FINANCIALS

Management's Discussion and Analysis

Summary of Fiscal 2012 (from April 1, 2011, to March 31, 2012)

- Net sales down 0.3% year on year, to ¥395.5 billion
- Operating income down 15.1% year on year, to ¥58.3 billion
- Net income down 47.4% year on year, to ¥21.8 billion
- Recognized loss accompanying restructuring of the Consumer Business

Fiscal 2012 Business Results Analysis

Statement of Operations Analysis

Net Sales

Net sales for fiscal 2012, ended March 31, 2012, edged down 0.3%, or ¥1.2 billion, year on year, to ¥395.5 billion. For net sales by business segment, the Company recorded year-on-year increases of 0.1%, or ¥0.1 billion, in the Pachislot and Pachinko Machine Business segment and 5.7%, or ¥2.6 billion, in the Amusement Machine Sales Business segment as well as year-on-year decreases of 2.4%, or ¥1.0 billion, in the Amusement Center Operations segment and 3.6%, or ¥3.2 billion, in the Consumer Business segment. Overseas sales were down 9.7%, or ¥4.2 billion, year on year, to ¥40.0 billion, due to a decrease in sales of packaged game software overseas and the sale of seven amusement centers in North America. Overseas sales accounted for 10.1% of net sales.

Cost of Sales

Cost of sales rose 1.4%, or ¥3.1 billion, year on year, to ¥233.8 billion, because the charging to cost of valuation losses on work in process for certain titles in the Consumer Business segment counteracted a reduction of component procurement cost and cost reduction measures through the reuse of components in the Pachislot and Pachinko Machine Business segment.

The cost of sales ratio deteriorated 1.0 percentage point year on year, to 59.1%. Gross profit declined 2.6%, or ¥4.3 billion, year on year, to ¥161.6 billion.

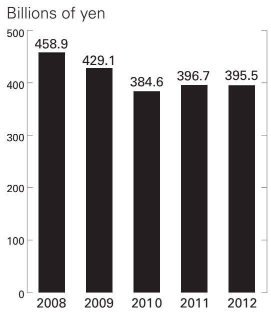
SG&A Expenses

SG&A expenses were up 6.1%, or ¥5.9 billion, year on year, to ¥103.2 billion, reflecting higher advertising expenses in the Consumer Business segment accompanying the sale of mainstay titles and higher R&D expenses in the Pachislot and Pachinko Machine Business segment as a result of efforts to strengthen development capabilities. SG&A expenses as a percentage of net sales increased 1.6 percentage points year on year, to 26.1%.

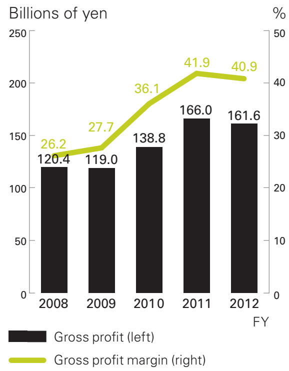
Operating Income

Operating income was down 15.1%, or ¥10.3 billion, to ¥58.3 billion, because favorable sales of high-margin mainstay pachislot machine titles in the Pachislot and Pachinko Machine Business segment were unable to compensate for lackluster packaged game software sales and valuation losses on work in process for certain titles, accompanying the restructuring of businesses in North America and Europe in the Consumer Business segment, and an increase in amortization of goodwill as a result of making a listed subsidiary

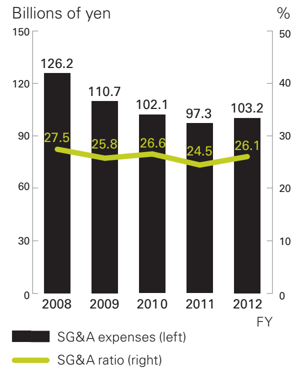
Net Sales



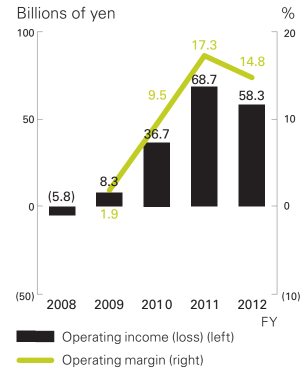
Gross Profit / Gross Profit Margin



SG&A Expenses / SG&A Ratio



Operating Income (Loss) / Operating Margin



a wholly owned subsidiary. The operating margin decreased from the previous fiscal year's 17.3% to 14.8%.

Non-Operating Income (Expenses), Ordinary Income

Non-operating income rose 13.6%, or ¥0.2 billion, year on year, to ¥2.0 billion, due to an increase in dividends income. Non-operating expenses were down 6.6%, or ¥0.1 billion, year on year, to ¥2.2 billion, because the absence of the previous fiscal year's loss on valuation of derivatives more than offset higher commission fees.

As a result, ordinary income decreased 14.6%, or ¥9.9 billion, year on year, to ¥58.1 billion.

Extraordinary Gain and Extraordinary Loss

Extraordinary gain was ¥2.1 billion, reflecting gain on negative goodwill accompanying the inclusion of Phoenix Resort Co., Ltd. and TAIYO ELEC Co., Ltd., as subsidiaries. Meanwhile, extraordinary loss was ¥18.5 billion, which comprised restructuring loss of ¥6.3 billion, incurred as a result of the disposal of inventory and personnel reductions accompanying restructuring of the Consumer Business segment; settlement payment for patent licensing of ¥3.5 billion; amortization of goodwill of ¥3.3 billion; and impairment loss on assets for business use and assets for leasing of ¥3.3 billion.

Extraordinary Loss

Major losses / expenses	Millions of yen
Restructuring loss	6,308
Settlement payment for patent licensing	3,500
Amortization of goodwill	3,363
Impairment loss	3,341
Others	2,065
Total	18,577

Income Taxes and Net Income

Income taxes rose 54.1%, or ¥7.2 billion, year on year, to ¥20.5 billion, reflecting the previous fiscal year's temporary decrease in tax expenses as a result of receiving approval to adopt a consolidated tax return system. Net income after minority interests decreased 47.4%, or ¥19.6 billion, year on year, to ¥21.8 billion.

Net income per share of common stock was ¥86.73, compared with ¥163.19 for the previous fiscal year. Full-year cash dividends per share were ¥40.00, unchanged from those of the previous fiscal year. The consolidated dividend payout ratio was 46.1%, compared with 24.5% for the previous fiscal year.

Capital Expenditures and Depreciation and Amortization

Capital expenditures were up 83.6%, or ¥16.4 billion, from the previous fiscal year's ¥19.6 billion, to ¥36.1 billion, due to the Pachislot and Pachinko Machine Business segment's commencement of construction of a new plant and distribution center and the Consumer Business segment's higher investment in software assets.

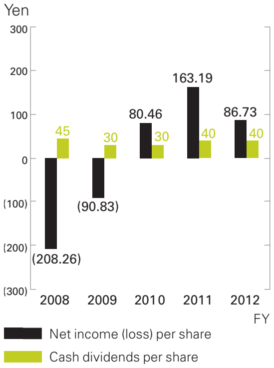
Depreciation and amortization rose 1.3%, or ¥0.2 billion, from the previous fiscal year's ¥15.9 billion, to ¥16.1 billion, due to a rise in the depreciation of software assets in the Consumer Business segment.

R&D Expenses, Content Production Expenses

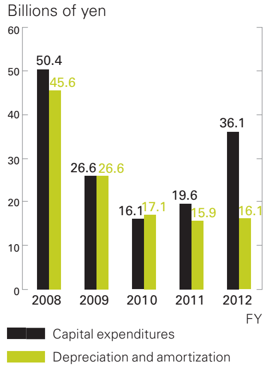
R&D expenses and content production expenses, which are included in SG&A expenses and cost of sales, increased 29.8%, or ¥12.2 billion, year on year, to ¥53.3 billion, which was primarily attributable to valuation losses on work in process for certein titles under development in the Consumer Business segment.

R&D expenses as a percentage of net sales was 13.5%, compared with 10.4% for the previous fiscal year.

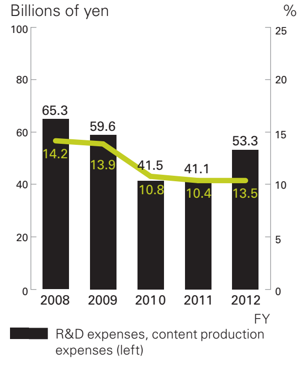
Net Income (Loss) per Share / Cash Dividends per Share



Capital Expenditures / Depreciation and Amortization



R&D Expenses, Content Production Expenses / % of Net Sales



Major Expenses

Billions of yen

	2011	2012	% Change
R&D expenses, content production expenses	41.1	53.3	+29.8%
Capital expenditures	19.6	36.1	+83.6%
Depreciation and amortization	15.9	16.1	+1.3%
Advertising expenses	15.1	17.2	+14.0%

(Reference) Effect of Comprehensive Income

Comprehensive Income

Billions of yen

	2012	
Net income	21.8	
Minority interests in income	0.6	
Income before minority interests	22.4	A
Other comprehensive income		
Valuation difference on available-for-sale securities	7.5	
Deferred gains or losses on hedges	0	
Revaluation reserve for land	0.1	
Foreign currency translation adjustment	(0.4)	
Share of other comprehensive income of associates accounted for using equity method	0.005	
Total other comprehensive income	7.2	B
Comprehensive income	29.6	A + B Comprehensive income ¥7.8 billion more than net income

Business Segment Analysis

Pachislot and Pachinko Machine Business

The Pachislot and Pachinko Machine Business segment posted net sales of ¥212.1 billion, approximately unchanged year on year.

In the pachislot machine business, although unit sales edged down because it postponed the marketing of certain titles until the current fiscal year, sales of mainstay titles underpinned a 9.9% increase in net sales. Amid market sluggishness due to a shift in demand toward pachislot machines, the pachinko machine business saw unit sales decline year on year, leading to a 10.6% decrease in net sales.

However, operating income was up 10.5%, or ¥6.7 billion, year on year, to ¥71.0 billion, thanks to cost reduction measures through the reuse of components and favorable sales of high-margin mainstay pachislot machine titles. The operating margin increased from the previous fiscal year's 30.3% to 33.5%.

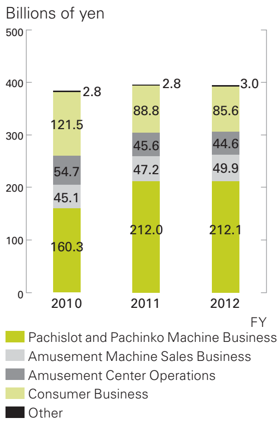
Amusement Machine Sales Business

The Amusement Machine Sales Business segment posted year-on-year increases of 5.7%, or ¥2.6 billion, in net sales, to ¥49.9 billion, and 1.3%, or ¥98 million, in operating income, to ¥7.4 billion. This was attributable to solid sales of mainstay titles, sales of cards and other consumables and favorable utilization rates of revenue-sharing titles, which led to steady revenues. The operating margin was 14.9%, compared with 15.5% for the previous fiscal year.

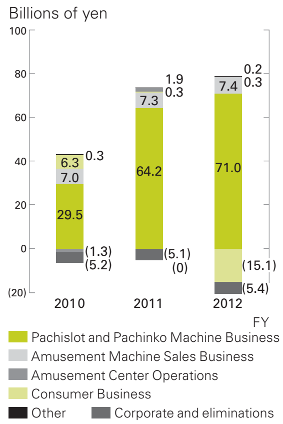
Amusement Center Operations

Despite a 2.4%, or ¥1.0 billion, year-on-year decrease in net sales, to ¥44.6 billion, the Amusement Center Operations segment grew operating income 3.8%, or ¥13 million, year on year, to ¥0.3 billion. Through measures to date aimed at rightsizing the number of amusement centers and strengthening the operational management capabilities of existing amusement centers, SEGA's existing domestic amusement centers achieved a 0.5% rise in net sales.

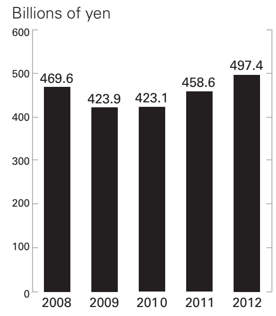
Net Sales by Segment



Operating Income (Loss) by Segment



Total Assets



Consumer Business

The Consumer Business segment recorded a decline in net sales of 3.6%, or ¥3.2 billion, year on year, to ¥85.6 billion. Mainly due to lackluster packaged game software sales overseas and expenses accompanying restructuring, this business segment recognized an operating loss of ¥15.1 billion, compared with the previous fiscal year's operating income of ¥1.9 billion.

Overall, the performance of the toy business was weak, while the animation business generated steady license revenues mainly from mainstay titles.

Balance Sheet Analysis

Assets

Total assets at March 31, 2012, the fiscal year-end, stood at ¥497.4 billion, up ¥38.8 billion from the previous fiscal year-end.

Total current assets at fiscal year-end amounted to ¥327.6 billion, up ¥12.0 billion from the previous fiscal year-end. This mainly resulted from increases in notes and accounts receivable–trade and negotiable certificates of deposit, which counteracted a decrease in cash and deposits due to income taxes paid.

Total noncurrent assets at fiscal year-end stood at ¥169.8 billion, up ¥26.7 billion from the previous fiscal year-end. This stemmed from a ¥21.0 billion rise in property, plant and equipment—which resulted from beginning construction of a new plant, scheduled for completion during the current fiscal year, and making Phoenix Resort Co., Ltd. a wholly owned subsidiary—and an ¥8.5 billion increase in investment securities, reflecting a rise in the market value of securities.

Liabilities

Total current liabilities at fiscal year-end stood at ¥132.3 billion, up ¥23.3 billion from the previous fiscal year-end. This was principally related to higher notes and accounts payable–trade and the transfer of bonds payable from noncurrent liabilities to the current portion of bonds. A current ratio of 247.5% reflected the Company's continued high level of liquidity.

Total noncurrent liabilities at fiscal year-end totaled ¥68.6 billion, a rise of ¥4.5 billion from the previous fiscal year-end.

Net Assets

Total net assets stood at ¥296.3 billion at fiscal year-end, up ¥10.9 billion from the previous fiscal year-end. This was primarily due to contributions to total shareholders' equity resulting from net income of ¥21.8 billion and a rise in valuation difference on available-for-sale securities, which more than offset the negative effect on total shareholders' equity of cash dividends paid and decrease in minority interests, accompanying the inclusion of TAIYO ELEC Co., Ltd., as a wholly owned subsidiary.

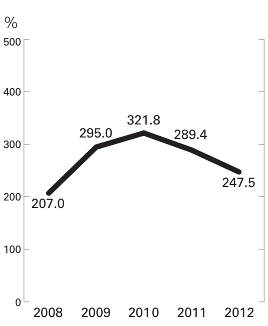
Furthermore, the equity ratio at fiscal year-end was 58.9%, compared with 60.0% at the previous fiscal year-end.

Cash Flows Analysis

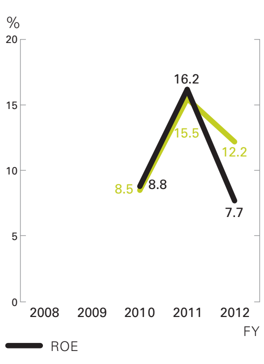
Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased ¥49.6 billion year on year, to ¥38.0 billion. This was mainly attributable to a ¥16.6 billion increase in notes and accounts receivable-trade and income taxes paid of ¥40.3 billion, counteracting income before income taxes and minority interests of ¥42.9 billion, depreciation and amortization of ¥16.1 billion, and a ¥22.5 billion increase in notes and accounts payable-trade.

Current Ratio

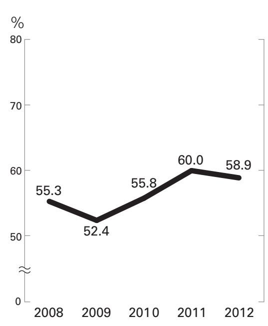


ROE / ROA*



*ROA = Ordinary income ÷ Total assets

Equity Ratio



Net Cash Used in Investing Activities

Net cash used in investing activities increased from the previous fiscal year's ¥29.5 billion to ¥59.0 billion. This mainly stemmed from purchase of short-term investment securities of ¥44.1 billion and purchase of property, plant and equipment of ¥24.0 billion.

Net Cash Provided by Financing Activities

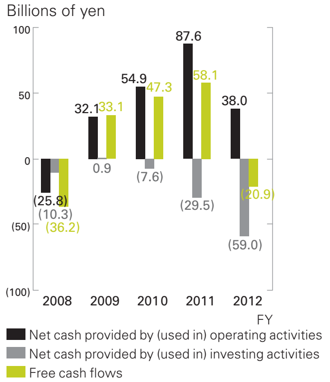
Net cash provided by financing activities was ¥0.9 billion, compared with the previous fiscal year's net cash used in financing activities of ¥57.1 billion. This was primarily the result of proceeds from long-term loans payable of ¥34.4 billion, which offset cash dividends paid, including cash dividends paid to minority shareholders, of ¥10.2 billion; purchase of treasury stock of ¥8.4 billion; and redemption of bonds of ¥13.6 billion.

As a result of the above, cash and cash equivalents at end of year amounted to ¥146.5 billion, down ¥19.3 billion from the previous fiscal year-end.

Fiscal 2013 Forecast (announced on May 11, 2012)

For fiscal 2013, ending March 31, 2013, we expect an 18.8% year-on-year rise in net sales, to ¥470 billion, as a result of higher unit sales in the Pachislot and Pachinko Machine Business segment. Also, we anticipate year-on-year increases of 13.0% in operating income, to ¥66 billion, mainly due to restructuring of the Consumer Business segment in fiscal 2012 and lower cost of sales and operating expenses resulting from rationalization of this business segment's organization, and 83.3% in net income, to ¥40 billion, reflecting the absence of the extraordinary loss recognized for fiscal 2012.

Cash Flows



Operational Risks

The SEGA SAMMY Group identifies significant risks within and outside its business management and reflects them in its implementation of operations and takes measures to reduce losses of management resources and prevent recurrence. Risks that could affect the performance or operations of the Group are shown below. Furthermore, the actualization of risks to an extent beyond that envisioned by the Group, including the actualization of risks other than those shown below, could affect the Group's business results significantly. In addition, forward-looking statements in the following text are the judgments of the Group as of the date of filing its annual securities report.

(1) Statutory Regulations and Reliance on the Pachislot and Pachinko Machine Business

Among mainstay businesses, the Pachislot and Pachinko Machine Business segment accounts for the majority of the Group's net sales and operating income. Securing stable earnings from this segment is an important management task going forward. The products the Group sells must conform to technical specifications pursuant to the Public Safety Commission's "regulations for the verification of licenses, formats, and other aspects of pachislot and pachinko machines," which are based on the Entertainment Establishments Control Law of Japan and related laws and statutory regulations. Also, in July 2004, revisions were enacted to regulations pertaining to the Entertainment Establishments Control Law that mainly curbed gambling elements and sought to prevent the improper modification of pachislot and pachinko machines. In the Group, the Ethics Committee regulates expressions that could encourage excessive gambling or invite misunderstanding. In addition, the Group has established an office tasked with preventing improper manipulation of machines for profit, which continually collects market information with a view to building machines that are resistant to improper manipulation. However, major changes in statutory regulations could significantly affect the Group's business results.

(2) Changes in Market Conditions

Due to sluggish consumer spending, the Pachislot and Pachinko Machine Business segment is likely to continue facing challenging business conditions. Furthermore, amid intensifying competition among pachinko halls to attract customers, pachinko hall operators' purchasing of new-model machines is increasingly focusing on pachislot and pachinko machines with high popularity or appealing gameplay that is likely to attract customers. In response to this change in market conditions, the Group is concentrating efforts on developing a product lineup that features new types of gameplay and meets the needs of a wide range of players. Also, aiming for further unit sales growth over the medium-to-long term, the Group has begun building a new plant and distribution center to enable it to provide timely supplies in response to an expected rise in orders.

However, progress in the development of new-model machines, the outcomes of format examinations, the Group's ability to acquire official licenses, product malfunctions, and changes in user preferences could significantly affect the Group's business results.

The Amusement Machine Sales Business segment's market in Japan is stable. However, changes in consumer spending trends, market trends, or player needs could lead amusement center operators to curb capital investment, which could affect the Group's business results.

Mindful of the need to cater to such market changes through development that reflects player needs, in recent years the Group has been concentrating on the development of products that exploit networks to offer new types of gameplay. In addition, the Group intends to focus efforts on revitalizing the overall amusement center industry by continuing to offer a revenue-sharing business model that enhances investment efficiency for amusement center operators while providing the Group with long-term, stable revenues.

The Amusement Center Operations segment will continue strengthening the operational management capabilities of its amusement centers to improve earnings further. However, because this business segment is susceptible to consumer spending trends, its ability to introduce amusement arcade machines that meet diverse player needs could affect the Group's business results.

Furthermore, the Amusement Center Operations segment is subject to regulation based on the Entertainment Establishments Control Law and other related statutory laws and regulations, including cabinet orders and ministerial ordinances. The Group complies with this law and related statutory laws and regulations. However, the enactment of new laws or revisions to this law and related statutory laws and regulations could affect the Group's business results.

Although the Consumer Business segment's home video game software market is contracting, the Group is building systems that enable it to generate stable earnings even in these conditions. However, in such overseas markets as North America, Europe, and Asia, exchange rate fluctuations could affect the Group's business results. Moreover, the Group faces the risk of being affected by deterioration in overseas markets due to war, conflict, or terrorism.

Also, as new video game platforms emerge, the video game industry is undergoing a tectonic shift worldwide. These platforms include smartphones, which are attracting casual players and new players mainly to video game content that they can play casually, and social networking services (SNS), which offer social games that are seeing growing numbers of players. The Group will maximize earnings by concentrating the allocation of management resources on content businesses for these fast-growing SNS and smartphone platforms. At the same time, it will build appropriate operational structures that reflect changing conditions, accelerate business management decision-making, and cater to diverse customer needs.

However, statutory laws and regulations beyond the Group's control or changes in the conditions the Consumer Business segment faces could affect the Group's business results.

(3) Sales Opportunity Loss

Because the manufacturing of pachislot and pachinko machines takes a short time, the Group manufactures machines in response to order trends. However, generally short marketing periods result in product shipments concentrating on the initial period after product launches. Therefore, as a countermeasure, the Group is introducing common components, shortening component procurement lead times, and strengthening inventory control. However, the Group may not be able to procure sufficient raw materials for manufacturing in response to large order volumes in the initial period after product launches. Furthermore, the overlapping of the timing of the Group's product launches and competitors' launches of popular products could result in orders being below target, giving rise to surplus components. If it is unable to make effective use of these surplus components, the Group could incur losses on disposal of components.

Comparatively, manufacturing amusement arcade machines takes a long time. Consequently, the Group manufactures these machines based on demand estimates. However, changes in player preferences, changes in business conditions, or the uncertainty of growth could affect the Group's business results.

Home video game software is susceptible to changes in seasonal demand, which focuses on such periods as the year-end shopping season. If the Group is unable to supply new products during such selling periods, surplus inventory could arise, and the Group could incur losses on disposal of inventory.

(4) Business Expansion through M&A

To strengthen existing businesses and enter new business areas efficiently, the Group explores mergers and acquisitions (M&As) in Japan and overseas. However, statutory laws and regulations beyond the Group's control, changes in the conditions the Group faces, or an inability to generate synergies initially anticipated could affect the Group's earnings.

(5) Adoption of Asset-Impairment Accounting

In fiscal 2006, the Company adopted asset-impairment accounting. Losses arising as a result of the adoption of asset-impairment accounting and an inability to realize adequate return on investment, due to the business results of respective businesses and future cash flows, could affect the Group's business results.

(6) Investment Securities

The Group holds investment securities to build business relationships and earn investment returns. The valuation of investment securities reflects stock market trends and the financial positions and business results of issuers. Therefore, the recognition of impairment due to falls in market prices or declines in effective prices could result in the recognition of a loss on valuation of investment securities, which could affect the Group's business results.

(7) Management of Personal Information

The Group holds personal information relating to the customers of its products and services through the operation of membership-based web sites. In light of the enactment of the Act on the Protection of Personal Information, the Group is strengthening the rigor of its personal information management. However, in the unlikely event of a leakage of personal information or its improper use, the resulting loss of trust or lawsuits filed against the Group could affect the Group's business results.

(8) Lawsuits

The Group implements measures to minimize the risk of claims for damages and other lawsuits being filed against the Group by strengthening its compliance systems and by exercising due diligence to avoid the infringement of the intellectual property of third parties. However, lawsuits could be filed against the Group claiming products the Group manufactures and sells infringe upon certain rights.

(9) Effect of Disasters

The Group includes crisis management rules in its company regulations, identifies its business activities' inherent risks, and takes measures to mitigate risks and prevent crises as a matter of normal practice. In addition, the Group has established and maintains systems to respond immediately to major crises. However, the interruption of manufacturing activities or sales activities as a result of greater-than-anticipated physical damage or casualties among personnel at the headquarters, operating bases, or manufacturing bases of Group companies or those of the Group's business partners due to large-scale natural disasters—such as earthquakes, fires, or floods—or terrorist attacks or changes in political conditions could affect the business results of the Group.

FINANCIALS

Consolidated Balance Sheets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S.dollars(Note 1)
	2012	2011	2012
ASSETS			
Current assets			
Cash and deposits (Note 4(1))	¥127,721	¥149,006	$1,555,115
Notes and accounts receivable-trade	73,554	56,468	895,584
Allowance for doubtful accounts	(593)	(472)	(7,222)
Short-term investment securities	66,509	42,412	809,806
Merchandise and finished goods	6,677	5,889	81,300
Work in process	6,992	14,916	85,139
Raw materials and supplies	20,890	15,567	254,362
Income taxes receivable	6,740	5,861	82,071
Deferred tax assets	6,347	13,795	77,281
Other	12,805	12,136	155,911
Total current assets	327,645	315,580	3,989,350
Noncurrent assets			
Property, plant and equipment			
Buildings and structures (Note 4(1))	91,568	48,271	1,114,916
Accumulated depreciation	(69,197)	(28,150)	(842,532)
Buildings and structures, net	22,370	20,120	272,383
Amusement machines and facilities	49,024	49,869	596,914
Accumulated depreciation	(43,322)	(45,318)	(527,491)
Amusement machines and facilities,net	5,701	4,550	69,422
Land (Note 4(1))	29,457	24,643	358,664
Construction in progress	12,608	1,155	153,516
Other	55,935	41,889	681,056
Accumulated depreciation	(47,899)	(35,218)	(583,220)
Other, net	8,035	6,670	97,835
Total property, plant and equipment	78,173	57,140	951,823
Intangible assets			
Goodwill	10,790	15,559	131,386
Other	10,517	7,195	128,063
Total intangible assets	21,308	22,754	259,450
Investments and other assets			
Investment securities (Note 4(2))	52,725	44,193	641,974
Long-term loans receivable	291	306	3,551
Lease and guarantee deposits	13,057	12,396	158,982
Deferred tax assets	357	1,988	4,351
Other	5,131	5,646	62,485
Allowance for doubtful accounts	(1,239)	(1,382)	(15,091)
Total investments and other assets	70,324	63,149	856,253
Total noncurrent assets	169,805	143,044	2,067,526
Total assets	¥497,451	¥458,624	$6,056,877

See accompanying notes.

	Millions of yen		Thousands of U.S.dollars(Note 1)
	2012	2011	**2012**
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade (Note 4(1))	¥ 59,917	¥ 37,513	$ 729,539
Short-term loans payable (Note 4(1) and (5))	10,194	2,857	124,120
Current portion of bonds	23,515	11,892	286,314
Income taxes payable	5,550	26,310	67,582
Accrued expenses (Note 4(1))	12,573	17,546	153,095
Provision for bonuses	2,745	2,373	33,431
Provision for directors' bonuses	917	956	11,172
Provision for point card certificates	—	143	—
Provision for business restructuring	4,737	—	57,687
Asset retirement obligations	199	185	2,426
Deferred tax liabilities	0	0	5
Other	12,046	9,247	146,679
Total current liabilities	132,398	109,028	1,612,057
Noncurrent liabilities			
Bonds payable	11,943	29,608	145,424
Long-term loans payable (Note 4(1) and (5))	25,052	5,316	305,030
Provision for retirement benefits	14,527	12,656	176,886
Provision for directors' retirement benefits	293	1,203	3,572
Deferred tax liabilities	3,498	2,782	42,591
Deferred tax liabilities for land revaluation	846	958	10,301
Asset retirement obligations	1,943	1,848	23,661
Other	10,572	9,760	128,729
Total noncurrent liabilities	68,676	64,135	836,197
Total liabilities	201,075	173,163	2,448,255
NET ASSETS			
Shareholders' equity			
Capital stock	29,953	29,953	364,703
Capital surplus	119,397	119,784	1,453,759
Retained earnings	175,173	164,669	2,132,880
Treasury stock	(26,067)	(25,329)	(317,396)
Total shareholders' equity	298,456	289,077	3,633,946
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	18,872	11,350	229,788
Deferred gains or losses on hedges	—	(0)	—
Revaluation reserve for land (Note 4(4))	(4,541)	(5,969)	(55,302)
Foreign currency translation adjustment	(19,681)	(19,264)	(239,633)
Total accumulated other comprehensive income	(5,350)	(13,883)	(65,147)
Subscription rights to shares	991	406	12,068
Minority interests	2,279	9,861	27,753
Total net assets	296,376	285,461	3,608,621
Total liabilities and net assets	¥497,451	¥458,624	$6,056,877

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S.dollars(Note 1)
	2012	2011	2012
Net sales	¥395,502	¥396,732	$4,815,571
Cost of sales (Note 5(1)and(2))	233,839	230,677	2,847,185
Gross profit	161,663	166,055	1,968,386
Selling, general and administrative expenses (Note 5(2))	103,279	97,304	1,257,511
Operating income	58,384	68,750	710,874
Other income (expenses)			
Interest income	386	463	4,706
Dividends income	495	311	6,038
Equity in earnings of affiliates	—	35	—
Gain on investments in partnership	507	391	6,176
Income from operation of lease asset	88	92	1,074
Gain on valuation of derivatives	18	—	226
Interest expenses	(676)	(637)	(8,241)
Equity in losses of affiliates	(8)	—	(107)
Sales discounts	(33)	(198)	(403)
Commission fee	(481)	(399)	(5,867)
Provision of allowance for doubtful accounts	(2)	(32)	(30)
Loss on investments in partnership	(140)	(97)	(1,712)
Foreign exchange losses	(210)	(206)	(2,564)
Penalty payment for cancellation of game center lease agreement	(2)	(18)	(31)
Loss on valuation of derivatives	—	(263)	—
Gain on sales of noncurrent assets	163	34	1,996
Reversal of allowance for doubtful accounts	—	315	—
Gain on sales of subsidiaries and affiliates' stocks	173	—	2,106
Gain on sales of investment securities	56	52	683
Gain on change in equity	—	125	—
Reversal of recovery costs of video game arcades	1	544	18
Gain on outlawed debt	—	167	—
Gain on reversal of subscription rights to shares	—	1,174	—
Distribution of patent royalty income for prior periods	—	1,139	—
Gain on negative goodwill	2,152	—	26,207
Gain on liquidation of subsidiaries and affiliates	489	—	5,959
Loss on retirement of noncurrent assets	—	(296)	—
Loss on sales of noncurrent assets	(2)	(40)	(31)
Impairment loss (Note 5(4))	(3,341)	(1,502)	(40,682)
Loss on valuation of investment securities	(189)	(1,308)	(2,307)
Loss on liquidation of subsidiaries	(5)	(1,468)	(65)
Amortization of goodwill	(3,363)	(204)	(40,958)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	(1,177)	—
Cost of product compensation related	—	(5,225)	—
Loss on disaster	—	(1,254)	—
The settlement payment for patent licensing	(3,500)	—	(42,615)
Restructuring loss(Note 5(3))	(6,308)	—	(76,806)
Other,net	(1,679)	(1,800)	(20,455)
Subtotal	(15,414)	(11,283)	(187,687)
Income before income taxes and minority interests	42,969	57,467	523,187
Income taxes-current	13,056	27,460	158,979
Income taxes-deferred	7,465	(14,140)	90,902
Total income taxes (Note 14(2))	20,522	13,320	249,881
Income before minority interests	22,446	44,147	273,305
Minority interests in income	626	2,636	7,627
Net income	21,820	41,510	265,677
Minority interests in income	626	2,636	7,627
Income before minority interests	22,446	44,147	273,305
Other comprehensive income (Note 5(5))			
Valuation difference on available-for-sale securities	7,526	10,986	91,640
Deferred gains or losses on hedges	0	(24)	0
Revaluation reserve for land	112	—	1,372
Foreign currency translation adjustment	(434)	(1,684)	(5,288)
Share of other comprehensive income of associates accounted for using equity method	5	10	68
Total other comprehensive income	7,210	9,288	87,792
Comprehensive income	29,656	53,435	361,098
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	29,038	50,852	353,564
Comprehensive income attributable to minority interests	¥ 618	¥ 2,582	$ 7,533

See accompanying notes.

Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen 2012	2011	Thousands of U.S.dollars(Note 1) 2012
Shareholders' equity			
Capital stock			
Balance at the beginning of the period	¥ 29,953	¥ 29,953	$ 364,703
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of the period	29,953	29,953	364,703
Capital surplus			
Balance at the beginning of the period	119,784	171,080	1,458,468
Changes of items during the period			
Increase by share exchanges	(394)	(11,294)	(4,807)
Retirement of treasury stock	—	(40,000)	—
Disposal of treasury stock	(0)	(1)	(5)
Change of scope of consolidation	8	—	103
Total changes of items during the period	(386)	(51,296)	(4,709)
Balance at the end of the period	119,397	119,784	1,453,759
Retained earnings			
Balance at the beginning of the period	164,669	132,128	2,004,989
Changes of items during the period			
Dividends from surplus	(10,057)	(8,816)	(122,456)
Net income	21,820	41,510	265,677
Change of scope of consolidation	55	(155)	674
Reversal of revaluation reserve for land	(1,314)	2	(16,004)
Total changes of items during the period	10,503	32,541	127,891
Balance at the end of the period	175,173	164,669	2,132,880
Treasury stock			
Balance at the beginning of the period	(25,329)	(73,694)	(308,411)
Changes of items during the period			
Increase by share exchanges	7,724	32,890	94,054
Retirement of treasury stock	—	40,000	—
Purchase of treasury stock	(8,469)	(24,530)	(103,120)
Disposal of treasury stock	6	3	80
Total changes of items during the period	(737)	48,364	(8,985)
Balance at the end of the period	(26,067)	(25,329)	(317,396)
Total shareholders' equity			
Balance at the beginning of the period	289,077	259,468	3,519,750
Changes of items during the period			
Dividends from surplus	(10,057)	(8,816)	(122,456)
Net income	21,820	41,510	265,677
Increase by share exchanges	7,329	21,595	89,246
Retirement of treasury stock	—	—	—
Purchase of treasury stock	(8,469)	(24,530)	(103,120)
Disposal of treasury stock	6	2	75
Change of scope of consolidation	63	(155)	777
Reversal of revaluation reserve for land	(1,314)	2	(16,004)
Total changes of items during the period	9,378	29,609	114,196
Balance at the end of the period	¥298,456	¥289,077	$3,633,946

See accompanying notes.

FINANCIALS

Consolidated Statements of Changes in Net Assets

	Millions of yen		Thousands of U.S.dollars(Note 1)
	2012	2011	2012
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of the period	¥ 11,350	¥ 346	$ 138,197
Changes of items during the period			
Net changes of items other than shareholders' equity	7,522	11,003	91,590
Total changes of items during the period	7,522	11,003	91,590
Balance at the end of the period	18,872	11,350	229,788
Deferred gains or losses on hedges			
Balance at the beginning of the period	(0)	24	(0)
Changes of items during the period			
Net changes of items other than shareholders' equity	0	(24)	0
Total changes of items during the period	0	(24)	0
Balance at the end of the period	—	(0)	—
Revaluation reserve for land			
Balance at the beginning of the period	(5,969)	(5,966)	(72,678)
Changes of items during the period			
Reversal of revaluation reserve for land	1,314	(2)	16,004
Net changes of items other than shareholders' equity	112	—	1,372
Total changes of items during the period	1,427	(2)	17,376
Balance at the end of the period	(4,541)	(5,969)	(55,302)
Foreign currency translation adjustment			
Balance at the beginning of the period	(19,264)	(17,626)	(234,557)
Changes of items during the period			
Net changes of items other than shareholders' equity	(416)	(1,637)	(5,076)
Total changes of items during the period	(416)	(1,637)	(5,076)
Balance at the end of the period	(19,681)	(19,264)	(239,633)
Total accumulated other comprehensive income			
Balance at the beginning of the period	(13,883)	(23,222)	(169,039)
Changes of items during the period			
Reversal of revaluation reserve for land	1,314	(2)	16,004
Net changes of items other than shareholders' equity	7,218	9,341	87,886
Total changes of items during the period	8,532	9,338	103,891
Balance at the end of the period	(5,350)	(13,883)	(65,147)
Subscription rights to shares			
Balance at the beginning of the period	406	1,188	4,943
Changes of items during the period			
Net changes of items other than shareholders' equity	585	(782)	7,125
Total changes of items during the period	585	(782)	7,125
Balance at the end of the period	991	406	12,068
Minority interests			
Balance at the beginning of the period	9,861	19,335	120,068
Changes of items during the period			
Net changes of items other than shareholders' equity	(7,581)	(9,474)	(92,314)
Total changes of items during the period	(7,581)	(9,474)	(92,314)
Balance at the end of the period	2,279	9,861	27,753
Total net assets			
Balance at the beginning of the period	285,461	256,770	3,475,723
Changes of items during the period			
Dividends from surplus	(10,057)	(8,816)	(122,456)
Net income	21,820	41,510	265,677
Increase by share exchanges	7,329	21,595	89,246
Retirement of treasury stock	—	—	—
Purchase of treasury stock	(8,469)	(24,530)	(103,120)
Disposal of treasury stock	6	2	75
Change of scope of consolidation	63	(155)	777
Reversal of revaluation reserve for land	—	—	—
Net changes of items other than shareholders' equity	221	(915)	2,697
Total changes of items during the period	10,914	28,690	132,897
Balance at the end of the period	¥296,376	¥285,461	$3,608,621

See accompanying notes.

Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S.dollars(Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 42,969	¥57,467	$ 523,187
Depreciation and amortization	16,158	15,949	196,741
Impairment loss	3,341	1,502	40,682
Amount of transfer of equipment by amusement center operation business	(3,796)	(3,074)	(46,221)
Loss (gain) on sales of noncurrent assets	(161)	5	(1,967)
Loss on retirement of noncurrent assets	217	296	2,648
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,177	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	(173)	—	(2,106)
Loss on liquidation of subsidiaries	5	1,468	65
Loss (gain) on sales of investment securities	(49)	113	(607)
Loss (gain) on valuation of investment securities	189	1,308	2,307
Loss (gain) on investments in partnership	(366)	(294)	(4,463)
Amortization of goodwill	6,363	1,875	77,478
Gain on negative goodwill	(2,152)	—	(26,207)
Increase (decrease) in allowance for doubtful accounts	(57)	(719)	(699)
Increase (decrease) in provision for directors' bonuses	(39)	302	(475)
Increase (decrease) in provision for point card certificates	(5)	(17)	(66)
Increase (decrease) in provision for retirement benefits	877	438	10,683
Increase (decrease) in provision for directors' retirement benefits	(910)	107	(11,086)
Increase (decrease) in provision for bonuses	375	(136)	4,571
Interest and dividends income	(882)	(775)	(10,745)
Interest expenses	676	637	8,241
Foreign exchange losses (gains)	(126)	171	(1,544)
Equity in (earnings) losses of affiliates	8	(35)	107
Loss (gain) on change in equity	—	(81)	—
Decrease (increase) in notes and accounts receivable-trade	(16,632)	10,033	(202,508)
Decrease (increase) in inventories	2,186	(737)	26,628
Increase (decrease) in notes and accounts payable-trade	22,519	222	274,198
Increase (decrease) in guarantee deposits received	176	35	2,152
Other, net	1,709	7,268	20,816
Subtotal	72,423	94,507	881,809
Interest and dividends income received	855	653	10,413
Interest expenses paid	(654)	(653)	(7,969)
Income taxes paid	(40,396)	(9,565)	(491,856)
Income taxes refund	5,796	2,755	70,572
Net cash provided by operating activities	¥ 38,023	¥87,696	$ 462,970

See accompanying notes.

Consolidated Statements of Cash Flows

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S.dollars(Note 1) 2012
Cash flows from investing activities:			
Payments into time deposits	¥ (380)	¥ (1,185)	$ (4,637)
Proceeds from withdrawal of time deposits	1,097	1,288	13,368
Purchase of short-term investment securities	(44,102)	(24,300)	(536,978)
Proceeds from redemption of securities	22,066	8,195	268,681
Purchase of trust beneficiary right	(6,097)	(7,293)	(74,245)
Proceeds from sales of trust beneficiary right	5,114	7,511	62,274
Purchase of property, plant and equipment	(24,005)	(10,901)	(292,282)
Proceeds from sales of property, plant and equipment	988	197	12,039
Purchase of intangible assets	(6,469)	(3,571)	(78,776)
Proceeds from sales of intangible assets	—	1	—
Purchase of investment securities	(1,961)	(5,413)	(23,878)
Proceeds from sales of investment securities	105	1,239	1,281
Proceeds from redemption of investment securities	1,000	3,800	12,175
Payments for investment in partnerships	(176)	(190)	(2,149)
Proceeds from distribution of investment in partnerships	631	1,062	7,692
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(7,551)	(120)	(91,943)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	30	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(165)	—	(2,017)
Proceeds from liquidation of subsidiaries	2,100	—	25,575
Purchase of stocks of subsidiaries and affiliates	(306)	(1,030)	(3,730)
Payments of loans receivable	(118)	(66)	(1,444)
Collection of loans receivable	135	46	1,653
Payments for lease deposits	(1,022)	(563)	(12,449)
Collection of lease deposits	680	1,674	8,283
Proceeds from transfer of business	0	23	10
Other, net	(577)	(20)	(7,032)
Net cash used in investing activities	(59,012)	(29,585)	(718,529)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(1,500)	55	(18,263)
Proceeds from long-term loans payable	34,430	—	419,213
Repayment of long-term loans payable	(6,157)	(1,512)	(74,970)
Proceeds from issuance of bonds	7,474	—	91,010
Redemption of bonds	(13,642)	(20,600)	(166,108)
Proceeds from stock issuance to minority shareholders	—	103	—
Cash dividends paid	(10,043)	(8,810)	(122,283)
Cash dividends paid to minority shareholders	(199)	(399)	(2,430)
Purchase of treasury stock	(8,430)	(24,530)	(102,650)
Other, net	(1,017)	(1,473)	(12,386)
Net cash provided by (used in) financing activities	914	(57,168)	11,130
Effect of exchange rate change on cash and cash equivalents	22	(1,191)	277
Net increase (decrease) in cash and cash equivalents	(20,052)	(248)	(244,151)
Cash and cash equivalents at beginning of period	165,983	167,000	2,020,989
Increase in cash and cash equivalents from newly consolidated subsidiary	667	35	8,127
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(803)	—
Cash and cash equivalents at end of period (Note 7)	¥146,599	¥165,983	$1,784,965

See accompanying notes.

Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2012 and 2011

NOTE 1

Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, necessary adjustments are made upon consolidation for 2012 and 2011. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese-language consolidated financial statements is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the classifications used in 2012. These changes had no impact on previously reported results of operations or shareholders' equity.

The translation of the Japanese yen amounts into U.S. dollars is rounded down to the nearest unit amount, and is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82.13 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

NOTE 2

Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. All significant inter-company balances, transactions and unrealized profits have been eliminated. The number of consolidated subsidiaries is 63 in 2012.

From the year ended March 31, 2012, the following companies 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.

From the year ended March 31, 2012, the following companies 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.).

The number of non-consolidated subsidiaries is 12 in 2012.
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) Equity method

Investments in affiliated companies over which the Company has the ability to exercise significant influence over their operation and financial policies are accounted for by the equity method.
The number of non-consolidated subsidiaries accounted for under the equity method is 3 in 2012.

Main equity-method non-consolidated subsidiaries: DARTSLIVE INTERNATIONAL Ltd. and two other companies.

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

The number of affiliated companies accounted for under the equity method is 9 in 2012.
Main equity-method affiliated companies: INTERLIFE HOLDINGS CO., LTD., CRI Middleware Co., Ltd., and seven other companies.

The number of non-consolidated subsidiaries and affiliated companies which are not accounted for by the equity method is 16 in 2012.

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

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

(3) Valuation 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 Instruments 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).

(4) Depreciation and amortization for important assets

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

Depreciation is computed primarily using the declining-balance method.

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

Range of useful life for the assets is as follows:

Buildings and structures : 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 following fiscal year.

b. Intangible assets (excluding lease assets):

Depreciation is computed 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 of which the ownership is transferred to lessees:

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

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

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.

(5) Allowances and provisions

a. Allowance for doubtful accounts

The reserve for doubtful accounts is provided in the amount sufficient to cover possible losses based on a historical write-off of general receivables. Allowance for doubtful accounts and bankrupt receivables are calculated based on an individual assessment of the possibility of collection.

b. Provision for bonuses

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

c. Provision for directors' bonuses

The estimated amount of bonuses was recorded to meet the bonus payments to directors and 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 10 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 10 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.

(6) 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 forward exchange contracts.

b. Hedging instruments and hedged items

Hedging instrument: Interest rate swaps, forward exchange contracts

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

c. Hedge policy

Derivative instruments are used to mitigate risks associated with foreign exchange and interest rate fluctuations.

As a rule, hedging is only used for items in which actual demand exists, and not for speculative purposes.

d. Evaluation of hedge effectiveness

Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations in the market between the hedged item and the hedging instrument. For interest rate swaps applied to special treatment, hedge effectiveness is not evaluated.

(7) Amortization method and period of goodwill

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

(8) Cash and cash equivalents in the consolidated statements of cash flows

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(9) Consumption taxes

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

(10) Application of the Consolidated Taxation System

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

NOTE 3

Additional Information

For accounting changes and corrections of prior period errors which are made after the beginning of the 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.

NOTE 4

Notes to Consolidated Balance Sheets

(1) Assets pledged

Millions of yen

Assets pledged	2012	Liabilities to be covered	2012
Buildings and structures	¥243	Short-term loans payable	¥300
Land	210	—	—
Total	453	Total	300

Thousands of U.S. dollars (Note 1)

Assets pledged	2012	Liabilities to be covered	2012
Buildings and structures	$2,959	Short-term loans payable	$3,652
Land	2,566	—	—
Total	5,526	Total	3,652

Millions of yen

Assets pledged	2011	Liabilities to be covered	2011
Time deposits	¥ 5	Accounts payable–trade	¥ 2
Buildings and structures	1,202	Accrued expenses	0
Land	2,433	Short-term loans payable	900
—	—	Long-term loans payable	2,100
Total	3,641	Total	3,003

(2) Loan securities

Loan securities of ¥295 million ($3,597 thousand) and ¥282 million are included in investment securities as of March 31, 2012 and 2011, respectively.

(3) Guarantee

Guarantee to companies as of March 31, 2012 and 2011 are as follows:

		Millions of yen		Thousands of U.S. dollars (Note 1)
Guarantee	Description	2012	2011	2012
Orix Premium Ltd.	Lease obligation	¥1	¥11	$15

(4) Revaluation reserve for 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.

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 revaluation: March 31, 2002

(5) Overdraft agreement and commitment line agreement

The Company and its consolidated subsidiaries have overdraft agreement and commitment line agreement with 13 banks for effective procurement of working capital.

Balance of unexecuted loans, etc. based on these agreements as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Total amount of overdraft limit and commitment line agreement	¥62,825	¥54,125	$764,945
Balance of executed loans	500	2,000	6,087
Unexecuted balance	62,325	52,125	758,857

NOTE 5

Notes to Consolidated Statements of Income and Comprehensive Income

(1) Devaluation of inventories

The book value devaluation of inventories held for normal sales purpose based on decline in profitability included in cost of sales amounted to ¥14,893 million ($181,336 thousand) and ¥6,547 million for the years ended March 31, 2012 and 2011, respectively.

(2) Research and development expenses

Expenses relating to research and development activities have been charged to income as incurred, and amounted to ¥32,118 million ($391,068 thousand) and ¥29,613 million for the years ended March 31, 2012 and 2011, respectively.

(3) Restructuring loss

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 United States and Europe.

(4) Impairment loss

For each business segment, the Company classifies assets or asset groups based on whether their cash flows can be estimated independently. The book values of assets or asset groups whose market values declined significantly or that are projected to consistently generate negative cash flows are reduced to their recoverable value. The amount of this reduction is deemed an impairment loss and is recorded under other expenses in the consolidated financial statements.

The recoverable value is calculated using the fair value less cost to sell based on the current market price.

Impairment loss for the year ended March 31, 2012 consists of the following:

Use	Location	Type	Impairment loss Millions of yen	Impairment loss Thousands of U.S. dollars (Note 1)
Assets for business, etc.	Ota-ku, Tokyo and 17 other locations	Buildings and structures	¥1,814	$22,088
		Other property, plant and equipment	176	2,150
		Other intangible assets	422	5,146
		Land	125	1,523
Assets for rent	Chuo-ku, Osaka-shi, Osaka	Land	760	9,253
Amusement facilities	Chuo-ku, Osaka-shi, Osaka and 7 other locations	Buildings and structures	33	403
		Amusement game machines	0	1
		Other intangible assets	9	113
		Total	3,341	40,682

Impairment loss for the year ended March 31, 2011 consisted of the following:

Use	Location	Type	Impairment loss Millions of yen
Amusement facilities	Chiba-shi, Chiba and 16 other locations	Buildings and structures	¥ 201
		Amusement game machines	2
		Other property, plant and equipment	16
		Other intangible assets	9
Kids Card related	Inba-gun, Chiba	Amusement game machines	776
Assets for business, etc.	Shibuya-ku, Tokyo and 8 other locations	Buildings and structures	58
		Other property, plant and equipment	40
		Other intangible assets	396
		Total	1,502

(5) Reclassification adjustments and the related tax effects concerning other comprehensive income

	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2012
Valuation difference on available-for-sale securities		
The amount arising during the period	¥10,058	$122,472
Reclassification adjustments	11	143
Before adjustments to tax effects	10,070	122,615
The amount of tax effects	(2,544)	(30,975)
Valuation difference on available-for-sale securities	7,526	91,640
Deferred gains or losses on hedges		
The amount arising during the period	—	—
Reclassification adjustments	0	0
Before adjustments to tax effects	0	0
The amount of tax effects	—	—
Deferred gains or losses on hedges	0	0
Revaluation reserve for land		
The amount of tax effects	112	1,372
Revaluation reserve for land	112	1,372
Foreign currency translation adjustment		
The amount arising during the period	(430)	(5,236)
Reclassification adjustments	(4)	(52)
Before adjustments to tax effects	(434)	(5,288)
The amount of tax effects	—	—
Foreign currency translation adjustment	(434)	(5,288)
Share of other comprehensive income of associates accounted for using equity method		
The amount arising during the period	5	68
Reclassification adjustments	—	—
Share of other comprehensive income of associates accounted for using equity method	5	68
Total other comprehensive income	7,210	87,792

NOTE6

Notes to Consolidated Statements of Changes in Net Assets

(1) Number of outstanding common stock:

Shares

	2012	2011
Balance at beginning of the year	266,229,476	283,229,476
Decrease due to retirement of treasury stock	—	17,000,000
Balance at end of the year	266,229,476	266,229,476

(2) Number of outstanding treasury stock:

Shares

	2012	2011
Balance at beginning of the year	14,504,662	31,315,801
Increase due to purchase in the market by the resolution at the Board of Directors' meeting	5,000,000	14,000,000
Increase due to purchase demand pursuant to Article 797, Paragraph 1 of the Companies Act	—	150,144
Increase due to purchase demand pursuant to Article 197, Paragraph 3 and Paragraph 4 of the Companies Act	24,435	—
Increase due to purchase of odd stock	93,147	18,445
Decrease due to retirement of treasury stock	—	17,000,000
Decrease due to share exchange	4,423,546	13,977,737
Decrease due to sale of odd stock	3,862	1,991
Balance at end of the year	15,194,836	14,504,662

(3) Dividends

Year ended March 31, 2012

1. Dividend

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

Resolution	Type of stock	Total dividend (Thousands of U.S. dollars(Note 1))	Dividend per share (U.S. dollars (Note 1))	Record date	Effective date
Board of Directors' meeting held on May 16, 2011	Common stock	$61,299	$0.24	March 31, 2011	June 2, 2011
Board of Directors' meeting held on October 31, 2011	Common stock	61,157	0.24	September 30, 2011	December 2, 2011

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

Resolution	Type of stock	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 11, 2012	Common stock	Retained earnings	¥5,020	¥20	March 31, 2012	May 29, 2012

Resolution	Type of stock	Resource of dividend	Total dividend (Thousands of U.S. dollars(Note 1))	Dividend per share (U.S. dollars (Note 1))	Record date	Effective date
Board of Directors' meeting held on May 11, 2012	Common stock	Retained earnings	$61,131	$0.24	March 31, 2012	May 29, 2012

Year ended March 31, 2011

1. Dividend

Resolution	Type of Stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2010	Common stock	¥3,778	¥15	March 31, 2010	June 1, 2010
Board of Directors' meeting held on October 29, 2010	Common stock	5,038	20	September 30, 2010	December 2, 2010

2. Of the dividends of which the record date is in the year ended March 31, 2011, but the effective date is in the following fiscal year.

Resolution	Type of Stock	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 16, 2011	Common stock	Retained earnings	¥5,034	¥20	March 31, 2011	June 2, 2011

NOTE 7

Notes to Consolidated Statements of Cash Flows

Cash and cash equivalents at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash and deposits	¥127,721	¥149,006	$1,555,115
Short-term investment securities	66,509	42,412	809,806
Total	194,231	191,418	2,364,922
Time deposits with maturities of more than three months	(5,229)	(5,534)	(63,671)
Short-term investment securities excluding commercial papers maturing within three months from the acquisition date	(42,402)	(19,899)	(516,284)
Cash and cash equivalents	146,599	165,983	1,784,965

NOTE 8

Information for Certain Leases

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for the years ended March 31, 2012 and 2011, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

			Millions of yen
March 31, 2012	Acquisition cost	Accumulated depreciation	Net book value
Structures	¥255	¥255	¥ 0
Tools, furniture and fixtures	8	8	0
Machinery and equipment	155	155	—
Total	419	418	0

			Thousands of U.S. dollars (Note 1)
March 31, 2012	Acquisition cost	Accumulated depreciation	Net book value
Structures	$3,109	$3,106	$ 2
Tools, furniture and fixtures	109	102	6
Machinery and equipment	1,892	1,892	—
Total	5,111	5,101	9

			Millions of yen
March 31, 2011	Acquisition cost	Accumulated depreciation	Net book value
Structures	¥255	¥218	¥36
Tools, furniture and fixtures	145	132	12
Machinery and equipment	155	133	22
Amusement machines	14	11	2
Total	570	496	74

Future lease payments under the finance leases that are accounted for in the same manner as operating leases as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Due within one year	¥ 0	¥76	$10
Due after one year	—	0	—
Total	0	77	10

A summary of assumed amounts of lease payments, reversal of liability of impairment loss for lease assets, assumed depreciation and interest expenses for the years ended March 31, 2012 and 2011, with respect to the finance leases accounted for in the same manner as operating leases, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Lease payments	¥77	¥231	$942
Reversal of liability of impairment loss for lease assets	—	0	—
Depreciation	73	220	892
Interest expenses	0	3	8

Finance lease transaction:
Lease assets mainly consist of the following: Property, plant and equipment that are mainly facilities for amusement center operations, such as buildings and structures, amusement game machines.

The methods of depreciation for lease assets are as follows: Lease assets involving finance lease transactions under which the ownership of the lease assets is transferred to lessees are the same methods that are applied to property, plant and equipment owned by the Company.

Lease assets involving finance lease transactions under which the ownership of the lease assets is not transferred to lessees are the straight-line method, with their residual values being zero over their leased periods used as the number of years for useful life.

Operating lease transaction:
Future lease payments for operating lease transactions which cannot be canceled as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Due within one year	¥1,922	¥2,721	$23,411
Due after one year	2,173	5,145	26,459
Total	4,095	7,867	49,870

NOTE 9

Financial Instruments

1. Outline of financial instruments

(1) Policy for financial instruments

The Group signed an agreement concerning commitment lines by the syndicated method, such as securing medium- to long-term fund liquidity with the Company as the 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 purpose of the efficient utilization of the Group's 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.

(2) Nature and extent of risks arising from financial instruments

Receivables such as notes and accounts receivable–trade are exposed to customer credit risks. In addition, foreign currency-denominated trade receivables are exposed to foreign currency exchange fluctuation risks. However, certain parts of the risks are hedged by forward exchange contracts. Short-term investment securities and investment securities are mainly held-to-maturity debt securities and the stocks acquired for business collaborations with business partners, and are exposed to the risk of market price fluctuations.

Of the payables such as notes and accounts payable–trade, trade payables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risks. However, certain parts of the risks are hedged by forward exchange contracts. Loans and bonds payable are for the purpose of procurement of funds necessary for operating funds and capital investment, and parts of them have floating interest rates. For this reason, they are exposed to interest rate fluctuation risks.

Derivative transactions consist of forward exchange contracts intended to hedge foreign currency exchange fluctuation risks for trade receivables and payables denominated in foreign currencies, as well as loan receivables denominated in foreign currencies, and interest swap transactions intended to hedge fluctuation risks of interests on loans. For details on hedging instruments, hedged items, hedging policy and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to the aforementioned "(6) Accounting for significant hedge" in "Note 2 – Summary of Significant Accounting Policies."

(3) Risk management for financial instruments

1) Credit risk management (customers' default risk)

With respect to trade receivables, departments in charge regularly monitor the situations of major customers in compliance with each company's management regulations for receivables, to control payment terms and balances of customers, in order to detect collection concerns such as worsening of financial conditions early and to lessen the possibilities for collection problems.

The credit risk for held-to-maturity debt securities is minimal because the investments of these financial assets are limited to high credit rating issuers in accordance with the fund operation management rules.

Customers of derivative transactions are in principle limited to correspondent financial institutions.

The amount of maximum risk as of the consolidated settlement date is expressed by the amounts of financial assets exposed to credit risks in the balance sheet.

2) Market risk management (foreign currency exchange and interest rate fluctuation risks)

Certain consolidated subsidiaries use forward exchange contracts to hedge foreign currency exchange fluctuation risks identified by currency and by month, in parts of trade receivables and payables and loan receivables denominated in foreign currencies, and trade receivables and payables which are expected to certainly occur due to exports and imports (forecasted transactions). In addition, certain consolidated subsidiaries use interest rate swap transactions intended to hedge fluctuation risks of interests on variable interest-loans. With respect to short-term investment securities and investment securities, their fair values and financial positions of the related issuers (the counterparties) are regularly checked for reports at each company's Board of Directors' meeting, etc. In addition, holding of short-term investment securities and investment securities other than held-to-maturity debt securities are continuously reviewed in consideration of relationships with the counterparties.

With regards to derivative transactions, the financial department or the accounting department executes and manages transactions upon obtaining internal approvals in compliance with the regulations approved by each company's Board of Directors' meetings. In addition, reports on the situations of derivative transactions are made to each company's Board of Directors' meeting when and where appropriate.

3) Liquidity risk management on fund raising (risk for delinquency)

Trade payables and loans are exposed to liquidity risk. In the Group, liquidity risk is managed by setting an appropriate fund balance for each company, and by each company updating fund plans monthly to maintain the balance that exceeds the set fund balance, and by the Company confirming each company's cash position.

(4) Supplementary explanations concerning fair values of financial instruments

Fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no market price. Since variable factors are incorporated in computing the relevant fair values, such fair values may vary depending on the different assumptions. The notional amounts and other information described in "Note 11 – Derivative Transactions" do not indicate the amounts of market risk exposed to derivative transactions.

2. Matters concerning the fair value of financial instruments

The consolidated balance sheet amount and fair value of financial instruments as of March 31, 2012 as well as the differences between these values are described below. Financial instruments whose fair values are not readily determinable are not included in the table. (See Note 2 below)
Year ended March 31, 2012

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(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) Equity securities issued by affiliated companies	516	385	(130)
Total assets	316,032	315,873	(158)
(1) Notes and accounts payable–trade	59,917	59,917	—
(2) Short-term loans payable	10,194	10,194	—
(3) Long-term loans payable	25,052	25,093	(41)
(4) Current portion of corporate bonds	23,515	23,515	—
(5) Corporate bonds payable	11,943	12,085	(141)
Total liabilities	130,622	130,805	(183)
Derivative transactions (*2)			
1) Derivative transactions to which hedge accounting is not applied	(1)	(1)	—
2) Derivative transactions to which hedge accounting is applied	—	—	—
Total derivative transactions	(1)	(1)	—

	Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Cash and deposits	$1,555,115	$1,555,115	$ —
(2) Notes and accounts receivable–trade	895,584	895,306	(277)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	19,726	19,669	(57)
2) Available-for-sale securities (*1)	1,371,232	1,371,232	—
3) Equity securities issued by affiliated companies	6,289	4,697	(1,591)
Total assets	3,847,949	3,846,022	(1,926)
(1) Notes and accounts payable–trade	729,539	729,539	—
(2) Short-term loans payable	124,120	124,120	—
(3) Long-term loans payable	305,030	305,532	(502)
(4) Current portion of corporate bonds	286,314	286,314	—
(5) Corporate bonds payable	145,424	147,151	(1,726)
Total liabilities	1,590,430	1,592,659	(2,228)
Derivative transactions (*2)			
1) Derivative transactions to which hedge accounting is not applied	(17)	(17)	—
2) Derivative transactions to which hedge accounting is applied	—	—	—
Total derivative transactions	(17)	(17)	—

(*1) Since the fair values of embedded derivatives cannot be reasonably categorized and measured, those of the entire composite financial instruments are evaluated, and included in investment securities.
(*2) Receivables and payables incurred by derivative transactions are presented in net amount.

Year ended March 31, 2011

	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
			Millions of yen
(1) Cash and deposits	¥149,006	¥149,006	¥ —
(2) Notes and accounts receivable–trade	56,468	56,416	(51)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	2,018	2,021	2
2) Available-for-sale securities (*1)	77,523	77,523	—
3) Equity securities issued by affiliated companies	493	280	(213)
Total assets	285,511	285,248	(262)
(1) Notes and accounts payable–trade	37,513	37,513	—
(2) Short-term loans payable	2,857	2,857	—
(3) Long-term loans payable	5,316	5,333	(17)
(4) Current portion of corporate bonds	11,892	11,892	—
(5) Corporate bonds payable	29,608	29,356	252
Total liabilities	87,188	86,953	234
Derivative transactions (*2)			
1) Derivative transactions to which hedge accounting is not applied	3	3	—
2) Derivative transactions to which hedge accounting is applied	(0)	(0)	—
Total derivative transactions	2	2	—

(*1) Since the fair values of embedded derivatives cannot be reasonably categorized and measured, those of the entire composite financial instruments are evaluated, and included in investment securities.
(*2) Receivables and payables incurred by derivative transactions are presented in net amount.

Note 1: Calculation method of fair values of financial instruments and securities and derivative transactions
Assets
(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 fair values approximate book values. In addition, of notes and accounts receivable–trade, those which have more than a year to the payment date from 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 fair values of stocks are determined using the quoted price on the stock exchange, and those of bonds are determined using the quoted price on the 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 fair values approximate book values. For notes concerning securities by holding purpose, please see "Note 10—Investment Securities."
Liabilities
(1) Notes and accounts payable–trade (2) Short-term loans payable and (4) Current portion of corporate bonds
Of these, items that are settled in the short term (within a year) are recorded using book values, as their fair values approximate book values. Of the short-term loans payable, fair values of the loans hedged by interest rate swap contracts meeting certain conditions are calculated by combining them with the relevant interest rate swap.
(3) Long-term loans payable and (5) Corporate 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 by combining them with the relevant interest rate swap.
Derivative transactions
For notes concerning derivatives, please see "Note 11 – Derivative Transactions."

Note 2: Financial instruments whose fair values are not readily determinable

Item	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
	Consolidated balance sheet amount		
Unlisted equity securities, etc.	¥2,007	¥2,036	$24,444
Investment in investment limited partnerships, etc.	1,208	1,352	14,708
Equity securities issued by non-consolidated subsidiaries	299	2,189	3,650
Equity securities issued by affiliated companies	842	765	10,258
Investments in capital of affiliated companies	120	224	1,469

These items 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 fair values.

Note 3: Redemption schedule of monetary assets and securities with contractual maturities

Year ended March 31, 2012

				Millions of yen
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥127,721	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	73,064	487	1	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities (Corporate bonds)	400	705	500	—
Available-for-sale securities with maturities(Corporate bonds)*	—	2,000	—	1,000
Available-for-sale securities with maturities(Negotiable certificates of deposit)	50,800	—	—	—
Available-for-sale securities with maturities (Other)*	15,306	—	200	1,800
Total	267,293	3,192	701	2,800

				Thousands of U.S. dollars (Note 1)
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	$1,555,115	$ —	$ —	$ —
Notes and accounts receivable–trade	889,624	5,939	20	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities (Corporate bonds)	4,870	8,583	6,087	—
Available-for-sale securities with maturities(Corporate bonds)*	—	24,351	—	12,175
Available-for-sale securities with maturities(Negotiable certificates of deposit)	618,531	—	—	—
Available-for-sale securities with maturities (Other)*	186,374	—	2,435	21,916
Total	3,254,516	38,875	8,543	34,092

* With respect to bonds with an early redemption clause, their expected redemption amounts at maturity without applying the early redemption clause are listed.

Year ended March 31, 2011

				Millions of yen
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥149,006	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	55,775	693	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities (Corporate bonds)	600	805	500	100
Available-for-sale securities with maturities(Corporate bonds)*	—	2,000	—	1,000
Available-for-sale securities with maturities(Negotiable certificates of deposit)	41,800	—	—	—
Available-for-sale securities with maturities (Other)*	12	—	200	1,800
Total	247,193	3,498	700	2,900

* With respect to bonds with an early redemption clause, their expected redemption amounts at maturity without applying the early redemption clause are listed.

Note 4: For redemption supplemental schedule of corporate bonds payable, long-term loans payable, lease obligations and other interest-bearing liabilities after March 31, 2012, refer to "Supplemental schedule of corporate bonds" and "Supplemental schedule of borrowings" in "Note 22 – Supplemental Information."

NOTE 10

Investment Securities

1. Held-to-maturity debt securities

Year ended March 31, 2012

(1) Securities whose market value exceeds the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	607	611	4
c. Other	—	—	—
Total	607	611	4

Thousands of U.S. dollars (Note 1)

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	$ —	$ —	$ —
b. Corporate bonds	7,392	7,450	58
c. Other	—	—	—
Total	7,392	7,450	58

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	1,013	1,003	(9)
c. Other	—	—	—
Total	1,013	1,003	(9)

Thousands of U.S. dollars (Note 1)

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	$ —	$ —	$ —
b. Corporate bonds	12,334	12,218	(116)
c. Other	—	—	—
Total	12,334	12,218	(116)

Year ended March 31, 2011

(1) Securities whose market value exceeds the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	606	616	10
c. Other	—	—	—
Total	606	616	10

(2) Securities whose market value is equal to or lower than the consolidated balance sheet amount

Millions of yen

Category	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	1,412	1,404	(7)
c. Other	—	—	—
Total	1,412	1,404	(7)

2. Available-for-sale securities

Year ended March 31, 2012

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

			Millions of yen
Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥41,985	¥11,581	¥30,403
b. Bonds	—	—	—
c. Other	—	—	—
Total	41,985	11,581	30,403

			Thousands of U.S. dollars (Note 1)
Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	$511,207	$141,019	$370,187
b. Bonds	—	—	—
c. Other	—	—	—
Total	511,207	141,019	370,187

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

			Millions of yen
Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥ 1,267	¥ 1,628	¥(361)
b. Bonds	5,259	5,773	(514)
c. Other	64,106	64,106	—
Total	70,633	71,509	(875)

			Thousands of U.S. dollars (Note 1)
Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	$ 15,435	$ 19,832	$ (4,397)
b. Bonds	64,035	70,295	(6,259)
c. Other	780,554	780,554	—
Total	860,025	870,682	(10,656)

Note: "Bonds" in "Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost" include composite financial instruments, and the valuation losses of ¥122 million ($1,490 thousand) are posted in "Other income."

Year ended March 31, 2011

(1) Securities whose consolidated balance sheet amount exceeds the acquisition cost

			Millions of yen
Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥31,299	¥10,965	¥20,334
b. Bonds	—	—	—
c. Other	—	—	—
Total	31,299	10,965	20,334

(2) Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost

Millions of yen

Category	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥ 1,226	¥ 1,689	¥(462)
b. Bonds	3,185	3,653	(467)
c. Other	41,812	41,812	—
Total	46,224	47,155	(930)

Note: "Bonds" in "Securities whose consolidated balance sheet amount is equal to or lower than the acquisition cost" include composite financial instruments, and the valuation losses of ¥346 million are posted in "Other expenses."

3. Available-for-sale securities sold during the fiscal year

Year ended March 31, 2012

Millions of yen

Category	Amount of proceeds	Total gains on sales	Total losses on sales
a. Shares	¥105	¥56	¥(2)
b. Bonds	0	—	(3)
c. Other	—	—	—
Total	105	56	(6)

Thousands of U.S. dollars (Note 1)

Category	Amount of proceeds	Total gains on sales	Total losses on sales
a. Shares	$1,281	$683	$(27)
b. Bonds	0	—	(48)
c. Other	—	—	—
Total	1,281	683	(76)

Year ended March 31, 2011

Millions of yen

Category	Amount of proceeds	Total gains on sales	Total losses on sales
a. Shares	¥1,239	¥52	¥(165)
b. Bonds	—	—	—
c. Other	—	—	—
Total	1,239	52	(165)

4. Impairment loss on securities

Year ended March 31, 2012

During the year ended March 31, 2012, the Company recognized impairment loss on available-for-sale-securities in an amount of ¥189 million ($2,307 thousand).

Year ended March 31, 2011

During the year ended March 31, 2011, the Company recognized impairment loss on available-for-sale-securities in an amount of ¥1,308 million.

NOTE 11

Derivative Transactions

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives

Year ended March 31, 2012

	Category	Contract value	Contract value due after one year	Fair value	Unrealized gains (losses)
					Millions of yen
Transactions other than market transactions	Forward exchange contracts				
	Selling				
	UK pound	¥ 320	¥—	¥(5)	¥(5)
	U.S. dollar	117	—	(6)	(6)
	Euro	953	—	6	6
	Buying				
	U.S. dollar	40	—	2	2
Total		1,431	—	(1)	(1)

	Category	Contract value	Contract value due after one year	Fair value	Unrealized gains (losses)
					Thousands of U.S. dollars (Note 1)
Transactions other than market transactions	Forward exchange contracts				
	Selling				
	UK pound	$ 3,901	$—	$(63)	$(63)
	U.S. dollar	1,428	—	(73)	(73)
	Euro	11,608	—	84	84
	Buying				
	U.S. dollar	487	—	35	35
Total		17,424	—	(17)	(17)

Note: Fair values are calculated using prices quoted by financial institutions.

Year ended March 31, 2011

	Category	Contract value	Contract value due after one year	Fair value	Unrealized gains (losses)
					Millions of yen
Transactions other than market transactions	Forward exchange contracts				
	Selling				
	UK pound	¥ 455	¥—	¥ (7)	¥ (7)
	U.S. dollar	354	—	23	23
	Euro	682	—	(8)	(8)
	Buying				
	U.S. dollar	501	—	(3)	(3)
Total		1,994	—	3	3

Note: Fair values are calculated using prices quoted by financial institutions.

(2) Composite financial instruments

With respect to composite financial instruments whose fair values cannot be categorized and measured for each embedded derivative, the entire composite financial instruments are appraised by fair value, and are included in "2. Available-for-sale securities" in "Note 10 – Investment Securities."

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

Year ended March 31, 2012

Not applicable

Year ended March 31, 2011

Millions of yen

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method	Forward exchange contracts				
	Selling				
	Euro	Accounts receivable–trade	¥ 36	¥—	¥(0)
Receivables or payables are translated using forward exchange contract rates	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable–trade	131	—	Note 2

Notes: 1. Fair values are calculated using prices quoted by financial institutions.
2. With respect to forward exchange contracts whose exchange rates are used for translating foreign currency-denominated accounts payable–trade, fair values of forward exchange contracts are included in the fair values of the relevant accounts payable–trade, since they are used for recording accounts payable–trade as hedged items.

(2) Interest rates

Year ended March 31, 2012

Millions of yen

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Interest rate swaps meeting certain conditions	Interest rate swaps: Floating rate into fixed rate	Long-term loans payable	¥5,900	¥2,619	Note
Total			5,900	2,619	—

Thousands of U.S. dollars(Note 1)

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Interest rate swaps meeting certain conditions	Interest rate swaps: Floating rate into fixed rate	Long-term loans payable	$71,837	$31,888	Note
Total			71,837	31,888	—

Note: With respect to interest rate swap contracts which meet certain conditions, fair values of the interest rate swap contracts are included in the fair values of the relevant long-term loans payable, since they are used for recording long-term loans payable as hedged items.

Year ended March 31, 2011

Millions of yen

Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Interest rate swaps meeting certain conditions	Interest rate swaps: Floating rate into fixed rate	Long-term loans payable	¥3,834	¥3,170	Note
Total			3,834	3,170	—

Note: With respect to interest rate swap contracts which meet certain conditions, fair values of the interest rate swap contracts are included in the fair values of the relevant long-term loans payable, since they are used for recording long-term loans payable as hedged items.

NOTE 12

Retirement Benefits

Overview of retirement benefits plans

The Company and domestic consolidated subsidiaries offer, based on the retirement benefit regulations, employees' pension plans and lump-sum retirement benefit plans. Certain domestic consolidated subsidiaries and overseas consolidated subsidiaries offer the defined contribution pension plans.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2012 and 2011 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
1) Projected benefit obligation	¥(33,448)	¥(26,927)	$(407,257)
2) Pension assets	15,237	13,337	185,531
3) Unrecognized projected benefit obligation	(18,210)	(13,590)	(221,726)
4) Unrecognized actuarial differences	3,778	1,009	46,007
5) Prepaid pension cost	95	75	1,166
6) Provision for retirement benefits	(14,527)	(12,656)	(176,886)

Note: Some consolidated subsidiaries use the simplified method for calculating projected benefit obligations.

Included in the consolidated statements of income and comprehensive income for the years ended March 31, 2012 and 2011, severance and retirement benefit expenses comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Service costs – benefits earned during the year	¥2,205	¥2,131	$26,848
Interest cost on projected benefit obligation	524	494	6,386
Expected return on plan assets	(307)	(275)	(3,747)
Amortization of actuarial difference	284	569	3,460
Amortization of prior service cost	—	(175)	—
Other	257	208	3,135
Severance and retirement benefit expenses	2,963	2,954	36,083

Notes: 1. Retirement benefit expenses of consolidated subsidiaries using the simplified method are added up in "Service costs."
2. "Other" is a premium paid to the defined contribution pension plan.
3. Sammy Corporation decided to revise its retirement benefit plan effective April 1, 2011, from the tax - qualified plan to a contract-type corporate pension plan (defined benefits plan type). Following this changeover, the balance of prior service cost (reduction in liabilities) of ¥ (111) million has been amortized at once and included in "Amortization of prior service cost."

	2012	2011
Discount rate	1.5–2.0%	1.5–2.0%
Rate of expected return on plan assets	1.0–2.5%	1.0–2.5%

NOTE 13

Stock Option Plan

The following table summarizes the contents of stock options as of March 31, 2012.

Company name	The Company	The Company	The Company
Date of the annual shareholders' meeting	June 30, 2010	June 30, 2010	December 24, 2010
Position and number of grantees	The Company's directors: 4	The Company's executive officers: 3 The Company's employees: 11 The Company's subsidiaries' directors: 8 The Company's subsidiaries' executive officers: 22 The Company's subsidiaries' employees: 1,831	The Company's subsidiaries' directors: 12 The Company's subsidiaries' executive officers: 6 The Company's subsidiaries' employees: 151
Class and number of stock	Common stock 172,000	Common stock 3,417,800	Common stock 464,000
Date of issue	July 31, 2010	July 31, 2010	February 1, 2011
Condition of settlement of rights	Continue to work from July 31, 2010 to July 31, 2012	Continue to work from July 31, 2010 to July 31, 2012	Continue to work from February 1, 2011 to February 1, 2013
Period grantees provide service in return for stock options	July 31, 2010 to July 31, 2012	July 31, 2010 to July 31, 2012	February 1, 2011 to February 1, 2013
Period subscription rights are to be exercised	August 1, 2012 to July 31, 2014	August 1, 2012 to July 31, 2014	February 2, 2013 to February 1, 2015

The following table summarizes the scale and movement of stock as of March 31, 2012

Shares

Company name	The Company	The Company	The Company
Date of the annual shareholders' meeting	June 30, 2010	June 30, 2010	December 24, 2010
Not exercisable stock options			
Stock options outstanding at April 1, 2011	172,000	3,379,000	460,800
Stock options granted	—	—	—
Forfeitures	—	39,100	67,700
Conversion to exercisable stock options	—	—	—
Stock options outstanding at March 31, 2012	172,000	3,339,900	393,100
Exercisable stock options			
Stock options outstanding at April 1, 2011	—	—	—
Conversion from not exercisable stock options	—	—	—
Stock options exercised	—	—	—
Forfeitures	—	—	—
Stock options outstanding at March 31, 2012	—	—	—

The following tables summarize the price information of stock options as of March 31, 2012

Yen

Company name	The Company	The Company	The Company
Date of the annual shareholders' meeting	June 30, 2010	June 30, 2010	December 24, 2010
Exercise price	¥1,312	¥1,312	¥1,753
Average market price of the stock at the time of exercise	—	—	—
Fair value of the stock option at the date of grant	306	306	386

U.S. dollars (Note 1)

Company name	The Company	The Company	The Company
Date of the annual shareholders' meeting	June 30, 2010	June 30, 2010	December 24, 2010
Exercise price	$15	$15	$21
Average market price of the stock at the time of exercise	—	—	—
Fair value of the stock option at the date of grant	3	3	4

NOTE 14

Income Taxes

(1) Significant components of deferred tax assets and liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Deferred tax assets:			
Allowance for doubtful accounts	¥ 879	¥ 1,243	$ 10,708
Loss on valuation of inventories	2,475	2,783	30,144
Provision for bonuses	1,833	1,669	22,328
Provision for retirement benefits	5,165	5,148	62,892
Depreciation expense	14,343	14,443	174,641
Loss on valuation of investment securities	951	3,518	11,588
Impairment loss	3,039	2,604	37,009
Others	12,010	12,679	146,233
Tax loss carry forward	46,781	54,924	569,600
Total	87,480	99,014	1,065,147
Valuation allowance	(72,428)	(76,839)	(881,873)
Offset against deferred tax liabilities	(8,347)	(6,392)	(101,640)
Net deferred tax assets	6,704	15,783	81,632
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(10,966)	(8,412)	(133,530)
Others	(1,725)	(1,721)	(21,009)
Subtotal of deferred tax liabilities	(12,692)	(10,134)	(154,539)
Offset against deferred tax assets	8,347	6,392	101,640
Total	(4,344)	(3,742)	(52,898)
Recorded deferred tax assets	2,359	12,041	28,734

(2) Breakdown of major causes of the significant difference between the statutory tax rate and the effective tax rate for financial statement purposes, if any, by item, for the years ended March 31, 2012 and 2011.

	2012	2011
Statutory tax rate	40.7%	40.7%
(Adjustment)		
Effect from the adoption of Consolidated Taxation System	—	(21.1)
Tax deduction for experiment and research expenses	(3.2)	(2.0)
Changes in valuation allowance	1.0	7.0
Permanently non-deductible expenses including entertainment expenses	2.4	2.1
Amortization of goodwill	3.5	0.6
Adjustments of deferred tax assets for enacted changes in tax laws and rates	2.0	—
Other	1.3	(4.1)
Effective tax rate for financial statement purposes	47.8	23.2

(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) increased by ¥795 million($9,684 thousand), income taxes-deferred increased by ¥869 million($10,585 thousand), valuation difference on available-for-sale securities increased by ¥1,552 million($18,898 thousand) and revaluation reserve for land increased by ¥112 million($1,372 thousand).

NOTE 15

Asset Retirement Obligation

This disclosure is omitted due to the immateriality of the total amount of the asset retirement obligation for the year ended March 31, 2012 and 2011.

NOTE 16

Investment and Rental Property

This disclosure is omitted due to the immateriality of the total amount of the investment and rental property for the year ended March 31, 2012 and 2011.

NOTE 17

Segment Information

1. Outline of reporting segments

Reporting segments of the Company are the organizational units for which separated financial information is available, and on the basis of which the Board of Directors makes decisions on the allocation of management resources and examines financial performance on a regular basis.

Planning of business development and strategies as well as execution of business activities in respect of each product and service are carried out by each Group company that provides such product and service.

As such, the Group is comprised of segments classified by product and service provided through the business run by each company, in which "Pachislot and Pachinko Machines," "Amusement Machine Sales," "Amusement Center Operations" and "Consumer Business" are the reporting segments.

Line of business at each reporting segment is as follows:

Segment	Business
(1) Pachislot and Pachinko Machines	Development, manufacture and sales of pachislot and pachinko machines and design for parlors
(2) Amusement Machine Sales	Development, manufacture and sales of game machines used in amusement arcades
(3) Amusement Center Operations	Development, operation, rent and maintenance of amusement centers
(4) Consumer Business	Development and sales of home video game software; development, manufacture and sales of toys; planning and production of entertainment contents for mobile phones, etc.; planning, production and sales of animated movies

2. Basis of measurement for net sales, income (loss), assets and other items by each reporting segment

The accounting treatment for the Group's reporting segments is generally the same as described in "Note 2 – Summary of Significant Accounting Policies."

3. Information on the amounts of net sales, income (loss), assets and other items by each reporting segment

Year ended March 31, 2012

Millions of yen

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (Note)	Total
Net sales							
Sales to third parties	¥212,189	¥49,929	¥44,608	¥ 85,688	¥392,415	¥3,087	¥395,502
Inter-segment sales and transfers	144	3,071	0	745	3,960	918	4,879
Total	212,334	53,000	44,608	86,433	396,376	4,006	400,382
Segment income (loss)	71,040	7,415	355	(15,182)	63,628	234	63,862
Segment assets	172,244	31,902	37,256	81,689	323,093	13,878	336,972
Other items							
Depreciation	4,249	1,620	6,184	4,079	16,134	115	16,250
Increase in property, plant and equipment and intangible assets	12,726	1,388	8,328	10,763	33,207	181	33,389

Thousands of U.S. dollars (Note 1)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (Note)	Total
Net sales							
Sales to third parties	$2,583,585	$607,928	$543,143	$1,043,321	$4,777,978	$ 37,592	$4,815,571
Inter-segment sales and transfers	1,762	37,392	1	9,071	48,227	11,183	59,411
Total	2,585,347	645,320	543,145	1,052,392	4,826,206	48,776	4,874,983
Segment income (loss)	864,973	90,284	4,333	(184,864)	774,727	2,851	777,579
Segment assets	2,097,219	388,438	453,629	994,640	3,933,927	168,986	4,102,914
Other items							
Depreciation	51,744	19,736	75,297	49,669	196,448	1,411	197,859
Increase in property, plant and equipment and intangible assets	154,953	16,908	101,410	131,057	404,330	2,209	406,539

(Note) "Other" is the business segment not included in the reporting segments, but includes information provider services, etc. Additionally, "Other" in the segment assets includes the assets of the Resort business.

Year ended March 31, 2011

Millions of yen

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (Note)	Total
Net sales							
Sales to third parties	¥212,060	¥47,237	¥45,695	¥88,896	¥393,889	¥2,843	¥396,732
Inter-segment sales and transfers	233	3,082	25	654	3,995	979	4,975
Total	212,293	50,319	45,721	89,550	397,885	3,822	401,708
Segment income (loss)	64,284	7,317	342	1,969	73,914	(10)	73,903
Segment assets	125,565	27,374	36,019	98,535	287,495	2,252	289,748
Other items							
Depreciation	3,943	2,194	6,126	3,566	15,832	135	15,967
Increase in property, plant and equipment and intangible assets	5,725	1,538	7,701	4,848	19,813	92	19,905

(Note) "Other" is the business segment not included in the reporting segments, but includes information provider services, etc.

4. Major differences between the total amount of all reporting segments and the amounts on the consolidated financial statements (reconciliation of the difference)

Net sales	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Total net sales in the reporting segments	¥396,376	¥397,885	$4,826,206
Segment net sales in Other	4,006	3,822	48,776
Elimination of inter-segment transactions	(4,879)	(4,975)	(59,411)
Net sales in the consolidated financial statements	395,502	396,732	4,815,571

Income (loss)	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Total income in the reporting segments	¥63,628	¥73,914	$774,727
Segment income (loss) in Other	234	(10)	2,851
Elimination of inter-segment transactions	(215)	(126)	(2,617)
General corporate expenses (Note)	(5,263)	(5,026)	(64,086)
Operating income in the consolidated financial statements	58,384	68,750	710,874

(Note) General corporate expenses mainly consist of expenses of the Group management incurred by the holding company.

Assets	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Total assets in the reporting segments	¥323,093	¥287,495	$3,933,927
Segment assets in Other	13,878	2,252	168,986
General corporate assets (Note)	166,372	169,159	2,025,715
Other adjustments	(5,893)	(282)	(71,753)
Total assets in the consolidated financial statements	497,451	458,624	6,056,877

(Note) General corporate assets mainly consist of excess funds in the Company, etc. and other assets, etc. of the Company.

Other	Subtotal	Other	Adjustment	Amount in consolidated financial statements
	Millions of yen			2012
Depreciation	¥16,134	¥115	¥ (91)	¥16,158
Increase in property, plant and equipment and intangible assets	33,207	181	2,752	36,141

Other	Subtotal	Other	Adjustment	Amount in consolidated financial statements
	Thousands of U.S. dollars (Note 1)			2012
Depreciation	$196,448	$1,411	$(1,117)	$196,741
Increase in property, plant and equipment and intangible assets	404,330	2,209	33,512	440,051

(Note) Adjustment includes corporate and elimination of inter-segment transactions.

Other	Subtotal	Other	Adjustment	Amount in consolidated financial statements
	Millions of yen			2011
Depreciation	¥15,832	¥135	¥ (18)	¥15,949
Increase in property, plant and equipment and intangible assets	19,813	92	(219)	19,686

(Note) Adjustment includes corporate and elimination of inter-segment transactions.

[Related information]

Year ended March 31, 2012

1. Information by each product and service

Nothing is stated herein as similar information is disclosed in Segment Information.

2. Geographical segment information

(1) Net sales

Millions of yen

Japan	North America	Europe	Other	Total
¥355,414	¥13,802	¥18,392	¥7,892	¥395,502

Thousands of U.S. dollars (Note 1)

Japan	North America	Europe	Other	Total
$4,327,466	$168,058	$223,944	$96,102	$4,815,571

(Note) Net sales are geographically classified by country or region in which customers are located.

(2) Property, plant and equipment

Nothing is stated herein as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by each major customer

Nothing is stated herein as there is no outside customer representing 10% or more of the net sales in the consolidated statement of income and comprehensive income.

Year ended March 31, 2011

1. Information by each product and service

Nothing is stated herein as similar information is disclosed in Segment Information.

2. Geographical segment information

(1) Net sales

Millions of yen

Japan	North America	Europe	Other	Total
¥352,444	¥20,805	¥17,190	¥6,292	¥396,732

(2) Property, plant and equipment

Nothing is stated herein as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by each major customer

Nothing is stated herein as there is no outside customer representing 10% or more of the net sales in the consolidated statement of income and comprehensive income.

[Information on the amount of impairment loss on noncurrent assets by each reporting segment]

Year ended March 31, 2012

Millions of yen

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Impairment losses	¥919	¥319	¥496	¥1,605	¥—	¥3,341

Thousands of U.S. dollars (Note 1)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Impairment losses	$11,196	$3,892	$6,048	$19,545	$—	$40,682

(Note) "Other" is the business segment not included in the reporting segments, but includes Information provider services, etc.

Year ended March 31, 2011

Millions of yen

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Impairment losses	¥13	¥787	¥246	¥381	¥73	¥1,502

(Note) "Other" is the business segment not included in the reporting segments, but includes Information provider services, etc.

[Information on amortization of goodwill and unamortized balance by each reporting segment]

Year ended March 31, 2012

Millions of yen

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Amortization	¥283	¥31	¥—	¥ 6,038	¥ 9	¥ 6,363
Balance as of March 31, 2012	778	—	—	10,011	—	10,790

Thousands of U.S. dollars (Note 1)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Amortization	$3,449	$387	$—	$ 73,526	$115	$ 77,478
Balance as of March 31, 2012	9,484	—	—	121,902	—	131,386

1. "Other" is the business segment not included in the reporting segments, but includes information provider services, etc.
2. Amortization in the fiscal year ended March 31, 2012 includes amortization of goodwill in "Other expenses".

Year ended March 31, 2011

Millions of yen

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Amortization	¥ 288	¥—	¥—	¥ 1,466	¥120	¥ 1,875
Balance as of March 31, 2011	1,062	—	—	14,497	—	15,559

1. "Other" is the business segment not included in the reporting segments, but includes information provider services, etc.
2. Amortization in the fiscal year ended March 31, 2011 includes amortization of goodwill in "Other expenses".

[Information on gain on negative goodwill by each reporting segment]

Year ended March 31, 2012

In the Pachislot and Pachinko Machines business, TAIYO ELEC Co., Ltd. became wholly owned subsidiary through share exchange on August 1, 2011. Due to the transaction, the Company posted ¥836 million ($10,180 thousand) for gain on negative goodwill for the year ended March 31, 2012.

In the business other than four business segments stated in this section, 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. has become a wholly owned subsidiary of the Company. Due to the transaction, the Company posted ¥1,316 million ($16,027 thousand) for gain on negative goodwill for the year ended March 31, 2012.

Year ended March 31, 2011

Not applicable

NOTE 18

Related Party Transactions

Information on related party transactions for the years ended March 31, 2012 and 2011 and the related amounts as of those dates is summarized as follows.

1. Material transactions of the Company with related individuals or companies

Year ended March 31, 2012

					Millions of yen
Name of related individual or company	Position and principal business	Description of the Company's transaction	Transactions	Account	End of period account balance
FSC Co., Ltd. (*1)	Non-life insurance agent	Payment of insurance (*2)	¥ 6	Prepaid expense	¥ 3
		Receipt and remittance of insurance	0	—	—
		Payment of outsourcing fee (*2)	10	—	—
Hajime Satomi	Chairman of the Board and Chief Executive Officer	Lease of business jet (*3)	170	—	—

					Thousands of U.S. dollars (Note 1)
Name of related individual or company	Position and principal business	Description of the Company's transaction	Transactions	Account	End of period account balance
FSC Co., Ltd. (*1)	Non-life insurance agent	Payment of insurance (*2)	$78	Prepaid expense	$40
		Receipt and remittance of insurance	3	—	—
		Payment of outsourcing fee (*2)	128	—	—
Hajime Satomi	Chairman of the Board and Chief Executive Officer	Lease of business jet (*3)	2,081	—	—

(*):1 Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% of the shares in FSC Co., Ltd.
2 Transaction prices are determined in the same way as for general transactions and with reference to market prices.
3 The Company has the payment of usage fee of a business jet to Hajime Satomi, Chairman of the Board and Chief Executive Officer and the owner of the business jet. Transaction prices are based on current market price.
4 Consumption taxes are not included in transaction amounts.

Year ended March 31, 2011

					Millions of yen
Name of related individual or company	Position and principal business	Description of the Company's transaction	Transactions	Account	End of period account balance
FSC Co., Ltd. (*1)	Non-life insurance agent	Payment of insurance (*2)	¥ 6	Prepaid expense	¥ 3
		Receipt and remittance of insurance	2	—	—
		Payment of outsourcing fee (*2)	11	—	—
Hajime Satomi	Chairman of the Board and Chief Executive Officer	Lease of business jet (*3)	240	—	—

(*):1 Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% of the shares in FSC Co., Ltd.
2 Transaction prices are determined in the same way as for general transactions and with reference to market prices.
3 The Company has the payment of usage fee of a business jet to Hajime Satomi, Chairman of the Board and Chief Executive Officer and the owner of the business jet. Transaction prices are based on current market price.
4 Consumption taxes are not included in transaction amounts.

2. Material transactions of the Company's consolidated subsidiaries with related individuals or companies

Year ended March 31, 2012

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transaction	Transactions	Account	End of period account balance
FSC Co., Ltd. (*1)	Non-life insurance agent	Payment of insurance (*2)	¥41	Prepaid expense Accrued expenses	¥17 0
		Settle up insurance (*2)	6	—	—
		Payment of welfare expenses (*2)	2	—	—

Thousands of U.S. dollars (Note 1)

Name of related individual or company	Position and principal business	Description of the Company's transaction	Transactions	Account	End of period account balance
FSC Co., Ltd. (*1)	Non-life insurance agent	Payment of insurance (*2)	$508	Prepaid expense Accrued expenses	$211 2
		Settle up insurance (*2)	78	—	—
		Payment of welfare expenses (*2)	24	—	—

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

Year ended March 31, 2011

Millions of yen

Name of related individual or company	Position and principal business	Description of the Company's transaction	Transactions	Account	End of period account balance
FSC Co., Ltd. (*1)	Non-life insurance agent	Payment of insurance (*2)	¥50	Prepaid expense	¥20
		Settle up insurance (*2)	2	—	—
		Payment of welfare expenses (*2)	2	—	—

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

NOTE 19

Business Combination

Share exchange to convert consolidated subsidiaries into wholly owned subsidiaries

1. Outline of business combination

(1) Names and business of combined companies

	Name	Description of business
Acquiring company	Sammy Corporation	Manufacture and sales of pachinko machines, pachislot machines, ball arranging machines, mahjong ball machines and related equipment
Acquired company	TAIYO ELEC Co., Ltd.	Development, manufacture and sales of pachinko machines, pachislot machines and ball arranging machines

(2) Date of business combination

August 1, 2011

(3) Legal structure

Share exchange in which Sammy Corporation, a wholly owned subsidiary of the Company, converted into a wholly owning parent of TAIYO ELEC Co., Ltd. while TAIYO ELEC Co., Ltd. converted into a wholly owned subsidiary of Sammy Corporation, in consideration for the Company's common stock.

(4) Name of companies after the conversion

Unchanged

(5) Outline of the transactions including the purpose

On December 1, 2010, the Company converted Sammy NetWorks Co., Ltd., SEGA TOYS CO., LTD. and TMS ENTERTAINMENT, LTD., which were listed subsidiaries, into wholly owned subsidiaries and consolidated the Group structure achieving an effective synergy of our management resources within the Group. The Share Exchange will further reinforce the management structure of the Group and promote the maximization of Group earning power by converting TAIYO ELEC Co., Ltd., the sole listed subsidiary in the SEGA SAMMY Group, into a wholly owned subsidiary.

We believe that, for TAIYO ELEC Co., Ltd. to continue to expand its business through the development of more efficient and inventive pachislot and pachinko machines, the company needs to deepen its connections with Sammy Corporation and take full advantage of business operations that are integrated with the SEGA SAMMY Group by implementing the share exchange.

Specifically, we think that a robust TAIYO ELEC brand can be established in the pachislot and pachinko machines market by improving TAIYO ELEC's pachislot and pachinko machine development capability through measures such as personnel exchanges involving highly skilled pachislot and pachinko developers, leveraging the substantial intellectual property of the SEGA SAMMY Group and joint development involving integrated technologies, in addition to the exchange of personnel from management and sales departments that have been conducted thus far. Also, from a production perspective, manufacturing costs are expected to be reduced further as a result of sharing of components, joint purchasing and other measures.

2. Summary of accounting treatment

The share exchange transactions were treated as transactions under common control provided in "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

3. Matters related to the additional acquisition of shares in subsidiaries

(1) Acquisition costs

		Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration of the acquisition	The Company's common stock	¥7,329	$89,246
Direct costs for the acquisitions	Advisory costs, etc.	26	318
Total acquisition costs		7,355	89,564

(2) Type of stock and share exchange ratio, calculation of the share exchange ratio and number of shares delivered

1) Type of stock and share exchange ratio

Type of stock	SEGA SAMMY HOLDINGS INC. (Common stock)	TAIYO ELEC Co., Ltd. (Common stock)
Share exchange ratio	1	0.4

2) Calculation of the share exchange ratio

To establish the share exchange ratios, Sammy Corporation and TAIYO ELEC Co., Ltd. have deliberated in good faith concerning the results of the share exchange ratio analyses submitted by the independent institutions.

3) Number of shares delivered

4,423,546 shares

(3) Amount and source of gain on negative goodwill

1) Amount of gain on negative goodwill

¥836 million ($10,180 thousand)

2) The source of gain on negative goodwill

Gain on negative goodwill incurred because an acquisition cost of the common stock of TAIYO ELEC Co., Ltd. was less than the amount of minority interests decreased in the share exchange.

Consolidation of subsidiary through acquisition of shares

1. Outline of business combination

(1) Name and business of acquired company

Name	Description of business
Phoenix Resort Co., Ltd.	Operation of resort facilities, including hotels, spas, golf courses, restaurants and international conference halls

(2) Reason for business combination

By adding Phoenix Resort Co., Ltd., the operator of the renowned resort facilities "Phoenix Seagaia Resort" which is comprised of hotels, spas, golf courses, restaurants, and international conference halls, to one of its Group companies, the Company obtains know-how for operating large-scale facilities and will utilize this knowledge in order to further the Group's aim to develop and operate resort complexes in the future.

(3) Date of business combination

March 26, 2012

(4) Legal structure

Purchase of shares with cash

(5) Name of companies after the conversion

Unchanged

(6) Share of voting rights acquired

100%

(7) Main reason for deciding acquiring company

The Company acquiring all the shares of Phoenix Resort Co., Ltd. for consideration.

2. Period for which the acquired company's financial results are included in the consolidated financial statements

Not applicable because the deemed acquisition date is March 31, 2012.

3. Acquisition costs

		Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration of the acquisition	Cash	¥400	$4,870
Direct costs for the acquisitions	Advisory costs, etc.	127	1,546
Total acquisition costs		527	6,417

4. Amount and source of gain on negative goodwill

(1) Amount of gain on negative goodwill

¥1,316 million ($16,027 thousand)

(2) The source of gain on negative goodwill

Gain on negative goodwill incurred because net asset value at the business combination date exceeded an acquisition cost.

5. Summary of assets and liabilities assumed at date of business combination

(1) Amount of assets

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 1,489	$ 18,129
Noncurrent assets	9,562	116,428
Total	11,051	134,558

(2) Amount of liabilities

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current liabilities	¥7,833	$ 95,375
Noncurrent liabilities	1,373	16,728
Total	9,207	112,103

6. Estimated impact on the consolidated statements of income and comprehensive income for the year ended March 31, 2012 if the business combination had been completed as of the beginning of the year ended March 31, 2012

This disclosure is omitted due to the immateriality of the effect.

NOTE 20

Per Share Data

Per share data is as follows

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Per share data			
Net assets per share	¥1,167.59	¥1,093.23	$14.21
Net income per share	86.73	163.19	1.05
Net income per share (diluted)	86.54	163.18	1.05

Changes in accounting policies

Effective from the first quarter of the year ending March 31, 2012, the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, revised on June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share"(ASBJ Guidance No. 4, revised on June 30, 2010) have been applied.

In calculation of the amount of diluted net income per share, the method of calculating rights of stock options that are to be confirmed after a certain period of time of employment has been changed; of the fair value of stock options, the amount related to future services to be provided to the Company is included in the amount that is assumed to be received by the Company through exercise of rights.

In case that these revisions are not applied, diluted net income per share for the fiscal year ended March 31, 2011 is ¥163.01.

NOTE 21

Significant Subsequent Events

Year ended March 31, 2012

Acquisition of treasury stock

Concerning acquisition of treasury stock, the Company, at a Board of Directors' meeting held on May 31, 2012, resolved the acquisition method of treasury stock in accordance with the provision of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Companies Act.

1. Reason for acquisition

Reason for acquisition of treasury stock is to enhance capital efficiency and prepare for strategic policies through acquisition of treasury stock.

2. Summary of acquisition

Type of stock to be acquired	Common stock
Total number of stocks to be acquired	10,000,000 shares (upper limit) Ratio for the outstanding stock excluding treasury stock: 3.98%
Total acquisition cost	¥17,000 million ($206,988 thousand) (upper limit)
Acquisition period	From June 7, 2012 through September 28, 2012
Method of acquisition	Purchase in the market through entrustment

NOTE 22

Supplemental Information

Supplemental schedule of corporate bonds

Company	Name of bond	Issuance date	Balance as of April 1, 2011 (Millions of yen)	Balance as of March 31, 2012 (Millions of yen)	Balance as of March 31, 2012 (Thousands of U.S. dollars (Note 1))	Interest rate(%)	Type	Date of maturity
Sammy Corporation	3rd unsecured bonds	August 27, 2008	¥9,375	¥5,625 (3,750)	$68,488 (45,659)	Note2	Unsecured	August 27, 2013
	4th unsecured bonds	September 25, 2008	8,330	4,990 (3,340)	60,757 (40,667)	Note3	Unsecured	September 25, 2013
SEGA CORPORATION	8th unsecured bonds	December 28, 2007	10,000	10,000 (10,000)	121,758 (121,758)	1.22	Unsecured	December 28, 2012
	9th unsecured bonds	December 28, 2007	2,000	2,000 (2,000)	24,351 (24,351)	1.34	Unsecured	December 28, 2012
	10th unsecured bonds	March 25, 2008	3,000	3,000 (3,000)	36,527 (36,527)	1.30	Unsecured	March 25, 2013
	11th unsecured bonds	September 30, 2008	2,500	1,500 (1,000)	18,263 (12,175)	1.21	Unsecured	September 30, 2013
	12th unsecured bonds Note 4	June 30, 2009	5,050	—	—	Note5	Unsecured	June 30, 2012
	13th unsecured bonds	June 30, 2011	—	5,000	60,879	0.72	Unsecured	June 30, 2016
	14th unsecured bonds	December 20, 2011	—	2,600	31,657	0.66	Unsecured	December 20, 2016
SEGA TOYS, CO., LTD.	5th unsecured bonds	September 25, 2008	312	187 (125)	2,282 (1,521)	0.99 Note 6	Unsecured	September 25, 2013
	6th unsecured bonds	September 30, 2008	281	168 (112)	2,054 (1,369)	1.36	Unsecured	September 30, 2013
	7th unsecured bonds	June 30, 2009	252	87 (87)	1,065 (1,065)	0.83	Unsecured	June 29, 2012
	8th unsecured bonds	March 31, 2010	400	300 (100)	3,652 (1,217)	0.47	Unsecured	March 31, 2015
Total	—	—	41,501	35,458 (23,515)	431,739 (286,314)	—	—	—

Notes: 1 The figures in parentheses of the "Balance as of March 31, 2012" represent the current portion of corporate bonds.
2 The interest on Sammy Corporation's third debenture is a variable rate that uses six-month Japanese yen TIBOR.
3 The interest on Sammy Corporation's fourth debenture is a variable rate six-month Japanese yen TIBOR added 0.10%.
4 SEGA CORPORATION's twelfth debenture has redeemed before maturity.
5 The interest on SEGA CORPORATION's twelfth debenture is a variable rate that uses six-month Japanese yen TIBOR.
6 The interest on SEGA TOYS CO., LTD.'s fifth debenture is a variable rate that is 0.95% less than the standard interest set for each interest-bearing period. The interest rate listed above is the rate as of March 31, 2012.
7 Total amount of scheduled redemption for each fiscal year within five years after March 31, 2012 is as follows:

				Millions of yen
Due within 1 year	Due after 1 year but within 2 years	Due after 2 year but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
¥23,515	¥4,243	¥100	¥—	¥7,600

				Thousands of U.S. dollars (Note 1)
Due within 1 year	Due after 1 year but within 2 years	Due after 2 year but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years
$286,314	$51,671	$1,217	$—	$92,536

Supplemental schedule of borrowings

Category	Balance as of April 1, 2011 (Millions of yen)	Balance as of March 31, 2012 (Millions of yen)	Balance as of March 31, 2012 (Thousands of U.S. dollars (Note 1))	Average interest rate (%)	Repayment terms
Short-term borrowings	¥ 2,000	¥ 500	$ 6,087	0.8	—
Current portion of long-term borrowings due within one year	857	9,694	118,033	1.3	—
Current portion of lease obligations	321	770	9,382	Note2	—
Long-term borrowings (Excluding current portion)	5,316	25,052	305,030	1.0	2013-2016
Lease obligations (Excluding current portion)	421	1,090	13,275	Note2	2013-2018
Other interest-bearing debt					
Accounts payable-facilities	670	592	7,210	—	—
Accounts payable-facilities (Excluding current portion)	592	—	—	—	—
Total	10,179	37,699	459,019	—	—

Notes: 1 The "average interest rate" represents weighted-average interest rate over the year-end balance of loans.
2 The average interest rate on lease obligation is not listed because lease obligation is posted in the consolidated balance sheets mainly as the amount before deduction of the amount of interest included in the total lease amount.
3 The redemption schedule of long-term loans payable, lease obligation and interest-bearing debt (excluding current portion) after March 31, 2012 is summarized as follows:

Millions of yen

Category	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years
Long-term borrowings	¥7,035	¥7,035	¥7,028	¥3,953	¥—
Lease obligations	612	370	89	16	1

Thousands of U.S. dollars (Note 1)

Category	Due after 1 year but within 2 years	Due after 2 years but within 3 years	Due after 3 years but within 4 years	Due after 4 years but within 5 years	Due after 5 years
Long-term borrowings	$85,660	$85,664	$85,574	$48,131	$—
Lease obligations	7,463	4,514	1,083	196	16

Supplemental schedule of asset retirement obligations

Supplemental schedule of asset retirement obligations is omitted from this document because the amount of the asset retirement obligations as of April 1, 2011 and March 31, 2012 were less than 1% of total liabilities and net assets as of April 1, 2011 and March 31, 2012.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SEGA SAMMY HOLDINGS INC.:

We have audited the accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 present fairly, in all material respects, the financial position of SEGA SAMMY HOLDINGS INC. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note1 to the consolidated financial statements.

July 27, 2012
Tokyo, Japan

KPMG AZSA LLC