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Securities Code: 6460
May 26, 2016

Hajime Satomi
Chairman of the Board and Chief Executive Officer
SEGA SAMMY HOLDINGS INC.
Shiodome Sumitomo Building,
1-9-2 Higashi Shimbashi, Minato-ku, Tokyo, Japan

Dear Shareholders:

Notice of the 12th Ordinary General Meeting of Shareholders to be held on June 17, 2016

You are cordially invited to attend the 12th Ordinary General Meeting of Shareholders of SEGA SAMMY HOLDINGS INC. (the “Company”) to be held at Convention Hall, B2F, The Prince Park Tower Tokyo, 4-8-1 Shiba-koen, Minato-ku, Tokyo, 105-8563, Japan on Friday, June 17, 2016 at 10:00 a.m. for the purposes listed below.

If you are unable to attend the meeting in person, you may exercise your voting rights by either mail (in writing) or via the Internet. Therefore, please review the attached Reference Documents for General Meeting of Shareholders, and kindly exercise your voting rights before 6:00 p.m., Japan Standard Time, on Thursday, June 16, 2016.

Details of the Meeting

- 1. Date and time:** Friday, June 17, 2016 at 10:00 a.m.
- 2. Venue:** Convention Hall, B2F, The Prince Park Tower Tokyo
4-8-1 Shiba-koen, Minato-ku, Tokyo, 105-8563, Japan
- 3. Agenda:**
- Matters to be reported:**
1. The Business Report and the Consolidated Financial Statements for the 12th fiscal year (from April 1, 2015 to March 31, 2016) and results of audits by the Independent Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the 12th fiscal year (from April 1, 2015 to March 31, 2016)

Matters to be resolved:

- Proposal 1:** To amend certain parts of the Articles of Incorporation
- Proposal 2:** To elect eight (8) Directors
- Proposal 3:** To elect one (1) Audit & Supervisory Board Member
- Proposal 4:** To elect one (1) Substitute Audit & Supervisory Board Member
- Proposal 5:** To issue share subscription rights as share options to Directors

* If you attend the meeting in person, please submit the enclosed voting form at the reception desk at the meeting location on the day of the meeting.

* Please note that persons other than shareholders of the Company such as a proxy and an accompanying person cannot attend the meeting.

* Should any change need to be made to the Reference Documents for General Meeting of Shareholders, Business Report or Consolidated/Non-Consolidated Financial Statements, such changes shall be posted on the website of the Company.

* For voting results, an extraordinary report shall be posted on the website of the Company in place of Notice of Resolutions. Information in English will be posted on our English website (<http://www.segasammy.co.jp/english/ir/event/meeting.html>).

From this year onward, we will no longer distribute gifts or hold a convivial party to attending shareholders. We thank you for your understanding.

Information on Disclosure on the Internet

Pursuant to the provisions of laws and regulations and the Articles of Incorporation, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are posted on the website (<http://www.segasammy.co.jp/english/ir/event/meeting.html>) of the Company and not attached to this document.

* The Consolidated/Non-Consolidated Financial Statements audited by the Independent Auditor and the Audit & Supervisory Board include Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements respectively, which are posted on the website of the Company.

Information on the Method of Receiving Convocation Notice

You may request the receipt of convocation notice, shareholder information and other documents for future General Meetings of Shareholders by email if your email address is registered with the Company. (Please note that mobile phone email addresses are not accepted.)

If you wish to receive the above documents by email, please access the voting website designated by the Company (<http://www.evotep.jp/>) from a PC or smartphone, log on using the “logon ID” and “temporary password” printed on the enclosed voting form and follow the on-screen instructions from the “Receipt by email” screen.

The statutory convocation notice and other documents to be sent by email to the registered addresses (including the notice that such documents have been posted on the website designated by the Company) are as shown below. Convocation notice will be sent by e-mail by the Shareholder Registry Administrator.

- (1) Convocation Notice of Ordinary General Meeting of Shareholders: Date and time, venue, agenda, attached documents (including Business Report) and Reference Documents for General Meeting of Shareholders
- (2) Convocation Notice of Extraordinary Meeting of Shareholders: Date and time, venue, agenda and Reference Documents for General Meeting of Shareholders

* Please note that, if you take the procedure after a certain period from the record date of General Meeting of Shareholders (the fiscal year end in case of Ordinary General Meeting of Shareholders and a date separately determined by the Board of Directors in case of Extraordinary Meeting of Shareholders), your email address may not be reflected for sending a convocation notice.

Information on Exercise of Voting Rights

Exercise of voting rights by mail (in writing)

Indicate “for” or “against” the proposals on the voting form enclosed and return the said form to the Company so that it is received no later than the deadline for exercising your voting rights, indicated above.

Exercise of voting rights via the Internet

(1) Exercise of voting rights

- (i) Access the voting website designated by the Company (<http://www.evotep.jp/>), log on using the “voting rights exercise code” and “temporary password” printed on the enclosed voting form, and follow the on-screen instructions (Japanese language only) to enter “for” or “against” the proposals before the deadline for exercising your voting rights, indicated above.
- (ii) In order to prevent unauthorized access by persons other than shareholders (spoofing) and falsification of entries, you are kindly requested to change the “temporary password” once you log on to the voting website.

(2) Voting website

- (i) You may exercise your voting rights by accessing the voting website designated by the Company (<http://www.evotep.jp/>) from a PC, smartphone or mobile phone (i-mode, EZweb or Yahoo! Keitai). (Please note that the website cannot be accessed between 2:00 a.m. and 5:00 a.m. daily, Japan Standard Time.) (“i-mode”, “EZweb” and “Yahoo!” are trademarks or registered trademarks of NTT DOCOMO, Inc., KDDI Corporation and U.S. Yahoo! Inc., respectively.)



You may also access the voting website by using a smartphone or mobile phone equipped with a QR code reader to read the QR code on the right:

Please check the usage instructions for your smartphone or mobile phone for further details regarding the use of the QR code reader.

(“QR code” is a registered trademark of DENSO WAVE INCORPORATED.)

- (ii) You may be unable to use the voting website depending on your Internet configuration, firewall, anti-virus software and proxy server settings.
- (iii) You must have access to either i-mode, EZweb or Yahoo! Keitai services to exercise your voting rights via mobile phone. Please note that the voting website is only accessible from a mobile handset capable of communicating encrypted data (i.e. TLS) and mobile phone data for security purposes.
- (iv) Please note that any costs incurred in accessing the designated voting website (e.g. internet connection fees, etc.) shall be borne by the shareholder. Please note that any costs incurred in voting via mobile phone, including packet charges, shall also be borne by the shareholder.

Treatment of votes cast more than once

- (i) When any shareholder exercises voting rights both by voting form and via the Internet, only the Internet vote will be deemed as valid.
- (ii) When any shareholder exercises voting rights more than once via the Internet, only the last vote will be deemed as valid. Similarly, when any shareholder exercises voting rights more than once via PC, smartphone and / or mobile phone, only the last vote will be deemed as valid.

Electronic proxy voting platform for institutional investors

Institutional investors can use the electronic proxy voting platform that is operated by Investor Communications Japan, Inc., which is designed for institutional investors to exercise their voting rights electronically.

For inquiries concerning the online voting system:

[Helpdesk]

Shareholder registry administrator: Transfer Agent Department,
Mitsubishi UFJ Trust and Banking Corporation

Direct line: 0120-173-027 (Domestic [Japan] call only)
(Weekdays 9:00 a.m. - 9:00 p.m.)

*** Please note that the above contact number is not for inquiries concerning shares.**

Business Report

(From April 1, 2015 To March 31, 2016)

I Outline of the Group's Business

Effective from the fiscal year ended March 31, 2016, accounting policies were changed and comparison with the previous fiscal year is based on figures in which the changes are retroactively reflected.

1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2016, the gradual recovery of the overall Japanese economy continued despite a lackluster performance in certain respects, as evidenced by such developments as improvement of both corporate earnings and the labor market due to the effects monetary and fiscal policies. With regard to individual consumption, in general, consumption levels have not fallen owing to steady improvements in both the employment environment and personal incomes. However, attention should be paid to the risk of downward pressure on the Japanese economy, caused by factors such as a downswing in China's economy and other overseas economies, and fluctuations in financial and capital markets. Thus, a full recovery of the economy will require more time.

In this climate, with regard to the pachislot and pachinko industry, machine utilization of titles compliant with the standards before the change in the application of the model test procedure by the Security Communications Association, which conducts model tests for pachislot and pachinko machines, remains firm in the pachislot machine market. On the other hand, titles with outstanding performance are arising mainly in some series with successful track records even for the pachislot machines corresponding to the change in the application. With the exception of some major titles, replacement demand for new pachinko machines was also weak in line with the application of the voluntary agreement on measures to prevent players from becoming too immersed in playing (hereinafter the "agreement"), which were decided by Nikkoso, an association of pachinko machine manufacturers. In order to revitalize the market going ahead, it is essential to develop and supply machines that are compliant with various voluntary regulations and capable of appealing to a wide range of players.

Regarding the environment of the Entertainment Contents Business, a slowdown in the spread of smartphones in Japan and the predominance of top titles are increasing in the market for digital games for smart devices market, and fall of medium to lower titles can be expected in the future. Therefore, provision of higher-quality content is expected, resulting in a trend of longer development lead times and higher operating costs. With regard to the packaged game software market, expectations are rising for future expansion of the market in line with the penetration of next generation hardware of home video game console. As for the market for amusement centers and amusement machines, which is shrinking, initiatives to expand the player base are being carried out.

In the resort industry, thanks to a continuous increase in the number of foreign visitors to Japan, an upward trend in the hotel occupancy rate is still evident and revenues of amusement parks and theme parks continue to exceed the previous year's level. With a view to establishing Japan as a popular tourist destination, a bill concerning the promotion of the establishment of specified integrated resort areas (Integrated Resort Promotion Bill) was submitted to the Diet.

In this business environment, net sales for the fiscal year ended March 31, 2016 amounted to ¥347,981 million (a decrease of 5.1% from the previous fiscal year). The Group posted an operating income of ¥17,617 million (an increase of 0.7% from the previous fiscal year), ordinary income of ¥16,409 million (a decrease of 2.8% from the previous fiscal year) and profit attributable to owners of parent of ¥5,369 million (loss attributable to owners of parent of ¥11,375 million for the previous fiscal year).

In order to review the Group's earnings structure from a medium- to long-term perspective, as well as to address the issues of each business, the Company implemented an organizational restructuring within the Group (*) on April 1, 2015. Effective from the fiscal year ended March 31, 2016, the Group's businesses were reorganized into three businesses: (i) the Pachislot and Pachinko Machines Business, (ii) the Entertainment Contents Business, and (iii) the Resort Business. In line with this reorganization, the former Amusement Machine Sales Business, Amusement Center Operations Business and Consumer Business have been integrated into the Entertainment Contents Business. Operations of theme parks,

previously included in the Amusement Center Operations Business, and operations of resort facilities, previously included in Other Businesses, have been integrated into the Resort Business.

(*) As of April 1, 2015, SEGA CORPORATION was divided and SEGA Holdings Co., Ltd., SEGA Interactive Co., Ltd., and SEGA LIVE CREATION Inc. were established through an incorporation-type demerger. In addition, SEGA CORPORATION merged with SEGA Networks Co., Ltd. and changed its trade name to SEGA Games Co., Ltd.

Result of each segment is as follows

《Pachislot and Pachinko Machines》

In the pachislot machine business, although sales were strong for series with proven titles, such as “Pachislot Hokuto No Ken Tomo,” the latest title in the “Hokuto No Ken” series which has produced the greatest hit machine in history, or “Pachislot Onimusha3 Jikuu Tenshou,” the legitimate successor of the big hit “Onimusha” series, performance of other titles was sluggish, leading to an overall sales of pachislot machines of 142 thousand units. (Overall sales of pachislot machines were 207 thousand units for the previous fiscal year).

In the pachinko machines business, while sales of some titles were strong, such as the latest title “Pachinko CR Shin-Juoh 2” in our original IP “Juoh” series, and “Pachinko CR Shin Hokuto Muso,” which comes installed with new productions, gimmicks and new frame “Toshin”, pioneering unseen territory in the existing “Hokuto No Ken” series, due to the temporary impact of structural reforms in the Pachislot and Pachinko Machines Business, as well as the reactionary decline of “CR Hokuto No Ken 6 series” launched in the fiscal year ended March 31, 2015, overall sales of pachinko machines were 199 thousand units. (Overall sales of pachinko machines were 241 thousand units for the previous fiscal year).

Furthermore, we carried out measures to improve costs such as through reuse of components from pachislot and pachinko machines launched in the previous fiscal year or earlier.

As a result, net sales in this segment were ¥133,407 million (a decrease of 12.7% from the previous fiscal year) and operating income was ¥21,548 million (a decrease of 16.4% from the previous fiscal year).

《Entertainment Contents》

With regard to the Entertainment Contents Business, in the field of digital game software, sales remained robust for major titles including “PHANTASY STAR ONLINE 2,” launched over three years ago, as well as titles for smart devices such as the updated “CHAIN CHRONICLE – Kizuna no Shintairiku,” “Puyopuyo!! Quest,” and “Hortensia SAGA.” However, with regard to certain titles for smart devices and the South Korea expansion of “Football Manager Online,” a new online game for the Asian market, costs including advertising expenses increased due to a review of the value of assets relating to the titles that were less well-received than expected in the initial plan, as well as an increased number of new titles. The number of titles distributed domestically in the field of digital game software (free-to-play types) was 49 as of the end of March 2016.

In the packaged game software field, sales amounted to 9,220 thousand copies, which was lower than the level in the previous fiscal year, despite the launch of “Football Manager 2016,” the latest addition to the “Football Manager” series, which has continued to attract diehard fans for over 10 years, mainly in Europe. On the other hand, profitability was improved as a result of focusing on the sales of major titles by narrowing down the number of titles.

In the amusement machine field, sales were strong for the new medal pusher machine “THE MEDAL TOWER OF BABEL,” as well as “CHUNITHM,” a new music game in which users can enjoy a new sense of play, which was developed by the development team of “maimai,” a popular music game operating in game centers across Japan.

In the amusement center operations field, like-for-like sales were robust at 103.1% compared with the previous fiscal year owing to reinforced management of prizes etc. at the existing game center operations. In the animated film and toy field, program sales were strong for “LUPIN THE 3rd,” the first new title for the TV series in 30 years, and the highest-ever box-office revenue for the series were recorded for the theater film “Detective Conan Sunflowers of inferno.” In addition, the Group implemented the sale of toy products particularly “Anpanman” series and “Disney Character Magical Pod.”

As a result, while net sales in this segment were ¥199,720 million (a decrease of 0.5% from the previous fiscal year), operating income was ¥3,653 million (operating income of ¥63 million for the previous fiscal year) because of an improved profitability for the packaged games field, amusement machines field and animated film and toy field due to the effects of structural reform measures implemented in the fiscal year ended March 31, 2015.

《Resort》

In the Resort Business, sales were strong in the leading resorts in Japan, “Phoenix Seagaia Resort,” whose amenities include hotels, golf courses and international conference venues, due to the effects of large-scale renovation of “Sheraton Grande Ocean Resort” guest rooms. In addition, “Orbi Osaka” was opened as the first domestic licensing out facility in January 2016, and “Shanghai JOYPOLIS” was opened as the first licensing out facility in China in February 2016. The Group operates existing casino facilities in Incheon, South Korea, through PARADISE SEGASAMMY Co., Ltd. (associate accounted for using the equity method), a joint venture between Paradise Co., Ltd., a major tourism enterprise in South Korea, and the Company.

As a result, net sales in this segment were ¥16,450 million (an increase of 9.3% from the previous fiscal year) and operating loss was ¥1,825 million (operating loss of ¥2,336 million for the previous fiscal year).

2. Issues to be Addressed

Pachinko parlor operators continue to face increasingly harsh business conditions due to widespread practice of lowering ball rental fees and a decline in the number of players amidst the significant reforms in the market environment and regulation environment. In the Pachislot and Pachinko Machines Business, under these circumstances, developing and supplying products with innovative gameplay that meet market needs to maintain and expand market share are considered as management issues.

With regard to Entertainment Contents Business, the predominance of top titles in the Japanese digital game software market is increasing, and as fall of medium and lower titles can be expected in the future, the Group is expected to maximize product quality focused on existing mainstay titles and to develop and supply new titles that will enter top sales rankings. Moreover, achieving entry into the overseas digital game software market focused on the rapidly growing Asian region is considered as a management issue.

In the packaged game software field, amusement machine field, amusement center operations field and animated film and toy fields, in addition to maintaining the effect of revenue recovery by structural reform initiatives, further improvements in profitability is considered as a management issue.

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

In the Group structural reform, which began since the fiscal year ended March 31, 2015, the Group is advancing improvement of profitability by revising business portfolios, and it is an important management issue of the Group to return to a growth track by aggressively investing in growth areas.

3. Fund Procurement, etc.

(1) Fund Procurement

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

Regarding fund procurement for the fiscal year ended March 31, 2016, the Company procured ¥40,000 million including borrowings from financial institutions and public offering of straight bonds, for the purpose of securing medium- to long-term working capital.

For effective use of the Group funds, the Group is operating the Cash Management System (“CMS”) involving fifteen Group companies including the Company, Sammy Corporation and SEGA Holdings Co., Ltd. etc.

(2) Capital Expenditures

The Group's capital expenditures totaled ¥28,046 million, including ¥5,014 million in the pachislot and pachinko machines business, ¥17,867 million in the entertainment contents business and ¥5,045 million in the resort business.

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

As of April 1, 2015, SEGA CORPORATION was divided and SEGA Holdings Co., Ltd., SEGA Interactive Co., Ltd., and SEGA LIVE CREATION Inc. were established through an incorporation-type demerger.

(4) Business Transfer from Other Companies

There is no applicable material information for the fiscal year ended March 31, 2016.

(5) Succession of Rights and Obligations Related to Businesses of Other Corporations, etc., through Absorption-type Mergers or Demergers

As of April 1, 2015, SEGA CORPORATION merged with SEGA Networks Co., Ltd. and changed its trade name to SEGA Games Co., Ltd.

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

There is no applicable material information for the fiscal year ended March 31, 2016.

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

Fiscal Year		FY2013	FY2014	FY2015	FY2016
		From April 1, 2012 To March 31, 2013	From April 1, 2013 To March 31 2014	From April 1, 2014 To March 31 2015	From April 1, 2015 To March 31 2016
Net sales	(¥ million)	321,407	378,011	366,813	347,981
Ordinary income	(¥ million)	20,914	40,531	16,879	16,409
Profit (loss) attributable to owners of parent	(¥ million)	33,460	30,721	(11,375)	5,369
Net income (loss) per share	(¥)	137.14	126.42	(46.70)	22.90
Total assets	(¥ million)	528,504	542,936	528,659	532,957
Net assets	(¥ million)	320,034	348,270	322,452	299,950

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

2. Net income (loss) per share is calculated based on the average number of shares outstanding during the period.

3. In accordance with the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan, "ASBJ" Statement No. 21 issued on September 13, 2013) and other standards, "net income" is changed to "profit attributable to owners of parent" from the current fiscal year.

4. From the current fiscal year, some of the consolidated subsidiaries of the Company have changed revenue recognition methods for sales of merchandise and finished goods, etc. and revenue presentation for the digital game software field. Accordingly, the relevant key management indices for the fiscal year ended March 31, 2015 are restated after reflecting retroactive treatments.

5. Major Business Segments

The business segments of the SEGA SAMMY Group are Pachislot and Pachinko Machines Business, Entertainment Contents Business and Resort Business. The primary business activities are as follows.

Segment	Main Business
Pachislot and Pachinko Machines Business	Development, manufacture and sales of pachislot and pachinko machines
Entertainment Contents Business	Development and sales of digital game software serving as the main axis of segments, development and sales of packaged game software and amusement machines, development and operation of amusement centers, planning, production and sales of animated films, development, manufacture and sales of toys
Resort Business	Development and operation of hotels and theme parks in the integrated resorts business and other facilities businesses.

6. Major Business Locations of the Group

(1) The Company: SEGA SAMMY HOLDINGS INC.

Head Office (Minato-ward, Tokyo)

(2) Office of the main subsidiaries

① Sammy Corporation

Head Office (Toshima-ward, Tokyo)

Kawagoe Factory (Kawagoe, Saitama)

Branches (8 Branches)

② SEGA Holdings Co., Ltd.

Head Office (Shinagawa-ward, Tokyo)

③ SEGA Games Co., Ltd.

Head Office (Shinagawa-ward, Tokyo)

Roppongi Office (Minato-ward, Tokyo)

④ SEGA ENTERTAINMENT Co., Ltd.

Amusement Center Operating Locations: (194 locations)

(3) Employees of the Group

Number of employees (change from end of previous year) 7,606 (282 down)

Note: The number of employees includes full-time staff and staff on loan, but not temporary employees.

7. Material Parent Company and Subsidiaries

(1) Relationships with parent company

There is no pertinent matter.

(2) Relationships with subsidiaries

Company	Capital	Percentage ratio of issued shares	Main business
Sammy Corporation	¥18,221 million	100.0%	Development/manufacture/sales of pachislot and pachinko machines
SEGA Holdings Co., Ltd.	¥44,092 million	100.0% (Note 2)	Management of SEGA Group and all businesses appertaining thereto
RODEO Co., Ltd.	¥100 million	65.0% (Note 1)	Development/manufacture/sales of pachislot machines

Company	Capital	Percentage ratio of issued shares	Main business
TAIYO ELEC Co., Ltd.	¥100 million	100.0% (Note 1)	Development/manufacture/sales of pachislot and pachinko machines
SEGA Games Co., Ltd.	¥100 million	100.0% (Note 1,2,3)	Planning/development/sales of game-related content for mobiles, PCs, smart devices and home video game platforms
SEGA Interactive Co., Ltd.	¥100 million	100.0% (Note 1,2)	Development/manufacture/sales of amusement machine
Sega Logistics Service Co., Ltd.	¥200 million	100.0% (Note 1)	Maintenance service, transportation and warehouse business
SEGA ENTERTAINMENT Co., Ltd.	¥100 million	100.0% (Note 1)	Operation of amusement centers
DARTSLIVE Co., Ltd.	¥10 million	100.0% (Note 1)	Planning/development/sales of game equipment and game software
Sega Amusements International Ltd.	£ 26,485 thousand	100.0% (Note 1,5)	Import/manufacture/sales of amusement equipment
Sega of America, Inc.	US\$110,000 thousand	100.0% (Note 1)	Development/management/sales of home video game software
Sega Europe Ltd.	£ 10,000 thousand	100.0% (Note 1)	Sales of home video game software
Sega Publishing Europe Ltd.	£ 0 thousand	100.0% (Note 1)	Sales of home video game software
ATLUS CO., LTD.	¥10 million	100.0% (Note 1)	Development of home video game software
Sammy Networks Co., Ltd.	¥100 million	100.0% (Note 1)	Planning/production/sales of game and music contents through mobile phones and Internet, etc.
SEGA TOYS CO., LTD.	¥100 million	100.0% (Note 1)	Development/manufacture/sales of toys
TMS ENTERTAINMENT CO., LTD.	¥8,816 million	100.0% (Note 1)	Planning/production/sales and other activities involving animated movies
MARZA ANIMATION PLANET INC.	¥100 million	100.0% (Note 1)	Production of computer graphics animations, planning/production of animated movies, licensing business
Japan Multimedia Services Corporation	¥100 million	100.0%	Information providing service, call center service and temporary staffing service
SEGA LIVE CREATION Inc.	¥100 million	100.0% (Note 2)	Planning/development/operation of entertainment theme park in Resort Business
PHOENIX RESORT CO., LTD.	¥93 million	100.0%	Operation of resort facilities, including hotels, spas, golf courses, restaurants and international conference halls
SEGA SAMMY BUSAN INC.	KRW124,000 million	100.0% (Note 1)	Development and operation of a complex comprised of hotel, entertainment facilities, commercial facilities, etc.
SEGA SAMMY CREATION INC.	¥10 million	100.0%	Development/production/sales of casino gaming machines

Notes: 1. Percentage of ratio of issued shares includes rights of indirectly owned shares.

2. As of April 1, 2015, SEGA CORPORATION, subsidiary of the Company, was divided and SEGA Holdings Co., Ltd., SEGA Interactive Co., Ltd., and SEGA LIVE CREATION Inc. were established through an incorporation-type demerger.

3. As of April 1, 2015, SEGA CORPORATION merged with SEGA Networks Co., Ltd. and changed its trade name to SEGA Games Co., Ltd.

4. Index Corporation, which was the consolidated subsidiary of the Company in the previous fiscal

year, has been excluded from the scope of consolidation due to sale of all its shares.

5. The Company's subsidiary, Sega Amusements Europe Ltd., changed its trade name to Sega Amusements International Ltd. on July 1, 2015.

(3) The status of the specified wholly owned subsidiaries

Name of specified wholly owned subsidiary	Address of specified wholly owned subsidiary	Book value of shares of wholly owned subsidiary
Sammy Corporation	3-1-1, Higashi-Ikebukuro, Toshima-ward, Tokyo	¥153,163 million
SEGA Holdings Co., Ltd.	1-39-9, Higashi-Shinagawa, Shinagawa-ward, Tokyo	¥126,945 million

Note: Amount of total assets of the Company: ¥437,432 million

8. Main Banks and Borrowings

Lenders	Balance of loans payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥14,925 million
Resona Bank, Limited.	¥7,850 million
Aozora Bank, Ltd.	¥7,723 million
Mizuho Bank, Ltd.	¥5,636 million
Sumitomo Mitsui Banking Corporation	¥5,140 million
The Bank of Yokohama, Ltd.	¥4,163 million
Mitsubishi UFJ Trust and Banking Corporation	¥3,830 million
Sumitomo Mitsui Trust Bank, Limited	¥2,850 million
Shinsei Bank, Limited	¥2,850 million
The Hokuriku Bank, Ltd.	¥2,800 million
Others	¥5,129 million
Total	¥62,898 million

Note: In addition to the above, the Company has ¥33,000 million and ¥3,200 million of privately placed bonds underwritten by Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd. respectively.

9. Where the Articles of Incorporation Provide for the Board of Directors to Determine Distributions, etc., of Retained Earnings, Policy Regarding Exercise of Such Authority

SEGA SAMMY HOLDINGS INC. gives priority to returning profits to shareholders. The Company's basic policy is to pay an appropriate dividend that is commensurate with earnings.

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

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

10. Other Significant Events of the Group

There is no applicable material information for the fiscal year ended March 31, 2016.

II Shares Outstanding and Shareholders

1. **Number of shares authorized for issue** **800,000,000 shares**
2. **Total shares issued and outstanding** **266,229,476 shares**
3. **Number of shareholders** **90,768**
4. **Principal shareholders (Top 10)**

Name of shareholder	Investment in SEGA SAMMY HOLDINGS	
	Shares held	Shareholding ratio (%)
Hajime Satomi	31,869,338	13.59
FSC Co., Ltd.	12,972,840	5.53
HS Company	11,750,000	5.01
Japan Trustee Services Bank, Ltd. (Trust account)	6,904,000	2.94
The Master Trust Bank of Japan, Ltd. (Trust account)	5,603,300	2.39
BNYM TREATY DTT 15	4,422,581	1.88
GOLDMAN, SACHS & CO. REG	3,659,884	1.56
CBNY-ORBIS SICAV	3,574,159	1.52
JP MORGAN CHASE BANK 385174	3,167,000	1.35
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,155,600	1.34

Note: Shareholding ratio was calculated excluding treasury stock (31,834,807 shares)

III Company's Share Subscription Rights

1. Outline of Share Subscription Rights Issued to the Company's Directors and Audit & Supervisory Board Members as Remuneration for Their Services as of the End of the Fiscal Year Ended March 31, 2016

Date of Resolutions of the Ordinary General Meeting of Shareholders	July 31, 2012
Number of individuals with rights Company Directors	6
Number of share subscription rights (Note 1)	1,755
Class of shares for share subscription rights	Common stock
Number of shares for share subscription rights	175,500
Payment on exercise of share subscription rights	There is no need of delivering payment to exchange with the share subscription rights.
Capital contribution upon exercise of share subscription rights (per share)	¥1,686
Period for exercise of share subscription rights	September 2, 2014 – September 1, 2016
Terms and conditions for exercise of share subscription rights	(Note 2)
Matters concerning the transfer of share subscription rights	When transferring share subscription rights, approval must be obtained from the Board of Directors

Notes: 1. Number of shares of share subscription rights is 100 per the right. Numbers above include Share Subscription Rights given before taking office as a Director.

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

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

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

2. Outline of Share subscription rights Issued to Company Employees or Subsidiary Directors, Audit & Supervisory Board Members, or Employees as Remuneration for Their Services During the Fiscal Year Ended March 31, 2016

Not applicable.

IV Company Directors and Audit & Supervisory Board Members

1. Directors and Audit & Supervisory Board Members (As of March 31, 2016)

Title and Areas of Responsibility	Name	Important Concurrent Posts
Chairman of the Board and Chief Executive Officer General Manager of Group Structure Reform Division	Hajime Satomi	Chairman and Representative Director, Sammy Corporation Chairman and Representative Director, SEGA Holdings Co., Ltd.
Senior Managing Director and Representative Director in charge of New Business Development Department, Corporate Business Promotion Department	Naoya Tsurumi	Vice Chairman, SEGA Holdings Co., Ltd.
Director in charge of Group Executive Office, Finance and Accounting Division, General Affairs Division, Group Legal Head Office Deputy General Manager of Group Structure Reform Division	Koichi Fukazawa	
Director	Haruki Satomi	Executive Vice President and Representative Director, Sammy Corporation Executive Vice President and Representative Director, SEGA Holdings Co., Ltd.
Director	Shigeru Aoki	President and Representative Director, Sammy Corporation
Director	Hideki Okamura	President and Representative Director, SEGA Holdings Co., Ltd.
Director	Hisao Oguchi	
Director	Yuji Iwanaga	Attorney
Director	Takeshi Natsuno	
Standing Audit & Supervisory Board Member	Tomio Kazashi	
Audit & Supervisory Board Member	Toshio Hirakawa	Standing Audit & Supervisory Board Member, Sammy Corporation
Audit & Supervisory Board Member	Yukito Sakaue	Standing Audit & Supervisory Board Member, SEGA Holdings Co., Ltd.
Audit & Supervisory Board Member	Mineo Enomoto	Audit & Supervisory Board Member, SEGA Holdings Co., Ltd., Attorney

Notes: 1. Yuji Iwanaga and Takeshi Natsuno are Outside Director as stipulated in Article 2, Clause 15 of the Companies Act.

2. Tomio Kazashi, Toshio Hirakawa and Mineo Enomoto are Outside Audit & Supervisory Board Member as stipulated in Article 2, Clause 16 of the Companies Act.

3. The Company has submitted an Independent Directors/Audit & Supervisory Board Members Notification Form to register Directors Yuji Iwanaga and Takeshi Natsuno, Standing Audit & Supervisory Board Member Tomio Kazashi, and Audit & Supervisory Board Member Toshio Hirakawa and Mineo Enomoto as Independent Directors/Audit & Supervisory Board Members at Tokyo Stock Exchange, Inc.

4. The Company has adopted the executive officer system to speed up decision-making, strengthen oversight of business execution, and reinforce business execution functions. The Company has eight executive officers: Toru Nakahara, General manager of Group Legal Head Office; Hirofumi Matsunaga, Assistant to Senior Managing Director; Hiroshi Ishikura,

General Manager of the Group Internal Control Office, Group Corporate Social Responsibility Promotion Office and Internal Audit Office; Seiichiro Kikuchi, Assistant to Group Structure Reform Division and General manager of Group Executive Office; Koichi Takahashi, General manager of General Affairs Division; Yoichi Owaki, General manager of Finance and Accounting Division; Takatoshi Akiba and Koichiro Ueda, Assistant to General Affairs Division.

5. Changes made in the title, area of responsibilities and important concurrent Posts outside the Company of Directors on and after April 1, 2016 are as follows: Director Koichi Fukazawa became in charge of Business Planning Department, Finance and Accounting Division, General Affairs Division, Group Legal Head Office and Deputy General Manager of Group Structure Reform Division on April 1, 2016. On the same date, Director Haruki Satomi assumed the position of President and Representative Director of Sammy Corporation and Director Shigeru Aoki assumed the position of Vice Chairman and Representative Director of Sammy Corporation.
6. Since April 1, 2016, the Company has the following eight executive officers: Toru Nakahara, General manager of Group Legal Head Office; Makoto Takahashi, General manager of Business Planning Department and assistant to Group Structure Reform Division; Hiroshi Ishikura, General Manager of the Group Internal Control Office, Group Corporate Social Responsibility Promotion Office and Internal Audit Office; Yoichi Owaki, General manager of Finance and Accounting Division; Takaharu Kato, General manager of General Affairs Division; Takatoshi Akiba, Koichiro Ueda and Seiichiro Kikuchi, Assistant to General Affairs Division.

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

Title	Number of individuals	Remuneration, etc.
Directors (of which Outside Directors)	10 (2)	¥535 million (¥32 million)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	2 (2)	¥26 million (¥26 million)
Total	12	¥562 million

Notes: 1. Remuneration, etc. to Directors (excluding Outside Directors) includes bonuses of ¥123 million.

2. One Director who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 17, 2015 is included in the number of individuals for Director above.
3. The remuneration limit for Directors is ¥1,000 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders on June 19, 2012.
4. The remuneration limit for Audit & Supervisory Board Members is ¥50 million, pursuant to the resolution at the Ordinary General Meeting of Shareholders of Sammy Corporation on June 25, 2004, and at the Ordinary General Meeting of Shareholders of SEGA CORPORATION on June 29, 2004.

3. Liability Limitation Agreements

The Company amended its Articles of Incorporation at the 11th Ordinary General Meeting of Shareholders on June 17, 2015 to change the entities eligible for liability limitation agreements to Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members.

The outline of the liability limitation agreement that the Company entered into with Directors (excluding Executive Directors, etc.) and Audit & Supervisory Board Members respectively in accordance with the Articles of Incorporation is as follows:

(Outline of Liability Limitation Agreement)

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

4. Outside Directors and Audit & Supervisory Board Members

(1) Main Activities of Outside Directors and Audit & Supervisory Board Members

Title	Name	Major Activities
Outside Director	Yuji Iwanaga	He attended 15 Board of Directors meetings out of the 15 meetings during the year (12 out of 12 regular meetings) and expressed his opinion on professional and managerial view points as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.
Outside Director	Takeshi Natsuno	He attended 14 Board of Directors meetings out of the 15 meetings during the year (12 out of 12 regular meetings) and expressed his opinion on managerial viewpoints. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors.
Outside Audit & Supervisory Board Member	Tomio Kazashi	He attended 15 Board of Directors meetings out of the 15 meetings during the year (12 out of 12 regular meetings) and expressed his opinion on managerial viewpoints. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 14 Audit & Supervisory Board meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.
Outside Audit & Supervisory Board Member	Toshio Hirakawa	He attended 15 Board of Directors meetings out of the 15 meetings during the year (12 out of 12 regular meetings) and expressed his opinion on managerial viewpoints. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 14 Audit & Supervisory Board meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.
Outside Audit & Supervisory Board Member	Mineo Enomoto	He attended 15 Board of Directors meetings out of the 15 meetings during the year (12 out of 12 regular meetings) and expressed his opinion on professional and managerial viewpoints as an attorney. He also made some proposals to secure the adequateness and fairness of decision making of the Board of Directors. He also attended 13 Audit & Supervisory Board meetings out of the 14 meetings during the year exchanging the opinions on auditing results and deliberating the significant issues related to audits.

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

	Number of individuals	Remuneration, etc.	Of which Remuneration, etc., from subsidiary
Total remuneration, etc., to outside Directors and Audit & Supervisory Board Members	5	¥81 million	¥22 million

V Independent Auditors

1. Name

KPMG AZSA LLC

2. Liability Limitation Agreement with Independent Auditors

Although, the Company amended its articles of incorporation and established regulations regarding liability limitation agreements with independent auditors at the Second Ordinary General Meeting of Shareholders on June 20, 2006, the Company has not entered into the liability limitation agreement with KPMG AZSA LLC.

3. Remuneration, etc.

	Remuneration, etc.
Remuneration, etc., related to the fiscal year ended March 31, 2016	¥140 million
Total of cash and other profits that should be paid to independent auditors by the Company and its subsidiaries	¥338 million

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

2. As a result of checking and reviewing the independent auditor's audit plan and record of remuneration for the last year, the Audit & Supervisory Board of the Company gave consent to the remuneration etc. for the independent auditor pursuant to Article 399, Paragraph 1 of the Companies Act.

4. Policy Regarding Determination of Termination or Not Reappointing

The Company will include in objectives of the General Meeting of Shareholders the dismissal of the independent auditor prescribed in any clause within Article 340, Section 1 of the Companies Act as well as the dismissal or non-reappointment of the independent auditor if it is deemed difficult for the independent auditor to perform its duty appropriately.

VI Outline of Resolutions Regarding Preparation of Internal Control System and so forth to Ensure Appropriate Business Execution

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

(1) System to Ensure the Efficient Implementation of the Duties of the Company's Directors and Compliance with Laws and the Articles of Incorporation

Establish a Group CSR Charter, Group Code of Conduct, Group Management Policies, and Guidelines (hereinafter, collectively referred to as "Group Philosophy and Code") and Representative Directors will repeatedly communicate the spirit of Group Philosophy and Code to employees in administrative post, in order to thoroughly establish compliance with laws, etc., as a condition for all corporate activities. These efforts will reflect the Company's fundamental policy of fulfilling its social responsibility as a member of society and provide a basis for establishing a compliance system that comprises such policy. In addition, in the interest of further strengthening corporate governance, the Board of Directors will make efforts to build an effective internal controls system and to secure a system for compliance with laws for the Company as a whole, based on the Group Management Policies stipulated for a unified management of the entire Group and the Guidelines that show the standard for operation and management of the entire Group so that the Company's business execution is appropriate and sound.

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

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

organizations including the police and lawyers appropriately when anti-social forces approach the Group.

- (2) System Related to the Retention and Management of Information Related to the Implementation of the Duties of the Company's Directors
Representative Directors will appoint the Director in charge of the Administrative Division as the person in charge of the entire Company with respect to preservation and management of information related to execution of Directors' duties. Information related to execution of Directors' duties will be recorded in writing or electronic media based on the Company regulations etc., and preserved and managed so that the Directors and Audit & Supervisory Board Members are able to appropriately view such information and also so that such information is easy to search.
In order to manage trade secrets and other information, etc., properly, policies concerning information management and IT security, as well as guidelines for IT security will be established, and it is planned that they will be fully informed of and complied with.
- (3) Regulations and Other Systems Regarding Risk Management for Losses of the Company
With respect to risks related to the Company's business, each relevant division and department will analyze and identify anticipated risks and clarify the risk management system. The Internal Audit Department will audit each division's and department's risk management and report the results regularly to the management decision-making body and executive and supervisory management organization.
In order to capture and manage properly important risks underlying inside and outside the management including emergency responses, policies concerning risk management and crisis management guidelines will be established as one of the Group Management Policies and Guidelines, and in the event of a situation likely to have a severe impact on the Group, crisis management teams of the Company and the Group companies shall cooperate to discuss about countermeasures for prompt and effective actions.
- (4) System to Ensure that the Duties of the Company's Directors are Implemented Efficiently
Adopt an Audit & Supervisory Board Member system for efficient execution of Directors' duties, as well as for Company Directors and Audit & Supervisory Board Members to be well-informed about the Group's businesses and promptly and appropriately make decisions for the Group. The system should also enable appropriate and efficient execution of duties under rules related to authorities and decision-making based on the Regulations of the Board of Directors, etc.
- (5) System to Ensure Appropriate Compliance with Laws and the Articles of Incorporation Concerning the Implementation of the Duties of the Company's Employees
The Company will promote the group compliance measures for employees to act appropriately in compliance with laws, the Articles of Incorporation, Company regulations, and social norms. These measures must be based on the Group Philosophy and Code as code of conduct.
Establish a "Hot Line" system that enables an employee to report as a whistle-blowing any violation of laws, the Articles of Incorporation, Company regulations, or conduct in violation of social norms that they learn. Also establish a system that enables the person in charge promptly to report any material matters to the Board of Directors and the Audit & Supervisory Board.
Such a whistle-blower will be kept in secret, and will not receive any disadvantageous treatments due to the report. Establish an internal reporting contact offices comprised of outside counsel, etc. as recipients of an informant's report other than the ordinary reporting line, as part of a system that maintains transparency and accurately addresses relevant issues.
- (6) System Shown Below and Other Systems to Ensure that the Businesses of the Group, Comprised of the Company, its Parent, and its Subsidiaries, are Implemented Properly
- ① System to report to the Company matters related to the execution of the duties by the directors, the Statutory Executive Officers, officers executing the duties, and people who should execute the duties of Article 598, Section 1 of the Companies Act of the Company's subsidiaries (referred to as "the directors, etc." in ③ and ④ below)
By having the Company's employees in administrative post concurrently serve as the directors or

the Audit & Supervisory Board members of its Group companies, a system will be established to report and share information of the Group companies to and with the Company through such officers.

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

Hold meetings, etc. for the Group's Compliance and the Group's Audit & Supervisory Board Members, where various problems in the Group or governance matters with material risks are addressed. The Company's department in charge of internal audit will conduct audits for the benefit of the Group as a whole, and efforts will be made to ensure to the extent possible that information is shared among members of the Group and businesses are properly executed.

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

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

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

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

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

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

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

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

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

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

The Directors and employees of the Company must report promptly to the Audit & Supervisory

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

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

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

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

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

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

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

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

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

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

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

The Audit & Supervisory Board will use attorneys, certified public accountants, and other outside advisors, as necessary for itself, and its opportunities to receive advice related to audit work will be guaranteed.

(Outline of implementation status of internal control system to ensure appropriate business execution)

The implementation status of the foregoing Basic Policy of the Company is as outlined below:

(1) Compliance

- ① Compliance training is held every fiscal year for the officers of the Company and the Group, divided into separate groups of new officers and existing officers. For Directors of the Company, officer training is held (one session on corporate governance and another on compliance domain were held during the current fiscal year).

- ② As a place to share important issues and relevant measures for internal controls such as

compliance and risk management, the Group compliance liaison meeting is in place and took place twice during the current fiscal year. The main contents of the meeting are presented as feedback to the board of directors, etc. of major Group companies.

- ③ In an effort to enhance the compliance system, Group-wide common priority compliance items are selected from among societal requirements and intragroup issues each year, on which group training is held (twice during the current fiscal year). The Company also engages in “compliance promotion activities” on a continual basis for the purpose of boosting compliance awareness and knowledge among the Group employees.
- ④ As an initiative to eliminate anti-social forces, the Company has introduced a Group-wide checking system to detect if business partners apply as anti-social forces and supports its implementation.
- ⑤ For the purpose of early detection and preventing misconduct such as violations of laws and regulations, the Company has established a whistle-blowing system (alias “Corporate Ethics Hot Line”). While providing contact points internally and externally, the Company is actively involved in informing employees of the system.
- ⑥ The Company’s internal audit department conducts internal audits of the Company and the Group companies and strives to further enhance the internal audit system by sharing audit information and strengthening mutual cooperation with the internal audit departments of the Group companies.

(2) Risk management

By identifying significant risks underlying inside and outside management and clarifying issues to be addressed, the Company and the Group companies are committed to business executions and mitigating loss of management resources and recurrence thereof.

(3) Effectiveness of audits by Audit & Supervisory Board Members

- ① In order to complement enhanced information provision to Audit & Supervisory Board Members for internal control purposes, the meetings of “Holdings Audit Liaison Committee” consisting of Audit & Supervisory Board Members and the Independent Auditor, “Auditors and Office of Corporate Auditors Liaison Committee” where Audit & Supervisory Board Members and the internal audit department discuss progress in audits and exchange information, and “Group Audit Liaison Committee” consisting of all Standing Audit & Supervisory Board Members of the Group are held (9 meetings, 12 meetings, and 3 meetings were held respectively during the current fiscal year).
- ② The Company assigns employees concurrently serving as an assistant to Audit & Supervisory Board Members to provide support for Audit & Supervisory Board Members in executing their duties.

Consolidated Balance Sheet

(As of March 31, 2016)

(Unit: millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	302,292	Current liabilities	105,990
Cash and deposits	141,316	Notes and accounts payable-trade	33,011
Notes and accounts receivable-trade	55,612	Short-term loans payable	14,002
Short-term investment securities	48,401	Current portion of bonds	14,200
Merchandise and finished goods	6,971	Income taxes payable	2,536
Work in process	17,382	Accrued expenses	15,467
Raw materials and supplies	10,123	Provision for bonuses	4,608
Income taxes receivable	3,735	Provision for directors' bonuses	606
Deferred tax assets	6,286	Provision for business restructuring	136
Other	13,143	Provision for dismantling of fixed assets	391
Allowance for doubtful accounts	(681)	Asset retirement obligations	30
Noncurrent assets	230,664	Deferred tax liabilities	34
Property, plant and equipment	101,080	Other	20,964
Buildings and structures, net	35,216	Noncurrent liabilities	127,015
Machinery, equipment and vehicles, net	6,229	Bonds payable	52,000
Amusement machines and facilities, net	11,385	Long-term loans payable	48,895
Land	38,742	Net defined benefit liability	3,906
Construction in progress	1,977	Deferred tax liabilities	3,258
Other, net	7,529	Deferred tax liabilities for land revaluation	640
Intangible assets	24,817	Asset retirement obligations	3,952
Goodwill	12,201	Provision for dismantling of fixed assets	2,368
Other	12,616	Other	11,993
Investments and other assets	104,765	Total liabilities	233,006
Investment securities	76,504	Net assets	
Long-term loans receivable	703	Shareholders' equity	288,105
Lease and guarantee deposits	12,727	Capital stock	29,953
Deferred tax assets	674	Capital surplus	118,404
Other	14,705	Retained earnings	194,505
Allowance for doubtful accounts	(549)	Treasury stock	(54,758)
		Accumulated other comprehensive income	6,628
		Valuation difference on available-for-sale securities	11,494
		Deferred gains or losses on hedges	(40)
		Revaluation reserve for land	(4,600)
		Foreign currency translation adjustment	(876)
		Remeasurements of defined benefit plans	651
		Subscription rights to shares	801
		Non-controlling interests	4,415
		Total net assets	299,950
Total assets	532,957	Total liabilities and net assets	532,957

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

Consolidated Statement of Income

(From April 1, 2015 To March 31, 2016)

(Unit: millions of yen)

Item	Amount	
Net sales		347,981
Cost of sales		220,609
Gross profit		127,372
Selling, general and administrative expenses		109,754
Operating income		17,617
Non-operating income		
Interest income	463	
Dividends income	923	
Gain on investments in partnership	223	
Foreign exchange gains	58	
Gain on bad debts recovered	159	
Other	1,362	3,190
Non-operating expenses		
Interest expenses	921	
Equity in losses of affiliates	338	
Sales discounts	2	
Commission fee	204	
Loss on investments in partnership	236	
Penalty payment for cancellation of game center lease	2	
Bond issuance cost	41	
Loss on retirement of noncurrent assets	481	
Settlement package	3	
Loss on valuation of compound financial instruments	1,127	
Other	1,037	4,398
Ordinary income		16,409

(Unit: millions of yen)

Item	Amount	
Extraordinary income		
Gain on sales of noncurrent assets	68	
Gain on sales of shares of subsidiaries and associates	16	
Gain on sales of investment securities	123	
Gain on liquidation of subsidiaries and affiliates	306	
Gain on reversal of subscription rights to shares	14	
Gain on reversal of provision for dismantling of fixed assets	523	
Other	244	1,297
Extraordinary loss		
Loss on sales of noncurrent assets	72	
Impairment loss	1,329	
Loss on valuation of investment securities	19	
Loss on valuation of shares of subsidiaries and associates	568	
Early extra retirement payments	1,956	
Restructuring loss	1,220	
Other	523	5,691
Income before income taxes		12,015
Income taxes-current	4,040	
Income taxes-deferred	2,354	6,395
Profit		5,620
Profit attributable to non-controlling interests		251
Profit attributable to owners of parent		5,369

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2015 To March 31, 2016)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2015	29,953	119,282	198,924	(49,335)	298,824
Cumulative effects of changes in accounting policies			(220)		(220)
Balances as of April 1, 2015 which reflect changes in accounting policies	29,953	119,282	198,704	(49,335)	298,604
Changes of items during the period					
Dividends from surplus			(9,436)		(9,436)
Profit attributable to owners of parent			5,369		5,369
Effect of changes in accounting period of consolidated subsidiaries			(129)		(129)
Purchase of treasury stock				(5,549)	(5,549)
Disposal of treasury stock		14		127	141
Change of scope of consolidation			(1)		(1)
Change of scope of equity method			(0)		(0)
Purchase of shares of consolidated subsidiaries		(892)			(892)
Total changes of items during the period	—	(877)	(4,198)	(5,422)	(10,499)
Balances as of March 31, 2016	29,953	118,404	194,505	(54,758)	288,105

	Accumulated other comprehensive income					
	Valuation difference on available - for - sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balances as of April 1, 2015	17,794	10	(4,699)	3,414	2,206	18,726
Cumulative effects of changes in accounting policies						
Balances as of April 1, 2015 which reflect changes in accounting policies	17,794	10	(4,699)	3,414	2,206	18,726
Changes of items during the period						
Dividends from surplus						
Profit attributable to owners of parent						
Effect of changes in accounting period of consolidated subsidiaries						
Purchase of treasury stock						
Disposal of treasury stock						
Change of scope of consolidation						
Change of scope of equity method						
Purchase of shares of consolidated subsidiaries						
Net changes of items other than shareholders' equity	(6,300)	(50)	99	(4,290)	(1,554)	(12,097)
Total changes of items during the period	(6,300)	(50)	99	(4,290)	(1,554)	(12,097)
Balances as of March 31, 2016	11,494	(40)	(4,600)	(876)	651	6,628

(Unit: millions of yen)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balances as of April 1, 2015	832	4,289	322,673
Cumulative effects of changes in accounting policies			(220)
Balances as of April 1, 2015 which reflect changes in accounting policies	832	4,289	322,452
Changes of items during the period			
Dividends from surplus			(9,436)
Profit attributable to owners of parent			5,369
Effect of changes in accounting period of consolidated subsidiaries			(129)
Purchase of treasury stock			(5,549)
Disposal of treasury stock			141
Change of scope of consolidation			(1)
Change of scope of equity method			(0)
Purchase of shares of consolidated subsidiaries			(892)
Net changes of items other than shareholders' equity	(31)	126	(12,003)
Total changes of items during the period	(31)	126	(22,502)
Balances as of March 31, 2016	801	4,415	299,950

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

Independent Auditor's Report

May 12, 2016

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

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

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

Kentaro Maruta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SEGA SAMMY HOLDINGS INC. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Non-Consolidated Balance Sheet

(As of March 31, 2016)

(Unit: millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	66,998	Current liabilities	30,207
Cash and deposits	22,890	Current portion of long-term loans payable	7,400
Accounts receivable-trade	425	Current portion of bonds	6,600
Short-term investment securities	28,001	Accounts payable-other	5,736
Prepaid expenses	260	Income taxes payable	8
Short-term loans receivable from subsidiaries and associates	7,329	Accrued expenses	358
Accounts receivable-other	6,166	Deposits received	9,615
Income taxes receivable	1,636	Unearned revenue	21
Deferred tax assets	51	Provision for bonuses	136
Other	235	Provision for directors' bonuses	123
Noncurrent assets	370,434	Other	207
Property, plant and equipment	5,912	Noncurrent liabilities	94,533
Buildings, net	834	Bonds payable	44,600
Structures, net	624	Long-term loans payable	45,588
Machinery and equipment, net	1	Provision for retirement benefits	65
Aircraft, net	2,295	Asset retirement obligations	43
Vehicles, net	51	Deferred tax liabilities	3,906
Tools, furniture and fixtures, net	687	Other	328
Land	1,418	Total liabilities	124,740
Intangible assets	31	Net assets	
Software	29	Shareholders' equity	303,626
Other	1	Capital stock	29,953
Investments and other assets	364,489	Capital surplus	192,244
Investment securities	29,780	Legal capital surplus	29,945
Stocks of subsidiaries and affiliates	314,712	Other capital surplus	162,299
Investments in capital of subsidiaries and associates	449	Retained earnings	136,472
Long-term loans receivable from subsidiaries and associates	19,034	Other retained earnings	136,472
Long-term loans receivable	24	Retained earnings brought forward	136,472
Long-term prepaid expenses	56	Treasury stock	(55,043)
Other	3,650	Valuation and translation adjustments	8,263
Allowance for doubtful accounts	(3,219)	Valuation difference on available-for-sale securities	8,263
		Subscription rights to shares	801
		Total net assets	312,691
Total assets	437,432	Total liabilities and net assets	437,432

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

Non-Consolidated Statement of Income

(From April 1, 2015 To March 31, 2016)

(Unit: millions of yen)

Item	Amount	
Operating revenue		
Consulting fee income	4,727	
Dividends income	8,010	12,737
Operating expenses		
Selling, general and administrative expenses	6,551	6,551
Operating income		6,186
Non-operating income		
Interest income	390	
Interest on securities	219	
Dividends income	807	
Gain on investments in partnership	45	
Income from operation of noncurrent assets	136	
Other	53	1,653
Non-operating expenses		
Interest expenses	268	
Interest on bonds	327	
Commission fee	184	
Bond issuance cost	41	
Loss on investments in partnership	74	
Loss on valuation of compound financial instruments	364	
Other	52	1,313
Ordinary income		6,526
Extraordinary income		
Gain on sales of investment securities	99	
Gain on reversal of subscription rights to shares	14	
Other	11	124
Extraordinary loss		
Loss on support to subsidiaries and associates	130	
Provision of allowance for doubtful accounts	3,212	
Loss on valuation of shares of subsidiaries and associates	696	4,038
Income before income taxes		2,612
Income taxes-current	(282)	
Income taxes-deferred	(46)	(329)
Net income		2,941

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

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2015 To March 31, 2016)

(Unit: millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balances as of April 1, 2015	29,953	29,945	162,285	192,230
Changes of items during the period				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			14	14
Total changes of items during the period	—	—	14	14
Balances as of March 31, 2016	29,953	29,945	162,299	192,244

	Shareholders' equity			
	Retained earnings		Treasury stock	Total shareholders' equity
	Other retained earnings	Total retained earnings		
Balances as of April 1, 2015	142,966	142,966	(49,621)	315,529
Changes of items during the period				
Dividends from surplus	(9,436)	(9,436)		(9,436)
Net income	2,941	2,941		2,941
Purchase of treasury stock			(5,549)	(5,549)
Disposal of treasury stock			127	141
Total changes of items during the period	(6,494)	(6,494)	(5,421)	(11,902)
Balances as of March 31, 2016	136,472	136,472	(55,043)	303,626

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available - for - sale securities	Total valuation and translation adjustments		
Balances as of April 1, 2015	14,890	14,890	832	331,252
Changes of items during the period				
Dividends from surplus				(9,436)
Net income				2,941
Purchase of treasury stock				(5,549)
Disposal of treasury stock				141
Net changes of items other than shareholders' equity	(6,627)	(6,627)	(31)	(6,658)
Total changes of items during the period	(6,627)	(6,627)	(31)	(18,560)
Balances as of March 31, 2016	8,263	8,263	801	312,691

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

Independent Auditor's Report

May 12, 2016

The Board of Directors
SEGA SAMMY HOLDINGS INC.

KPMG AZSA LLC

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

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

Kentaro Maruta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of SEGA SAMMY HOLDINGS INC. as at March 31, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Audit Report

The Audit & Supervisory Board has received the reports of the audit procedures and results concerning the execution of the duties of the Directors during the 12th fiscal year from April 1, 2015 through March 31, 2016 prepared by each of the Audit & Supervisory Board Members. After discussing the reports, we have prepared this Audit Report and report as follows.

1. Procedures and details of the audits by the Audit & Supervisory Board Members and the Audit & Supervisory Board
 - (1) The Audit & Supervisory Board established the audit policy, allocation of duties, and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding the implementation of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the independent auditor regarding the execution of their duties, and sought explanations as necessary.
 - (2) Each Audit & Supervisory Board Member complied with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the audit policies, allocation of duties, etc., communicated with Directors, the internal audit department, and other employees, as well as worked to enhance environment for information collection and auditing, while conducting the audit by the following methods:
 - 1) Each Audit & Supervisory Board Member participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, and sought explanations as necessary. We examined important authorized documents and associated information, and investigated the operations and assets at the head office and principal offices.
With respect to subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from the subsidiaries as necessary.
 - 2) We received the periodical reports from Directors, employees, and other relevant personnel, sought explanations as necessary, and expressed our opinions on the status of development and operation of the system for ensuring that the execution of the duties of the Directors conforms to the relevant laws and regulations and the Articles of Incorporation, as well as the details of the resolutions of the Board of Directors regarding the organization of the system stipulated in Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Companies Act and the status of the system (internal control system) based on said resolutions, a necessary measure for ensuring proper business execution by a joint stock corporation and a corporate group consisting of its subsidiaries.
As to the internal control system associated with financial reports, we received reports from Directors and the independent auditor, KPMG AZSA LLC regarding the evaluation of the internal control and its audit, and sought explanations and expressed our opinions where necessary.
 - 3) We monitored and verified whether the independent auditor maintained its independence and implemented appropriate audits, and we received reports from the independent auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the independent auditor that “systems for ensuring that duties are performed properly” (matters set forth in each Item of Article 131 of the Corporate Calculation Regulations) were maintained in accordance with the “Quality Management Standards Regarding Audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the business report and supporting schedules, financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to non-consolidated financial statements) and supporting schedules, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the current fiscal year.

2. Result of audit

(1) The Report of Business Operations

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

the Articles of Incorporation.

- 3) In our opinion, the contents of the resolutions of the Board of Directors regarding the internal control system are fair and reasonable. In addition, we have found no matters on which to remark in regard to the execution of the duties of the Directors regarding the internal control system, including the one associated with financial reports.
- (2) Audit result of the Financial Statements and supporting schedules
In our opinion, the audit procedures and audit results received from the independent auditor KPMG AZSA LLC are appropriate.
- (3) Audit result of the Consolidated Financial Statements and consolidated supporting schedules
In our opinion, the audit procedures and audit results received from the independent auditor KPMG AZSA LLC are appropriate.

May 13, 2016

Audit & Supervisory Board,

SEGA SAMMY HOLDINGS INC.

Tomio Kazashi, Standing Audit & Supervisory Board Member
(Outside Audit & Supervisory Board Member)

Toshio Hirakawa, Outside Audit & Supervisory Board Member

Yukito Sakaue, Audit & Supervisory Board Member

Mineo Enomoto, Outside Audit & Supervisory Board Member

Reference Documents for General Meeting of Shareholders

Proposals and reference information

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

1. Reasons for the amendments

- (1) The Company will add the purposes of companies that have newly entered the SEGA SAMMY Group and the purposes newly established at subsidiaries of the Company to the existing proposes, in order to control and manage those companies and subsidiaries as a holding company and amend them as required.
- (2) In line with the change in paragraph numbering for the provision of the Companies Act associated with the enforcement of the Act for Partial Revision of the Companies Act (Act No. 90 of 2014), the Company will make a necessary change to the provision referred to in Article 40, paragraph 3 of the current Articles of Incorporation which provides for the election of Substitute Audit & Supervisory Board Members.

2. Details of the amendments

The details of the amendments in the Articles of Incorporation are as follows:

(The modified parts are indicated by underlining.)

Present Articles of Incorporation	Proposed Amendment
Article 1 (Omitted)	Article 1 (Unchanged)
Article 2 (Purpose) The purpose of the Company shall be: to manage and control the business activities of the corporations that conduct the following businesses and businesses equivalent thereto and to engage in operations incidental thereto by owning shares in such corporations:	Article 2 (Purpose) (Unchanged)
(1) to (8) (Omitted)	(1) to (8) (Unchanged)
(9) Planning, development, manufacture, marketing, importing and exporting of gems, precious metals, antiques, cameras, stationery, books, magazines, musical instruments, sports gear, DIY tools, gardening tools, fertilizers, feed, soil conditioners, automobiles, automobile parts, automobile goods, bicycles, food, dietary supplement, food for specified health use, alcoholic beverages, soft drinks, <u>tobaccos</u> , daily necessities, system equipment for emergency notification for the prevention of crimes, fires and disaster damages, disposal units of industrial wastes (kitchen garbage), photovoltaic generators, food processing machines and equipment;	(9) Planning, development, manufacture, marketing, importing and exporting of gems, precious metals, antiques, cameras, stationery, books, magazines, musical instruments, sports gear, DIY tools, gardening tools, <u>trees for gardening, plants, gardening materials and fresh flowers</u> , fertilizers, feed, soil conditioners, automobiles, automobile parts, automobile goods, bicycles, food, <u>pharmaceutical products</u> , dietary supplement, food for specified health use, alcoholic beverages, soft drinks, daily necessities, system equipment for emergency notification for the prevention of crimes, fires and disaster damages, disposal units of industrial wastes (kitchen garbage), photovoltaic generators, food processing machines and equipment;
(10) to (34) (Omitted)	(10) to (34) (Unchanged)
(35) Gardening construction and forestry management businesses;	(35) Gardening construction, forestry management, <u>and planting management</u> businesses;

Present Articles of Incorporation	Proposed Amendment
(36) to (51) (Omitted)	(36) to (51) (Unchanged)
(52) Sale and purchase, leasing, administration and intermediacy of real estate;	(52) Sale and purchase, leasing, administration, <u>cleaning</u> and intermediacy of real estate;
(53) to (58) (Omitted)	(53) to (58) (Unchanged)
(Newly established)	(59) <u>Printing and bookbinding, procurement and management of office supplies and equipment, filing service, office automation equipment operation service, outsourced clerical works and accounting works;</u>
(Newly established)	(60) <u>Sale of tobacco, salt, stamps and revenue stamps, as well as agency and intermediary service for such sale;</u>
(Newly established)	(61) <u>Acupuncture, moxibustion and massage services;</u>
(Newly established)	(62) <u>Maintenance and management of office security systems;</u>
(Newly established)	(63) <u>Outsourced automobile operation management service and related consulting service;</u>
(Newly established)	(64) <u>Waste collection and disposal service;</u>
(Newly established)	(65) <u>Debugging service for various software and hardware-related appliances;</u>
(Newly established)	(66) <u>Contract manufacturing line service;</u>
(59) Operation to manage and control the business activities of the corporations that conduct the businesses set forth in each of the preceding items and businesses equivalent thereto by owning shares in such corporations.	(67) (Unchanged)
2. (Omitted)	2. (Unchanged)
Article 3 to 39 (Omitted)	Article 3 to 39 (Unchanged)
Article 40 (Term of office of Audit & Supervisory Board Members) (Omitted)	Article 40 (Term of office of Audit & Supervisory Board Members) (Unchanged)
2. (Omitted)	2. (Unchanged)
3. A resolution for election of Substitute Audit & Supervisory Board Members adopted in accordance with Article 329, paragraph <u>2</u> of the Companies Act shall be effective until the conclusion of the ordinary general meeting of shareholders pertaining to the last fiscal year ending within one year after their election.	3. A resolution for election of Substitute Audit & Supervisory Board Members adopted in accordance with Article 329, paragraph <u>3</u> of the Companies Act shall be effective until the conclusion of the ordinary general meeting of shareholders pertaining to the last fiscal year ending within one year after their election.
4. (Omitted)	4. (Unchanged)
Article 41 to 55 (Omitted)	Article 41 to 55 (Unchanged)

Proposal 2: To elect eight (8) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we are seeking to elect eight (8) Directors.

The nominees for Directors are as described below:

Nominee No.	Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company	Number of the Company's Shares Owned
1	Hajime Satomi (January 16, 1942)	<p>Mar. 1980 President and Representative Director of Sammy Industry Co., Ltd. (now Sammy Corporation)</p> <p>Nov. 2003 Chairman and Director of Sammy NetWorks Co., Ltd.</p> <p>Feb. 2004 Chairman and Representative Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>May 2004 Chairman of JAMMA (JAPAN AMUSEMENT MACHINERY MANUFACTURES ASSOCIATION) (now Japan Amusement Machinery Manufacturers Association) (current position)</p> <p>Jun. 2004 Chairman, Representative Director and Chief Executive Officer of Sammy Corporation</p> <p>Jun. 2004 Chairman, CEO and Representative Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Oct. 2004 Chairman of the Board and Chief Executive Officer of the Company (current position)</p> <p>Mar. 2005 Senior Advisor to NICHYUKYO (Japan Play Equipment Industry Association) (current position)</p> <p>Jun. 2005 Chairman and Director of SEGA TOYS CO., LTD.</p> <p>Jun. 2005 Chairman and Director of TMS ENTERTAINMENT CO., LTD.</p> <p>Dec. 2006 Chairman of Japan Amusement Industry Association (current position)</p> <p>May 2007 Chairman of NDK (Japan Electric Game Manufacturers' Association)</p> <p>Jun. 2007 President, Representative Director, Chief Executive Officer and Chief Operating Officer of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>May 2008 Chairman, Representative Director and Chief Executive Officer of the above</p> <p>Apr. 2012 Chairman of Sammy Corporation</p> <p>Jun. 2012 Chairman and Director of PHOENIX RESORT CO., LTD. (current position)</p> <p>Jul. 2012 Director of SEGA Networks Co., Ltd (now SEGA Games Co., Ltd.)</p> <p>May 2013 Chairman, Representative Director and Chief Executive Officer of Sammy Corporation (current position)</p> <p>Apr. 2015 Chairman, Representative Director and Chief Executive Officer of SEGA Holdings Co., Ltd. (current position)</p> <p>Jun. 2015 Advisor to NDK (current position)</p>	31,869,338 shares
<p>[Reason for nomination as candidate for Director] Mr. Hajime Satomi has demonstrated leadership over many years as the CEO of the Company and Group companies and contributed to the development of the Group. We seek appointment of Mr. Hajime Satomi as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such wealth of experience and career record and hard-earned insight and contribute to improving the corporate value of the Company.</p>			

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

Nominee No.	Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company	Number of the Company's Shares Owned
2	Naoya Tsurumi (February 8, 1958)	<p>Mar. 1992 Joined Sega Enterprises, Ltd. (now SEGA Games Co., Ltd.)</p> <p>Dec. 2004 Executive Officer of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Sep. 2005 CEO of SEGA PUBLISHING EUROPE LTD.</p> <p>Jun. 2006 Senior Executive Officer of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2006 CEO and President of SEGA HOLDINGS U.S.A., INC.</p> <p>Oct. 2006 Chairman of SEGA OF AMERICA, INC.</p> <p>May 2008 Director, General Manager of Overseas Consumer Business Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2009 Managing Director of General Manager of Consumer Business Division of the above</p> <p>Sep. 2009 Chairman of SEGA EUROPE LTD.</p> <p>Apr. 2012 President, Representative Director and Chief Operating Officer of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>May 2012 Vice Chairman and CEO of Sega Jinwin (Shanghai) Amusements Co., Ltd.</p> <p>Jun. 2012 CEO and President of SEGA HOLDINGS EUROPE LTD.</p> <p>Jun. 2012 Director of the Company</p> <p>Jul. 2012 Director of SEGA Networks, Co., Ltd. (now SEGA Games Co., Ltd.)</p> <p>Sep. 2013 President and Representative Director of SEGA DREAM CORPORATION (now ATLUS. CO., LTD.)</p> <p>Apr. 2014 Vice Chairman of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Apr. 2014 Senior Managing Director and Representative Director of the Company (current position)</p> <p>Jun. 2014 Vice Chairman and Director of PHOENIX RESORT CO., LTD. (current position)</p> <p>Jun. 2014 Member of the Board of Directors of PARADISE SEGASAMMY Co., Ltd. (current position)</p> <p>Apr. 2015 Vice Chairman of the Board of SEGA Holdings Co., Ltd. (current position)</p> <p>May 2015 Chairman, Representative Director and President of SEGA LIVE CREATION Inc. (current position)</p> <p>Jun. 2015 Chairman and Director of Sega Sammy Golf Entertainment Inc. (current position)</p> <p>Jun. 2015 President of SEGA SAMMY BUSAN INC. (current position)</p>	12,100 shares
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Naoya Tsurumi has been promoting the Resort Business, one of the main focuses of the Company, with his wealth of experience as a corporate manager of the Company and Group companies.</p> <p>We seek appointment of Mr. Naoya Tsurumi as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such experience and career record and contribute to improving the corporate value of the Company.</p>			

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

Nominee No.	Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company	Number of the Company's Shares Owned
3	Koichi Fukazawa (November 2, 1965)	<p>Apr. 1990 Joined The Sanwa Bank, Limited (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>Jul. 2003 Joined Sammy Corporation</p> <p>Aug. 2003 Executive Officer and General Manager of the President's Office of the above</p> <p>Oct. 2004 Executive Officer and General Manager of the President's Office of the Company</p> <p>Oct. 2004 Executive Officer and General Manager of Chairman and President's Office of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2005 Director and General Manager of Chairman and President Office of the above</p> <p>Jan. 2007 President and Representative Director of SEGA SAMMY ASSET MANAGEMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Aug. 2007 Senior Executive Officer and in charge of the Corporate Strategy and External Affairs of the Company</p> <p>May 2008 Director and Division Manager of New Business Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Apr. 2009 Officer of Keizai Doyukai (Japan Association of Corporate Executives) (current position)</p> <p>Jun. 2009 President and Representative Director of SEGASAMMY VISUAL ENTERTAINMENT INC. (now MARZA ANIMATION PLANET INC.)</p> <p>Apr. 2014 Senior Managing Director and Representative Director of SEGA TOYS CO., LTD.</p> <p>Apr. 2015 Director of the above (current position)</p> <p>Jun. 2015 Director of the Company (current position)</p>	20,000 shares
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Koichi Fukazawa has contributed to improving corporate earnings through his wealth of experience as a corporate manager of the Company and Group companies.</p> <p>We seek appointment of Mr. Koichi Fukazawa as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such wealth of experience and career record and contribute to improving the corporate value of the Company.</p>			

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

Nominee No.	Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company	Number of the Company's Shares Owned
4	Haruki Satomi (January 11, 1979)	<p>Apr. 2001 Joined KOKUSAI Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p>Mar. 2004 Joined Sammy Corporation</p> <p>Jan. 2005 Joined SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Oct. 2005 Director of SEGA OF AMERICA, INC.</p> <p>Oct. 2005 Director of Sega Holdings U.S.A., INC.</p> <p>Jul. 2009 Vice President of Digital Business of SEGA OF AMERICA, INC.</p> <p>Oct. 2011 Senior Vice President of Digital Business of SEGA OF AMERICA, INC.</p> <p>Nov. 2011 Director of Sammy NetWorks Co., Ltd.</p> <p>Apr. 2012 President, Representative Director (CEO) of the above</p> <p>Jun. 2012 Director of SEGA OF AMERICA, INC.</p> <p>Jun. 2012 Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2012 Director of the Company (current position)</p> <p>Jul. 2012 President and CEO, Representative Director of SEGA Networks Co., Ltd. (now SEGA Games Co., Ltd.)</p> <p>Apr. 2014 Director of Sammy Corporation</p> <p>Jun. 2014 Director of Sanrio Company, Ltd. (current position)</p> <p>Nov. 2014 Executive Vice President and Representative Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Apr. 2015 Executive Vice President and Representative Director of SEGA Holdings Co., Ltd. (current position)</p> <p>Apr. 2015 President, Representative Director and Chief Executive Officer of SEGA Games Co., Ltd. (current position)</p> <p>Apr. 2015 Chairman of SEGA OF AMERICA, INC.</p> <p>Apr. 2015 Chairman of Sega Europe Ltd.</p> <p>Apr. 2015 Chairman of the Board of Directors of SEGA Networks Inc.</p> <p>Nov. 2015 Vice President, Representative Director of Sammy Corporation</p> <p>Apr. 2016 President, Representative Director and COO of the above (current position)</p> <p>Apr. 2016 Chairman, Representative Director of Sammy NetWorks Co., Ltd. (current position)</p> <p>Apr. 2016 Director of SEGA OF AMERICA, INC. (current position)</p> <p>Apr. 2016 Director of Sega Europe Ltd. (current position)</p>	3,026,961 shares
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Haruki Satomi has demonstrated leadership as Director of the Company, President, Representative Director of a subsidiary (Sammy Corporation) and corporate manager of Group companies and contributed to the improvement of corporate earnings. We seek appointment of Mr. Haruki Satomi as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such experience and career record and leadership and contribute to improving the corporate value of the Company.</p>			

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Nominee No.	Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company	Number of the Company's Shares Owned
5	Hideki Okamura (February 1, 1955)	<p>Jan. 1987 Joined Sega Enterprises, Ltd. (now SEGA Games Co., Ltd.)</p> <p>Jun. 1997 Director and Deputy Division Manager of Consumer Business Group Division, General Manager of Saturn Business Division of the above</p> <p>Jun. 2000 Director in charge of Dreamcast Business Division of the above</p> <p>Jun. 2002 Vice President and Representative Director of DigiCube Co., Ltd.</p> <p>Jun. 2003 Senior Executive Officer, Division Manager of Consumer Business Group Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2004 Director of TMS ENTERTAINMENT CO., LTD.</p> <p>Jun. 2004 Managing Director, Division Manager of Consumer Business Group Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Oct. 2004 Director of the Company</p> <p>Jun. 2007 Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2008 President and Representative Director of TMS ENTERTAINMENT CO., LTD.</p> <p>Apr. 2014 Vice Chairman and Director of the above</p> <p>Apr. 2014 President, Representative Director and COO of SEGA CORPORATION (now SEGA Games Co., Ltd.)</p> <p>Jun. 2014 Director of the Company (current position)</p> <p>Apr. 2015 President, Representative Director and Chief Operating Officer of SEGA Holdings Co., Ltd. (current position)</p> <p>Apr. 2015 Chairman of the Board of SEGA Games Co., Ltd.</p> <p>Apr. 2015 Chairman of the Board of SEGA Interactive Co., Ltd. (current position)</p> <p>Apr. 2015 Chairman, Representative Director of TMS ENTERTAINMENT Co., LTD. (current position)</p> <p>Apr. 2015 Chairman, Representative Director of SEGA TOYS CO., LTD. (current position)</p> <p>Apr. 2015 Chairman, Representative Director of MARZA ANIMATION PLANET INC. (current position)</p> <p>Apr. 2015 Chairman, Representative Director of DARTSLIVE Co., Ltd. (current position)</p> <p>May 2015 Chairman, Representative Director of SEGA Games Co., Ltd. (current position)</p> <p>Sep. 2015 President, Director of SEGA ENTERTAINMENT Co., Ltd. (current position)</p>	19,112 shares

[Reason for nomination as candidate for Director]
Mr. Hideki Okamura has contributed to the improvement of corporate earnings in such positions as Director of the Company, President and Representative Director of a subsidiary (SEGA Holdings Co., Ltd.).
We seek appointment of Mr. Hideki Okamura as Director as we expect he will continue to benefit the decision making of the Company's Board of Directors with such experience and career record and contribute to improving the corporate value of the Company.

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

Nominee No.	Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company	Number of the Company's Shares Owned
6	Yuji Iwanaga (April 3, 1941)	Apr. 1964 Joined Tohato Tokyo Seika Co., Ltd. (now Tohato Inc.) Sep. 1970 Joined General Aircon Inc. (now GAC CORPORATION) Apr. 1981 Registered with the Japan Federation of Bar Associations (current position) Apr. 1981 Joined Yanagita Sakuragi Law Office Sep. 1984 Partner of Lillick McHose and Charles Law Office (now Pillsbury Winthrop Shaw Pittman LLP) (current position) Dec. 1984 Registered with the State Bar of California (current position) Apr. 2003 Outside Director of Manufacturers Bank Jun. 2005 Outside Director of JMS North America Corporation (current position) Jun. 2006 Outside Director of TAIYO YUDEN CO., LTD. (current position) Jun. 2007 Outside Director of the Company (current position)	-
[Reason for nomination as candidate for Outside Director] We seek appointment of Mr. Yuji Iwanaga as Outside Director as we deem him capable of appropriately executing his duties as an Outside Director from his expert vantage point as an international lawyer, considering his very successful career related to the international corporate legal affairs of global corporations and his in-depth insight relating to management.			
7	Takeshi Natsuno (March 17, 1965)	Apr. 1988 Joined TOKYO GAS Co., Ltd. Sep. 1997 Joined NTT Mobile Communications Network, Inc. (now NTT DOCOMO, Inc.) Jun. 2005 Executive Officer and General Manager of Multimedia Services Department of the above May 2008 Guest Professor, Graduate School of Media and Governance of Keio University Jun. 2008 Outside Director of the Company (current position) Jun. 2008 Director of PIA Corporation (current position) Jun. 2008 Outside Director of transcosmos inc. (current position) Jun. 2008 Director of NTT Resonant Inc. (current position) Dec. 2008 Director of DWANGO Co., Ltd. (current position) Jun. 2009 Outside Director of DLE, Ltd. (current position) Sep. 2009 Outside Director of GREE, Inc. (current position) Dec. 2010 Outside Director of U-NEXT Co., Ltd. (current position) Apr. 2013 Guest Professor, Faculty of Environment and Information Studies of Keio University Nov. 2013 Guest Professor, Graduate School of Media and Governance of Keio University (current position) Oct. 2014 Director, Member of the Board of KADOKAWA DWANGO CORPORATION (current position)	2,000 shares
[Reason for nomination as candidate for Outside Director] We seek appointment of Mr. Takeshi Natsuno as Outside Director as we deem that he will continue to provide valuable opinions and suggestions on the management of the Company based on his wealth of experience and broad-ranging insight gained over many years as a corporate manager.			

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Nominee No.	Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company, Title and Area of Responsibilities at the Company	Number of the Company's Shares Owned
8	*Kohei Katsukawa (January 8, 1951)	<p>Apr. 1974 Joined Sumitomo Bank (now Sumitomo Mitsui Banking Corporation)</p> <p>Apr. 2001 Executive Officer, Head of Osaka Corporate Banking Division II of Sumitomo Mitsui Banking Corporation</p> <p>Apr. 2005 Managing Executive Officer, Deputy Head of Whole sale Banking Unit (in charge of East Japan) of the above</p> <p>Jun. 2007 Executive Vice President and Representative Director of NIF SMBC Ventures Co., Ltd. (now SMBC Venture Capital Co., Ltd.)</p> <p>Jul. 2010 President and Representative Director of SMBC Venture Capital Co., Ltd.</p> <p>Apr. 2014 President and Representative Director of GINSEN Co., Ltd. (current position)</p>	–
<p>[Reason for nomination as candidate for Outside Director]</p> <p>We seek appointment of Mr. Kohei Katsukawa as Outside Director as we deem him capable of providing valuable opinions and suggestions on the management of the Company based on his wealth of experience and broad-ranging insight gained over many years as a corporate manager.</p>			

(A nominee marked with “*” is a new nominee for Director.)

- Notes:
1. The Company conducts transactions relating to intermediary services for insurance with FSC Co., Ltd., of which Mr. Hajime Satomi and Mr. Haruki Satomi own a majority of voting rights.
 2. There are no special interests between the Company and the other Director-nominees.
 3. Mr. Yuji Iwanaga, Mr. Takeshi Natsuno and Mr. Kohei Katsukawa are Outside Director-nominees. The Company has notified the Tokyo Stock Exchange (TSE) of inauguration of Mr. Yuji Iwanaga and Mr. Takeshi Natsuno as independent directors under the regulations of TSE. The Company intends to notify the Tokyo Stock Exchange (TSE) of inauguration of Mr. Kohei Katsukawa as independent director under the regulations of TSE, if he is elected and assumes the position as Outside Director.
 4. The Company has concluded a limited liability agreement limiting the amount of the liability limit to the minimum liability limit provided for under laws and regulations with Mr. Yuji Iwanaga and Mr. Takeshi Natsuno, respectively. If the proposal to elect Directors is approved at the Ordinary General Meeting, the Company plans to conclude limited liability agreements limiting the amount of the liability limit to the minimum liability limit provided for under laws and regulations with Mr. Yuji Iwanaga, Mr. Takeshi Natsuno, and Mr. Kohei Katsukawa.
 5. Mr. Yuji Iwanaga and Mr. Takeshi Natsuno shall have served as Outside Directors of the Company for nine years and eight years, respectively, at the conclusion of this Ordinary General Meeting of Shareholders.
 6. Mr. Takeshi Natsuno has formerly served as Outside Director of the Company subsidiary SEGA Networks Co., Ltd. (now SEGA GAMES Co., Ltd.).
 7. Other positions and responsibilities held at the Company by each of the candidates who is currently serving as Director of the Company are stated in “1. Directors and Audit & Supervisory Board Members (As of March 31, 2016)” of “IV Company Directors and Audit & Supervisory Board Members” of the Business Report.

Proposal 3: To elect one (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Toshio Hirakawa will resign at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we are seeking the election of one (1) Audit & Supervisory Board Member.

The term of office of Shigeru Aoki, the nominee for Audit & Supervisory Board Member, shall be the remaining term of the Audit & Supervisory Board Member who has retired from office according to the Articles of Incorporation since the nominee is to be elected as the substitute for Audit & Supervisory Board Member Toshio Hirakawa.

We have obtained the consent of the Audit & Supervisory Board with respect to the submission of this proposal.

The nominee for Audit & Supervisory Board Member is as described below:

Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company and Title at the Company			Number of the Company's Shares Owned
*Shigeru Aoki (January 3, 1952)	May	2005	Joined SEGA CORPORATION (now SEGA Games Co., Ltd.) as Head Councilor	24,000 shares
	Jun.	2005	Corporate Officer and General Manager of Office of China and Asia Business Management of the above	
	Aug.	2006	President of Sega Networks (China) Co., Ltd.	
	Jun.	2008	Executive Officer and General Manager of Business Administration Department of Sammy Corporation	
	Aug.	2008	Executive Officer and General Manager of Corporate Division of the above	
	Apr.	2009	Director and General Manager of Corporate Division of the above	
	Jun.	2011	Managing Director and General Manager of Corporate Division of the above	
	Apr.	2012	President, Representative Director and COO of the above	
	Jun.	2013	Director of the Company (current position)	
	May	2015	Supervisor of Japan Pachinko Machine Industry Association	
	Apr.	2016	Vice Chairman, Representative Director of Sammy Corporation (current position)	
<p>[Reason for nomination as candidate for Audit & Supervisory Board Member] We seek appointment of Mr. Shigeru Aoki as Audit & Supervisory Board Member as we deem that his knowledge as a corporate manager and insight into corporate ethics and corporate governance, which he has gained from such roles as Director of the Company and President, Representative Director of a subsidiary (Sammy Corporation), makes him capable of providing appropriate advice and suggestions to the management of the Company.</p>				

(A nominee marked with "*" is a new nominee for Audit & Supervisory Board Member.)

- Notes:
1. There are no special interests between Mr. Shigeru Aoki and the Company.
 2. Mr. Shigeru Aoki plans to retire as Director of the Company and Director of a subsidiary (Sammy Corporation) on June 17, 2016.
 3. If the proposal to elect an Audit & Supervisory Board Member is approved at the Ordinary General Meeting, the Company plans to conclude a limited liability agreement limiting the amount of the liability limit to the minimum liability limit provided for under laws and regulations with Mr. Shigeru Aoki.

Proposal 4: To elect one (1) Substitute Audit & Supervisory Board Member

We are seeking to elect one (1) Substitute Outside Audit & Supervisory Board Member, in preparation for the case where the number of Outside Audit & Supervisory Board Members becomes less than the number prescribed by the laws and regulations.

We have obtained the consent of the Audit & Supervisory Board with respect to the submission of this proposal.

The nominee for Substitute Audit & Supervisory Board Member is as described below:

Name (Date of Birth)	Brief Career Profile, Important Concurrent Duties outside the Company and Title at the Company	Number of the Company's Shares Owned
*Takayoshi Matsuzawa (June 24, 1948)	Apr. 1971 Joined Yamaka Securities Co., Ltd. (now NAITO Securities Co., Ltd.)	11,655 shares
	Jun. 1995 Director and Manager of Corporate Department of the above	
	Feb. 1998 Managing Director of the above	
	Oct. 1998 Managing Executive Officer and General Manager of Corporate Division of Japan Global Securities Co., Ltd. (now NAITO Securities Co., Ltd.)	
	Apr. 1999 Joined Tokai Maruman Securities Co., Ltd. (now Tokai Tokyo Securities Co., Ltd.) as Manager of Tokyo Finance Corporate Department	
	Oct. 2000 In deputy charge of Institutional Investors Sales Department, Tokyo Finance Corporate Department and Manager of Tokyo Finance Corporate Department of Tokai Tokyo Securities Co., Ltd.	
	Feb. 2002 Executive Officer in charge of Tokyo Business Corporate Department, Institutional Investors Sales Department, Tokyo Finance Corporate Department, Tokyo Corporation Development Department, and Tokyo Corporate Administrative Department of the above	
	Apr. 2006 Advisor of Utsunomiya Securities Co., Ltd.	
	Jun. 2006 Managing Director and General Manager of Administrative Division of the above	
	Jun. 2008 Advisor of Tokai Tokyo Securities Co., Ltd.	
	Aug. 2009 Audit & Supervisory Board Member of Sammy Corporation (current position)	
	Jun. 2011 Audit & Supervisory Board Member of Joint Master, Inc. (current position)	
	Jun. 2015 Audit & Supervisory Board Member of TAIYO ELEC Co., Ltd. (current position)	
<p>[Reason for nomination as candidate for Substitute Outside Audit & Supervisory Board Member] We seek appointment of Mr. Takayoshi Matsuzawa as Substitute Audit & Supervisory Board Member as we deem that his insight into corporate ethics and corporate governance, which he has gained from such roles as Audit & Supervisory Board Member of a subsidiary (Sammy Corporation) makes him capable of providing appropriate advice and suggestions to the management of the Company.</p>		

(A nominee marked with "*" is a new nominee for Substitute Audit & Supervisory Board Member.)

- Notes:
1. There are no special interests between Mr. Takayoshi Matsuzawa and the Company.
 2. Mr. Takayoshi Matsuzawa is an Audit & Supervisory Board Member of our subsidiaries (i.e. Sammy Corporation, Joint Master, Inc. and TAIYO ELEC Co., Ltd.)
 3. Mr. Takayoshi Matsuzawa is a candidate for Substitute Outside Audit & Supervisory Board Member.
 4. The Company intends to notify the Tokyo Stock Exchange (TSE) of the inauguration of Mr. Takayoshi Matsuzawa as independent director under the regulations of TSE, if he assumes the position as Outside Audit & Supervisory Board Member.
 5. When Mr. Takayoshi Matsuzawa assumes the position as Outside Audit & Supervisory Board Member, the Company plans to conclude a limited liability agreement limiting the amount of the liability limit to the minimum liability limit provided for under laws and regulations with him.

Proposal 5: To issue share subscription rights as share options to Directors

The current annual remuneration amount to Directors was approved to be within ¥1 billion (excluding employee salaries paid to Directors who concurrently serve as employees) at the 8th Ordinary General Meeting of Shareholders held on June 19, 2012. We propose issuing share subscription rights as share options to the Directors excluding Outside Directors, of the Company to be within the annual amount of ¥130 million in addition to the above-mentioned remuneration for Directors.

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

The number of Directors excluding Outside Directors will be five (5) if Proposal 2 is approved as originally proposed.

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

The share options will be granted in order to raise the motivation of the Directors of the Company to improve business performance, and to promote management which puts into consideration our shareholders as well as the stock price.

2. Outline of the share subscription rights

(1) Total number of the share subscription rights to be issued

The maximum total number of the share subscription rights shall be 2,500 units. If it is appropriate to adjust the relevant number of shares because of a merger, issuance of shares for subscription, a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

(2) Class and number of shares to be issued upon exercise of the share subscription rights

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

If it is appropriate to adjust the number of shares because of a merger, issuance of shares for subscription, a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

(3) Cash payment for the share subscription rights

No cash payment will be required for the share subscription rights.

(4) Amount of property to be contributed upon the exercise of the share subscription rights

The amount of property to be contributed upon the exercise of the share subscription rights shall be the amount to be gained by multiplying the amount of property paid for one (1) share to be received upon the exercise of the share subscription rights (hereinafter referred to as the "Exercise Price") by the number of shares underlying the relevant share subscription rights.

The Exercise Price shall be the amount to be gained by multiplying 1.05 by the average closing price of regular transactions of the common shares of the Company at the Tokyo Stock Exchange on each day (excluding days where a transaction is not closed) of the month preceding the month in which the share subscription rights were allotted, and any fractional amount of less than one (1) yen resulting from such calculation shall be rounded up. However, if the amount is smaller than the closing price on the day preceding the allotment day of the share subscription rights (if the closing price is not available, the closing price of the latest day prior to the day will be adopted), the closing price shall be the Exercise Price.

If it is appropriate to adjust the Exercise Price because of a merger, issuance of shares for subscription, a company split, a share split or consolidation of shares in which the Company engages, the Company shall make such adjustment which it considers necessary.

(5) Fair value of the share subscription rights

It shall be based on the fair evaluation value to be computed based on the Black-Scholes formula in accordance with various terms such as the Exercise Price.

(6) Period during which the share subscription rights are exercisable

Such period shall be two (2) years from the day on which two (2) years have passed since the day after the day on which the share subscription rights were allotted.

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

A person who has received the allotment of the share subscription rights must be a Director of the Company or in a position equivalent to this as well when the share subscription rights are exercised. However, this does not apply to a case where there is a valid reason, such as retirement due to the expiration of his/her term of office or other reason equivalent to this.

(8) Restriction on acquisition of the share subscription rights by assignment

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

(9) Capital stock and legal capital surplus that will be increased in cases where shares will be issued as a result of the exercise of share subscription rights

- (i) Capital stock that will be increased in cases where common shares of the Company will be issued as a result of the exercise of share subscription rights must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17 of the Corporate Accounting Rules. If the obtained figure has a fraction less than ¥1, the figure is rounded up to the nearest yen.
- (ii) Legal capital surplus that will be increased in cases where common shares of the Company will be issued as a result of the exercise of share subscription rights must be the amount obtained by subtracting the capital stock to be increased as specified in (i) above from the maximum capital increase amount described in (i) above.

(10) Other matters concerning the share subscription rights

Other matters concerning the share subscription rights shall be determined by the Board of Directors of the Company, which determines the subscription requirements of the share subscription rights.