increased by ¥1,552 million and revaluation reserve for land increased by ¥112 million.

II Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥160,419 million

(2) Assets pledged

Assets pledged		Covered for liabilities	
Buildings / Structures	¥243 million	Short − term loans payable	¥300 million
Land	¥210 million		

(3) Guarantee of Obligations

Guaranteed Party	Details	Amount
Orix Premium Ltd.	Lease liabilities guarantee	¥1 million

(4) Security loaned
Investment securities include ¥295 million in securities loaned.

(5) Revaluation of Land

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

Revaluation method

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

Date of the revaluation March 31, 2002

(6) Outstanding balance of overdraft account: ¥44,325 million
Outstanding balance of commitment line: ¥20,000 million

(7) Accounting Treatment of Notes Expiring as of Consolidated Fiscal Year-end

Notes matured at the end of the consolidated fiscal year were settled as of the note exchange date. Because the end of the consolidated fiscal year ended March 31, 2012 was a holiday, the fiscal year-end balances of the following notes that matured as of the consolidated fiscal year-end were included:

Notes receivable-trade: ¥4,378 million
Notes payable-trade: ¥1,954 million
Notes payable-facilities: ¥30 million

III Notes to Consolidated Statement of Income

(1) The book value devaluation of inventories held for normal sales purpose based on decline in profitability.
Cost of sales ¥14,893 million

(2) R&D expenses included in general and administrative expenses and this fiscal year's production expenses ¥32,118 million

(3) Breakdown of major extraordinary items

① Breakdown of Gain on sales of noncurrent assets

Buildings and structures	¥87 million
Amusement machines and facilities	¥5 million
Land	¥70 million
Other property, plant and equipment	¥0 million
Other intangible assets	¥0 million
Total	¥163 million

② Breakdown of loss on sales of noncurrent assets
Other property, plant and equipment ¥2 million

③ Restructuring loss is an estimated amount of expenses primarily recorded in association with inventory disposal and personnel reductions in response to the restructuring of the consumer business in the U.S. and Europe.

④ Breakdown of impairment loss.

(Unit: millions of yen)

Use	Location	Type	Impairment loss
Assets for business, etc.	Ota-ku, Tokyo and 17 other locations	Buildings and structures	1,814
		Other property, plant and equipment	176
		Other intangible assets	422
		Land	125
Assets for lease	Chuo-ku, Osaka-shi, Osaka	Land	760
Amusement facilities	Chuo-ku, Osaka-shi, Osaka and 7 other locations	Buildings and structures	33
		Amusement machines and facilities	0
		Other property, plant and equipment	9
		Total	3,341

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

IV Notes to Consolidated Statement of changes in Net Assets

(1) Issued Stock

(Unit: shares)

Type of stock	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	266,229,476	–	–	266,229,476

(2) Treasury Stock

(Unit: shares)

Type of stock	As of April 1, 2011	Increase	Decrease	As of March 31, 2012
Common stock	14,504,662	5,117,582	4,427,408	15,194,836

(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	5,000,000 shares
Increase due to purchase pursuant to Article 197, Paragraph 3 and Paragraph 4 of the Companies Act	24,435 shares
Increase due to repurchase of fractional shares	93,147 shares

The causes of the decrease are as follows:

Decrease due to share exchange	4,423,546 shares
Decrease due to request to purchase fractional shares	3,862 shares

(3) Dividends

① Dividend Amount

Resolution	Type of Stock	Total dividend (¥ million)	Dividend per share (¥)	Record date	Effective date
Board of Directors' Meeting on May 16, 2011	Common stock	5,034	20	March 31, 2011	June 2, 2011
Board of Directors' Meeting on October 31, 2011	Common stock	5,022	20	September 30, 2011	December 2, 2011

② Of the dividends of which the record date is in the fiscal year ended March 31, 2012, but the effective date is in the following fiscal year.

Resolution	Type of Stock	Resource of dividend	Total dividend (¥ million)	Dividend per share (¥)	Record date	Effective date
Board of Directors' Meeting on May 11, 2012	Common Stock	Retained Earnings	5,020	20	March 31, 2012	May 29, 2012

(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, 2012.
There is no pertinent matter.

V Notes on the Financial Instruments

(1) Matters regarding the current status of financial instruments
The Group's signed an agreement concerning commitment lines by the syndicated method, such as securing medium- to long-term fund liquidity with the Company as a holding company, as a safety net for the entire Group. In addition, capital for each business is financed based on the financial plan as needed, through bank borrowing or bond issue applying Cash Management System for the purpose of the efficient utilization of the Group funds. Funds are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described later.
Credit risks of the clients in terms of notes and accounts receivable - trade are mitigated under the credit management rules, etc. at each Group company.
The Group's credit risk exposure in held-to-maturity debt securities is minimal, as its investment in this area is restricted to highly rated debt securities only according to the capital management rules, etc. at each Group company.
Available-for-sale securities are mainly stocks and the relevant information such as market prices of those stocks and financial conditions of the issuing companies (business partners) is reviewed and reported to the board of directors of each Group company, etc. on a regular basis. For securities other than held-to-maturity debt securities, holding status is continually reviewed in consideration of the relationship with business partners that issue those stocks.
Borrowings as well as bonds issue is intended to raise funds necessary for the purpose of working capital and capital investment. Each Group company reviews its own actual and projected cash position on a monthly basis, which is eventually verified collectively by the Company as part of the Group's liquidity risk management.
The Group's derivative transactions are restricted to forward exchange contracts as hedge against currency fluctuation risks on its foreign currency-denominated operating receivables and debt and foreign currency-denominated loans receivable, and interest rate swap agreements to mitigate interest rate risks on part of the Group's variable interest rate loans payable. These transactions are managed properly under the derivative transactions management rules, etc. of each Group company which specifically require enforcement of “Guidelines for Foreign Exchange Transactions” to be subject to prior approval of the board of directors, while setting out limits on the authority and amount regarding transactions.

(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, 2012 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	127,721	127,721	—
(2) Notes and accounts receivable – trade	73,554	73,531	(22)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	1,620	1,615	(4)
2) Available-for-sale securities (*1)	112,619	112,619	—
3) Stocks of affiliates	516	385	(130)
(4) Notes and accounts payable - trade	59,917	59,917	—
(5) Short-term loans payable	10,194	10,194	—
(6) Long-term loans payable	25,052	25,093	(41)
(7) Current portion of bonds	23,515	23,515	—
(8) Bonds payable	11,943	12,085	(141)
(9) Derivative transactions (*2)			
1) Transactions outside the scope of hedge accounting	(1)	(1)	—
2) Transactions subject to hedge accounting	—	—	—

(*1) Since market values of embedded derivatives cannot be reasonably categorized and measured, those of the entire composite financial instruments are evaluated, and included in investment securities.

(*2) Receivables and payables incurred by derivative transactions are presented in net amounts.

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

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

Of these, items that are settled in the short term (within a year) are recorded using book values, as their market values approximate book values. In addition, of notes and accounts receivable - trade, those which more than a year to the payment date from the end of the fiscal year ended March 31, 2012 are stated at the present values by discounting the amount of claim for each receivable with the interest rate calculated by the payment period and credit risk.

(3) Short-term investment securities and investment securities

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

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

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

(6) Long-term loans payable; and (8) Bonds payable
These are stated with the present values calculated by discounting the aggregated values of the principal and interest using an assumed interest rate if loans are newly made. Of the long-term loans payable, fair values of the loans hedged by interest rate swap contracts meeting certain conditions are calculated applying the special treatment by combining them with the relevant interest rate swap.

(9) Derivative transactions
Market values of these are the prices quoted by the counterparty financial institutions.

2 Financial instruments whose market values are not readily determined

Category	Consolidated balance sheet amount (Millions of yen)
Investment in unlisted stocks, etc.	2,007
Investment in limited partnership	1,208
Stocks of non-consolidated subsidiaries	299
Stocks of affiliates	842
Investment in affiliates	120

Items above are not included in "(3) Short-term investment securities and investment securities," because there is no market price, future cash flows cannot be estimated and it is very difficult to identify market values.

VI Note Regarding Investment and Rental Property

Status and market value of investment and rental property

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

VII Note Regarding Per Share Information

Net assets per share ¥1,167.59
Net income per share ¥86.73

VIII Note Regarding Material Subsequent Events

There is no pertinent matter.

3. Individual Notes

I Notes Regarding Material Matters Related to Accounting Policies

1. Valuation standards and accounting treatment for assets

(1) Valuation standards and methods for securities

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

② Other 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.

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

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

2. Depreciation and amortization of noncurrent assets

(1) Property, plant and equipment

Depreciation is calculated by the declining-balance method.

However, buildings (excluding attached equipment) are depreciated using the straight-line method.

Useful life for primary assets is as follows:

Building	: 2 - 50 years
Structure	: 2 - 50 years
Tools/Furniture	: 2 - 20 years

Regarding property, plant and equipment acquired on or before March 31, 2007, the residual values are depreciated in accordance with the revised Corporation Tax Law. When the depreciated value of a property, plant and equipment reaches residual values in a certain fiscal year, the residual values of the asset is depreciated in an equal amount over five years from the next fiscal year.

(2) Intangible assets

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

3. Accounting for provisions

(1) Provision for bonuses

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

(2) Provision for directors' bonuses

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

(3) Provision for retirement benefits

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

4. 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.

(2) Application of the Consolidated Taxation System

The Company applied the Consolidated Taxation System from the fiscal year ended March 31, 2012.

5. **Changes in Presentation**

Non-Consolidated Balance Sheet

"Short-term loans receivable from subsidiaries and affiliates" and "Accounts receivable-other" that were included in "other" under current assets in the previous fiscal year has now exceeded 1% of the amount of total assets, and it is therefore separately itemized from the fiscal year ended March 31, 2012. The values of "Short-term loans receivable from subsidiaries and affiliates" and "Accounts receivable-other" included in "other" for the previous fiscal year were ¥1,300 million and ¥1 million, respectively.

6. **Additional Information**

For accounting changes and corrections of prior period errors which are made after the beginning of the fiscal year ended March 31, 2012, "Accounting Standard for Accounting Changes and Error Corrections"(Accounting Standards Board of Japan (ASBJ) Statement No.24, issued on December 4, 2009) and " Guidance on Accounting Standard for Accounting Changes and Error Corrections"(ASBJ Guidance No. 24, issued on December 4, 2009) have been applied.

II Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥793 million

(2) Receivables from and payables to affiliates

Short-term receivables from affiliates	¥18,202 million
Short-term payables to affiliates	¥26,155 million
Long-term receivables from affiliates	¥613 million

III Notes to Statement of Income

Transactions with affiliates

Consulting fee income	¥4,560 million
Dividends income (Operating revenue)	¥3,632 million
SG&A expenses	¥20 million
Non-operating transactions	¥224 million

IV Notes to Statement of Changes in Net Assets

Number and type of Treasury stock as of the end of the fiscal year under review

Common stock	15,194,836 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	2,991
Exclusion from the deductible expenses of provision for bonuses	53
Exclusion from the deductible expenses of loss on valuation of investment securities	5,265
Disallowed portion of loss on investments in partnership	627
Valuation difference on available-for-sale securities	286
Other	150
Subtotal deferred tax assets	9,375
Valuation allowance	(9,331)
Total deferred tax assets	44
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(10,548)
Total deferred tax liabilities	(10,548)
Deferred tax liabilities, net	(10,504)

(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	40.7%
(Adjustment)	
Permanently non-deductible expenses including entertainment expenses	(10.8%)
Amount excluded from gross revenue such as dividend income	45.4%
Adjustments of deferred tax assets for enacted changes in tax laws and rates	(0.1%)
Changes in valuation allowance	(58.8%)
Tax effect of local taxes on loss carried forward	14.4%
Other	(0.4%)
Effective tax rate after tax effect accounting	30.4%

(3) Adjustments of deferred tax assets and liabilities for enacted changes in tax laws and rates
Due to the promulgation on December 2, 2011, of The Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114 of 2011), and The Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Tohoku Earthquake (Law No.117 of 2011), for fiscal years beginning on or after April 1, 2012, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted
As a result of this tax rate change, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥1,491 million, income taxes-deferred increased by ¥3 million and valuation difference on available-for-sale securities increased by ¥1,494 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)	2,964	Accounts receivable-trade	259
				Borrowing of funds	15,500	Short-term loans payable	10,000
				Repayment of loans	13,800	–	–
				Reception of deposits (Note 3)	–	Deposits received	6,391
				Payment of interests (Note 4)	61	–	–
				Disposal of treasury stock (Note 5)	7,002	–	–
Subsidiary	SEGA CORPORATION	100.0	Management guidance to the company, interlocking directorate	Consulting fee income (Note 2)	1,596	Accounts receivable-trade	139
Subsidiary	Phoenix Resort Co., Ltd.	100.0	Interlocking directorate	Lending of funds	5,414	Short-term loans receivable from subsidiaries and affiliates	5,414
				Reception of interests (Note 4)	1	Accounts receivable-other	1

Notes: 1. Consumption taxes are not included in transaction amounts.
2. The amount of the Consulting fee income is decided based on the Company's necessary expenses.
3. Cash management system transactions are used for the purpose of uniformly and efficiently procuring and managing funds within the Group.
4. Interest is determined with consideration to market interest rates.
5. Transaction price is determined with consideration to market price.

(2) Directors, Key Individual Shareholders, etc.

(Unit: millions of yen)

<table>
<tr><th>Type</th><th>Name of related individual and company</th><th>Voting rights (%)</th><th>Relationship</th><th>Description of the transactions</th><th>Transaction amount (Note 1)</th><th>Accounts</th><th>Balance at end of fiscal year</th></tr>
<tr><td rowspan="3">Company in which Directors or their relatives own majority voting rights</td><td rowspan="3">FSC Co., Ltd (Note 2)</td><td rowspan="3">5.69</td><td rowspan="2">Insurance representative</td><td>Payment of insurance premium (Note 3)</td><td>6</td><td>Prepaid expenses</td><td>3</td></tr>
<tr><td>Receipt and remittance of insurance monies</td><td>0</td><td>–</td><td>–</td></tr>
<tr><td>Subcontractor</td><td>Payment of subcontracting fees (Note 3)</td><td>10</td><td>–</td><td>–</td></tr>
<tr><td>Directors and their relatives</td><td>Hajime Satomi</td><td>17.52</td><td>Chairman of the Board and Chief Executive Officer of the Company</td><td>Payment of usage fee of a business jet (Note 4)</td><td>170</td><td>–</td><td>–</td></tr>
</table>

Notes: 1. Consumption taxes are not included in transaction amounts.
2. Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% shares in FSC Co., Ltd.
3. Transaction prices are determined in the same way as for general transactions and with reference to market prices.
4. Transaction prices are based on actual current prices.

VII Note Regarding Per Share Information

Net assets per share	¥1,336.42
Net income per share	¥9.45

VIII Notes Regarding Material Subsequent Events

There is no pertinent matter.