To the Shareholders

Items Posted on Internet Concerning
Notice of the 15th Ordinary General Meeting of
Shareholders

May 29, 2019

SEGA SAMMY HOLDINGS INC.
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Pursuant to the provisions of laws and regulations and the Article 16 of the Articles of Incorporation, the
above information shall be deemed to be provided to all shareholders by posting it on the website of
SEGA SAMMY HOLDINGS INC. (the “Company”):
(https://www.segasammy.co.jp/japanese/ir/stock/meeting/).
Information in English will be posted on our English website
(https://www.segasammy.co.jp/english/ir/stock/meeting/).
1. 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, 2019

<table>
<thead>
<tr>
<th>Date of Resolutions of the Ordinary General Meeting of Shareholders</th>
<th>August 2, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of individuals with rights Company Directors</td>
<td>3</td>
</tr>
<tr>
<td>Number of share subscription rights (Note 1)</td>
<td>850</td>
</tr>
<tr>
<td>Class of shares for share subscription rights</td>
<td>Common stock</td>
</tr>
<tr>
<td>Number of shares for share subscription rights</td>
<td>85,000</td>
</tr>
<tr>
<td>Payment on exercise of share subscription rights</td>
<td>There is no need of delivering payment to exchange with the share subscription rights.</td>
</tr>
<tr>
<td>Capital contribution upon exercise of share subscription rights (per share)</td>
<td>¥1,413</td>
</tr>
<tr>
<td>Period for exercise of share subscription rights</td>
<td>September 2, 2018 – September 1, 2020</td>
</tr>
<tr>
<td>Terms and conditions for exercise of share subscription rights</td>
<td>(Note 2)</td>
</tr>
<tr>
<td>Matters concerning the transfer of share subscription rights</td>
<td>When transferring share subscription rights, approval must be obtained from the Board of Directors</td>
</tr>
</tbody>
</table>

Notes: 1. Number of shares of share subscription rights is 100 per the right.
2. Terms and conditions for exercise of share subscription rights are as follows:
   The grantee shall be Director, 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, 2019

Not applicable.
2. 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., related to the fiscal year ended March 31, 2019 | ¥137 million |
| Total of cash and other profits that should be paid to independent auditors by the Company and its subsidiaries (together, the “Group”) | ¥366 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.
3. The non-audit services for which the Company paid remuneration to auditing certified
public accountants and other accountants include contracted business research, which are
outside the scope of the services stipulated in Article 2, Paragraph 1 of the Certified Public
Accountants Law.

(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.

3. 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
In accordance with the Group Mission, establish a Group CSR Charter, Group Code of Conduct,
Group Management Policies, and Guidelines (hereinafter, collectively referred to as “Group
Philosophy and Code”) and President (Representative Director) 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
President (Representative Director) 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 internal audit department 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 (theme of labor laws, including long work hours was 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. 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, the Company designates priority compliance matters each fiscal year that are common across the Group, from among all social requirements and issues affecting the Group, and implements group training. 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 “Corporate Ethics Hot Line” as a whistle-blowing system. 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, “Audit & Supervisory Board Members and Internal Auditing Office 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.

2. The Company assigns employees dedicately serving as an assistant to Audit & Supervisory Board Members to provide support for Audit & Supervisory Board Members in executing their duties.
### 4. Consolidated Statement of Changes in Net Assets

(From April 1, 2018 To March 31, 2019)

(Unit: millions of yen)

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances as of April 1, 2018</td>
<td>29,953</td>
<td>117,345</td>
<td>207,174</td>
<td>(54,781)</td>
<td>299,691</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td>(9,377)</td>
<td>(9,377)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td></td>
<td>2,642</td>
<td>2,642</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td>(11)</td>
<td>(11)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td>(18)</td>
<td>624</td>
<td>605</td>
<td></td>
</tr>
<tr>
<td>Purchase of shares of consolidated subsidiaries</td>
<td></td>
<td>(184)</td>
<td></td>
<td>(184)</td>
<td></td>
</tr>
<tr>
<td>Reversal of revaluation reserve for land</td>
<td></td>
<td></td>
<td>1,450</td>
<td>1,450</td>
<td></td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>29,953</td>
<td>117,142</td>
<td>201,889</td>
<td>(54,168)</td>
<td>294,816</td>
</tr>
</tbody>
</table>

| 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, 2018 | 10,528 | 17 | 340 | (2,147) | (479) | 8,259 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | |
| Profit attributable to owners of parent | | | | | | |
| Purchase of treasury stock | | | | | | |
| Disposal of treasury stock | | | | | | |
| Purchase of shares of consolidated subsidiaries | | | | | | |
| Reversal of revaluation reserve for land | | | | | | |
| Net changes of items other than shareholders’ equity | 3,826 | (17) | (1,450) | (2,741) | (45) | (427) |
| Total changes of items during the period | 3,826 | (17) | (1,450) | (2,741) | (45) | (427) |
| Balances as of March 31, 2019 | 14,354 | | | (1,109) | (4,888) | 7,832 |
### Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>Subscription rights to shares</th>
<th>Non-controlling interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances as of April 1, 2018</td>
<td>819</td>
<td>1,685</td>
<td>310,456</td>
</tr>
<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td>(9,377)</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td></td>
<td></td>
<td>2,642</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
<td>(11)</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
<td>605</td>
</tr>
<tr>
<td>Purchase of shares of consolidated subsidiaries</td>
<td></td>
<td></td>
<td>(184)</td>
</tr>
<tr>
<td>Reversal of revaluation reserve for land</td>
<td></td>
<td></td>
<td>1,450</td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td>93</td>
<td>90</td>
<td>(244)</td>
</tr>
<tr>
<td>Total changes of items during the period</td>
<td>93</td>
<td>90</td>
<td>(5,119)</td>
</tr>
<tr>
<td>Balances as of March 31, 2019</td>
<td>912</td>
<td>1,776</td>
<td>305,337</td>
</tr>
</tbody>
</table>

Note: Figures shown in millions of yen have been rounded down to the nearest million.
5. Notes to Consolidated Financial Statements

I Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

Number of consolidated subsidiaries 74

For a complete list of major consolidated subsidiaries, refer to the section “I Outline of the Group’s Business” under “7. Material Parent Company and Subsidiaries” of “(2) Relationships with subsidiaries”.

From the fiscal year ended March 31, 2019, the followings have been excluded from the scope of consolidation because of liquidation; SEGA SAMMY BUSAN INC. and another company.

Number of non-consolidated subsidiaries 17

Major non-consolidated subsidiaries: GO GAME PTE. LTD. etc.

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

(2) Application of the Equity Method

Number of non-consolidated subsidiaries accounted for under the equity-method 6

Major non-consolidated subsidiaries accounted for under the equity-method: GO GAME PTE. LTD. etc.

Number of affiliated companies accounted for under the equity method 12

Major equity-method affiliates: PARADISE SEGASAMMY Co., Ltd. and INTERLIFE HOLDINGS CO., LTD. etc.

Number of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method 12

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

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

(3) Fiscal Year for Consolidated Subsidiaries

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

<table>
<thead>
<tr>
<th>Consolidated subsidiary</th>
<th>Fiscal year-end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sega Amusements Taiwan Ltd.</td>
<td>December 31</td>
</tr>
<tr>
<td>Beijing SEGA Mobile Entertainment Technology Co., Ltd.</td>
<td>December 31</td>
</tr>
<tr>
<td>Dartslive China Ltd.</td>
<td>December 31</td>
</tr>
<tr>
<td>Sega Black Sea Ltd.</td>
<td>December 31</td>
</tr>
<tr>
<td>MPandC INC.</td>
<td>December 31</td>
</tr>
</tbody>
</table>
(4) Accounting Policies

① Valuation standards and accounting treatment for important assets
   a. Held-to-maturity debt securities
      Held-to-maturity debt securities are stated at amortized cost (the straight-line method).
   b. Available-for-sale securities
      Securities with fair value
      Securities with fair value are stated at fair value. The difference between acquisition cost and fair value is accounted for as valuation difference on available-for-sale securities in net assets, with cost of sales determined by the moving-average method.
      With respect to compound financial instruments whose fair values cannot be categorized and measured for each embedded derivative, the entire compound financial instruments are appraised by fair value, and unrealized gains or losses are reported as income or expenses for the fiscal year ended March 31, 2019.
      Securities without fair value
      Securities without fair value are carried at cost, which is determined by the moving-average method.
      The net amount of equity included in the Company’s financial statements from limited liability investment partnerships and similar investments, regarded as marketable securities under Article 2-2 of the Financial Investment and Exchange Law of Japan, is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.
   c. Derivatives
      Derivatives are stated at fair value.
   d. Inventories
      Inventories are stated at cost, cost being determined mainly by the gross-average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).
      Work in process is also stated at cost, cost being determined by the specific identification method (or at the NRV calculated by writing down the book value to reflect a decrease in the NRV).

② Depreciation and amortization for important assets
   a. Property, plant and equipment (excluding lease assets):
      Depreciation is calculated primarily using the straight-line method.
      Range of useful life for the assets is as follows:
      Buildings and Structures: 2-50 years
      Machinery, equipment and vehicles: 2-16 years
      Amusement machines and facilities: 2-5 years
   b. Intangible assets (excluding lease assets):
      Amortization is calculated using the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (less than 5 years).
   c. Lease assets
      Finance leases which transfer ownership:
      Depreciation method for such assets is the same as that which applies to property, plant and equipment owned by the Company.
      Finance leases which do not transfer ownership:
      Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.

③ Accounting for deferred assets
   Bond issue cost: All expenses are expensed when incurred.

④ Accounting for allowances and provisions
   a. Allowance for doubtful accounts
      Allowance for doubtful accounts is provided in the amount sufficient to cover possible losses based on a historical write-off of general receivables. Receivables with default possibility
and bankrupt receivables are calculated based on an individual assessment of the possibility of collection.
b. Provision for bonuses
   The estimated amount of bonuses was recorded to meet the payment of employee bonuses, an amount corresponding to the current fiscal year.
c. Provision for directors’ bonuses
   The estimated amount of bonuses was recorded to meet the payment of Directors and Audit & Supervisory Board Members bonuses, an amount corresponding to the current fiscal year.
d. Provision for point card certificates
   In order to provide for the usage of points granted to customers under the point system, the estimated future usage amount for the end of the fiscal year ended March 31, 2019 has been recorded.
e. Provision for dismantling of fixed assets
   To provide for expenses for dismantling unused decrepit buildings, estimated future expenses are recorded.

⑤ Accounting method for retirement benefits
   a. Attribution method for projected retirement benefits
      In calculating retirement benefits obligations, benefit formula attribution is adopted for the purpose of attributing projected retirement benefits to the period up to the end of the fiscal year ended March 31, 2019.
   b. Treatment of actuarial gains and losses and prior service costs
      Prior service costs are amortized equally over a certain number of years (10 years in principle) within the average remaining years of service for the employees at the time of accrual, or are charged to income collectively at the time of accrual. Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 years in principle) within average remaining years of service for the employees at the time of accrual in each fiscal year, commencing from the following fiscal year after the accrual for each employee, or are charged to income collectively in the following fiscal year after the accrual.

⑥ Accounting for significant hedge
   a. Hedge accounting
      The Group adopts deferred hedge accounting. However, special treatment is used for qualifying interest rate swap transactions. Moreover, allocation hedge accounting is applied to qualifying currency swap transactions and forward exchange contracts.
   b. Hedging instruments and hedged items
      Hedging instrument: Currency swaps, interest rate swaps, and forward exchange contracts
      Hedged item: Interest on loans payable, receivables and payables denominated in foreign currencies
   c. Hedge policy
      Derivative instruments are used to mitigate risks associated with foreign exchange and interest rate fluctuations.
      As a rule, hedging is only used for items in which actual demand exists, and not for speculative purposes.
   d. Evaluation of hedge effectiveness
      Hedge effectiveness is evaluated through comparative analysis of the cumulative fluctuations in the market between the hedged item and the hedging instrument. Evaluation of hedge effectiveness at fiscal year-end is omitted for currency swap transactions, as material conditions for the notional principal of hedging instruments and those for hedged items are the same and these transactions are deemed to offset the market fluctuations. Evaluation of hedge effectiveness at fiscal year-end is omitted also for interest rate swap transactions applied to special treatment.

⑦ Amortization method and period of goodwill
   If the duration of the effect of goodwill can be rationally estimated, amortization is made over the estimated number of years by the straight-line method. In other cases, amortization is made over a five-year-period by the straight-line method.
Accounting method for consumption taxes
Consumption taxes and local consumption taxes are accounted using the net-of-tax method, and non-deductible consumption taxes and local consumption taxes on assets are posted mainly as expenses when incurred.

Application of the Consolidated Taxation System
The Company and certain domestic consolidated subsidiaries applied the Consolidated Taxation System.

II  Note to Changes in Presentation
(Consolidated Balance Sheet)
In line with the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018), the “Ministerial Order on Partial Revisions to the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting” (Ministry of Justice Order No. 5; March 26, 2018) has been applied from the fiscal year. As a result, the Company and its subsidiaries changed the presentation of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of ‘Investments and other assets’ and ‘Noncurrent liabilities’, respectively.

III  Notes to Consolidated Balance Sheet
(1) Accumulated depreciation of property, plant and equipment  ¥134,298 million
(2) Assets pledged
Shares of affiliates (Note)  ¥25,604 million
(Note) For loans from financial institutions to the equity-method affiliate PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year ¥69,020 million (KR₩700,000 million), the shares of this company were provided as a pledge.
(3) Revaluation reserve for Land
Consolidated subsidiary SEGA Holdings Co., Ltd. has revalued land for business, pursuant to Japan’s Law Concerning Revaluation of Land (Law No. 34, March 31, 1998) and Amendments to the Law Concerning Revaluation of Land (Law No. 19, March 31, 2001). Accordingly, SEGA Holdings Co., Ltd. has recorded an item for the revaluation reserve for land under net assets.
Revaluation method
SEGA Holdings Co., Ltd. computed the value of land based on the methodology regarding rational adjustments to valuation of fixed assets stipulated in Article 2-3, and appraisals by licensed real estate appraisers prescribed in Article 2-5 of the Enforcement Ordinance No. 119 (March 31, 1998) pertaining to the Law Concerning Revaluation of Land.
Date of the revaluation  March 31, 2002
Difference between the fair value at the end of the fiscal year and the book value after revaluation of revalued land  ¥(425) million
(4) Outstanding balance of overdraft account:  ¥85,900 million
Outstanding balance of commitment line:  ¥55,000 million
(5) Accounting treatment of notes expiring as of consolidated fiscal year-end
Notes matured at the end of the current fiscal year were settled as of the note exchange date. Because the end of the current fiscal year ended March 31, 2019 was a holiday, the following notes that matured on March 31, 2019 were included in the balances as of March 31, 2019;
Notes receivable-trade:  ¥1,693 million
Notes payable-trade:  ¥429 million
IV Notes to Consolidated Statement of Income

(1) The book value devaluation of inventories held for normal sales purpose based on decline in profitability.
   Cost of sales ¥5,131 million

(2) R&D expenses included in general and administrative expenses and the manufacturing cost for the current fiscal year ¥46,782 million

(3) Breakdown of major extraordinary items
   ① Breakdown of gain on sales of noncurrent assets
      Buildings and structures ¥(2,597) million
      Machinery, equipment and vehicles ¥52 million
      Land ¥7,769 million
      Other property, plant and equipment ¥0 million
      Total ¥5,225 million
      (Note) Loss on sales of buildings and structures and gain on sales of land, resulting from the sale of the same property, are offset against each other and are presented as gain on sales of noncurrent assets in the Consolidated Statement of Income.

   ② Breakdown of loss on sales of noncurrent assets
      Buildings and structures ¥7 million
      Machinery, equipment and vehicles ¥0 million
      Land ¥3 million
      Other property, plant and equipment ¥36 million
      Total ¥47 million

   ③ Breakdown of impairment loss

<table>
<thead>
<tr>
<th>Use</th>
<th>Location</th>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amusement facilities</td>
<td>Zama-shi, Kanagawa and 2 other locations</td>
<td>Buildings and structures</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amusement machines and facilities</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other property, plant and equipment, etc.</td>
<td>26</td>
</tr>
<tr>
<td>Assets for business</td>
<td>Shinagawa -ward, Tokyo and 9 other locations</td>
<td>Buildings and structures</td>
<td>603</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amusement machines and facilities</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other property, plant and equipment</td>
<td>655</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other intangible assets</td>
<td>6,810</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>8,334</td>
</tr>
</tbody>
</table>

For each business segment, the Group classifies assets or asset groups based on whether their cash flows can be estimated independently. The book values of assets or asset groups whose fair values declined significantly or that are projected to consistently generate negative cash flows are reduced to their recoverable value. The amount of this reduction is deemed an impairment loss and is recorded under extraordinary loss.
V. Notes to Consolidated Statement of changes in Net Assets

(1) Issued Stock

<table>
<thead>
<tr>
<th>Type of stock</th>
<th>As of April 1, 2018</th>
<th>Increase</th>
<th>Decrease</th>
<th>As of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>266,229,476</td>
<td>—</td>
<td>—</td>
<td>266,229,476</td>
</tr>
</tbody>
</table>

(2) Treasury Stock

<table>
<thead>
<tr>
<th>Type of stock</th>
<th>As of April 1, 2018</th>
<th>Increase</th>
<th>Decrease</th>
<th>As of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>31,850,504</td>
<td>6,509</td>
<td>363,086</td>
<td>31,493,927</td>
</tr>
</tbody>
</table>

(Outline of Causes of Change)
The causes of the increase are as follows:
Increase due to purchase of odd-lot stock 6,509 shares

The causes of the decrease are as follows:
Decrease due to sales of odd-lot stock 286 shares
Decrease due to exercise of stock options 362,800 shares

(3) Dividends

1. Dividend Amount

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Type of Stock</th>
<th>Total dividend (¥ million)</th>
<th>Dividend per share (¥)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors’ Meeting held on May 11, 2018</td>
<td>Common stock</td>
<td>4,687</td>
<td>20</td>
<td>March 31, 2018</td>
<td>June 1, 2018</td>
</tr>
<tr>
<td>Board of Directors’ Meeting held on November 1, 2018</td>
<td>Common stock</td>
<td>4,689</td>
<td>20</td>
<td>September 30, 2018</td>
<td>December 3, 2018</td>
</tr>
</tbody>
</table>

2. Dividends of which the record date is in the fiscal year ended March 31, 2019, but the effective date is in the following fiscal year

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Type of Stock</th>
<th>Resource of dividend</th>
<th>Total dividend (¥ million)</th>
<th>Dividend per share (¥)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors’ Meeting held on May 10, 2019</td>
<td>Common Stock</td>
<td>Retained Earnings</td>
<td>4,694</td>
<td>20</td>
<td>March 31, 2019</td>
<td>June 3, 2019</td>
</tr>
</tbody>
</table>

(4) Number and type of shares to be issued upon exercise of subscription rights to shares (except for the ones before the first day of the exercisable period) as of the end of the fiscal year ended March 31, 2019

Common stock  3,564,200 shares
VI Notes on the Financial Instruments

(1) Matters regarding the current status of financial instruments

The Group’s signed an agreement concerning commitment lines with financial institutions, such as securing medium- to long-term fund liquidity with the Company as a holding company, as a safety net for the entire Group. In addition, capital for each business is financed based on the financial plan as needed, through bank borrowing or bond issue applying Cash Management System for the purpose of the efficient utilization of the Group funds. Most funds are invested primarily in low-risk and high-liquidity financial assets, while some are invested in compound financial instruments such as bonds etc. for the purpose of efficiently managing funds. Derivatives are mainly used, not for speculative purposes, but to manage exposure to financial risks as described later.

Credit risks of the clients in terms of notes and accounts receivable - trade are mitigated under the credit management rules, etc. at each Group company.

Short-term investment securities are mainly negotiable certificates of deposit. The Group’s credit risk exposure is minimal as these transactions are restricted to highly rated financial institutions in accordance with the capital management rules etc. of each Group company.

Investment securities are mainly stocks and the relevant information such as fair values of these stocks and financial conditions of the issuers (business partners) is reviewed and reported to the Board of Directors of each Group company, etc. on a regular basis. Shareholding status is also continually reviewed in view of the relationship with business partners that issue these stocks. With certain compound financial instruments etc., the Group is exposed to risks associated with fair value fluctuations etc. in the stock markets but periodically evaluates them on a mark-to-market basis.

Borrowings as well as bonds is intended to secure funds necessary for the purpose of working capital and capital expenditures etc. and diversify means for procuring funds. Each Group company reviews its own actual and projected cash position on a monthly basis, which is eventually verified collectively by the Company as part of the Group’s liquidity risk management.

The Group’s derivative transactions are restricted to forward exchange contracts and currency swap transactions as hedges against currency fluctuation risks on its foreign currency-denominated operating receivables and debt as well as foreign currency-denominated loans payable, and interest rate swap transactions etc. to mitigate interest rate risks on some of the Group’s variable interest rate loans payable. These transactions are executed and managed mainly by the financial department or the accounting department upon obtaining internal approvals in compliance with the derivative transactions management rules, etc. of each Group company. Furthermore, reports on the status of the derivative transactions are made to the Board of Directors at each company as appropriate.
(2) Matters regarding the fair value etc. of financial instruments

Consolidated balance sheet amounts and fair values of the Group’s financial instruments and the difference between the two as of the end of the fiscal year ended March 31, 2019 are as follows. Fair values of financial instruments named in Note 2 below are extremely difficult to grasp, thus are not included in the following list.

(Unit: millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>Consolidated balance sheet amount</th>
<th>Fair values</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash and deposits</td>
<td>137,425</td>
<td>137,425</td>
<td>—</td>
</tr>
<tr>
<td>(2) Notes and accounts receivable - trade</td>
<td>39,209</td>
<td>39,200</td>
<td>(8)</td>
</tr>
<tr>
<td>(3) Short-term investment securities and investment securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Held-to-maturity debt securities</td>
<td>1,411</td>
<td>1,418</td>
<td>7</td>
</tr>
<tr>
<td>2) Available-for-sale securities</td>
<td>45,962</td>
<td>45,962</td>
<td>—</td>
</tr>
<tr>
<td>3) Stocks of affiliates</td>
<td>818</td>
<td>831</td>
<td>12</td>
</tr>
<tr>
<td>(4) Notes and accounts payable - trade</td>
<td>24,758</td>
<td>24,758</td>
<td>—</td>
</tr>
<tr>
<td>(5) Short-term loans payable</td>
<td>13,352</td>
<td>13,352</td>
<td>—</td>
</tr>
<tr>
<td>(6) Long-term loans payable</td>
<td>40,334</td>
<td>40,293</td>
<td>40</td>
</tr>
<tr>
<td>(7) Current portion of bonds</td>
<td>12,500</td>
<td>12,500</td>
<td>—</td>
</tr>
<tr>
<td>(8) Bonds payable</td>
<td>10,000</td>
<td>10,020</td>
<td>(20)</td>
</tr>
</tbody>
</table>

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

   (1) Cash and deposits; and (2) Notes and accounts receivable - trade
   Of these, items that are settled in the short term (within a year) are recorded using book values, as their fair values approximate book values. In addition, of notes and accounts receivable - trade, those which more than a year to the payment date from the end of the fiscal year ended March 31, 2019 are stated at the present values by discounting the amount of claim for each receivable with the interest rate calculated by the payment period and credit risk.

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

   (4) Notes and accounts payable – trade; (5) Short-term loans payable; and (7) Current portion of bonds
   Of these, items that are settled in the short term (within a year) are recorded using book values, as their fair values approximate book values. Of the short-term loans payable, fair values of the loans hedged by interest rate swap contracts meeting certain conditions are calculated applying the special treatment by combining them with the relevant interest rate swap.

   (6) Long-term loans payable; and (8) Bonds payable
   These are stated with the present values calculated by discounting the aggregated values of the principal and interest using an assumed interest rate if loans are newly made. Of the long-term loans payable, fair values of the loans hedged by interest rate swap contracts with special treatment applied and by interest rate and currency swap contracts with combined treatment applied (subject to special treatment and allocation hedge accounting) are calculated by combining them with the relevant interest rate swap or interest rate and currency swap.
2. Financial instruments whose fair values are not readily determined

<table>
<thead>
<tr>
<th>Category</th>
<th>Consolidated balance sheet amount (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in unlisted stocks, etc.</td>
<td>3,430</td>
</tr>
<tr>
<td>Investments in investment limited partnerships, etc.</td>
<td>8,432</td>
</tr>
<tr>
<td>Stocks of non-consolidated subsidiaries</td>
<td>350</td>
</tr>
<tr>
<td>Stocks of affiliates</td>
<td>26,499</td>
</tr>
<tr>
<td>Investments in capital of subsidiaries and affiliates</td>
<td>1,073</td>
</tr>
</tbody>
</table>

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

VII  Note Regarding Investment and Rental Property

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

VIII  Note Regarding Per Share Information

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets per share</td>
<td>¥1,289.32</td>
</tr>
<tr>
<td>Net income per share</td>
<td>¥11.27</td>
</tr>
</tbody>
</table>

IX  Note Regarding Significant Subsequent Events

The Company resolved at a Board of Directors’ meeting on March 29, 2019, to acquire all shares of Two Point Studios Ltd. (Headquarters: Farnham, United Kingdom) through SEGA Games Co., Ltd., a consolidated subsidiary of the Company. The Company acquired shares of said company as of May 8, 2019 and made it a consolidated subsidiary.

(1) Outline of business combination

① Name and business of acquired company
   Name of acquired company: Two Point Studios Ltd.
   Description of business: Development and sales of content for the PC market in the U.S. and European regions

② Reason for business combination
   We believe that the outstanding content development capability and accumulated development expertise of Two Point Studios Ltd. will contribute to the creation of new IPs in the SEGA Group and further increase the presence of the Group in the global game market.

③ Date of business combination
   May 8, 2019

④ Legal structure
   Purchase of shares with cash

⑤ Name of company after the business combination
   Unchanged

⑥ Share of voting rights acquired
   100%

⑦ Main grounds for determining the acquired company
   This was a share acquisition for cash consideration by SEGA Games Co., Ltd., a consolidated subsidiary of the Company.
(2) Acquisition costs of the acquired company and consideration by class

Consideration for acquisition (Note)  
Cash  £10 million  
(approximately ¥1,450 million)

Acquisition costs  £10 million  
(approximately ¥1,450 million)

Note: Contingent consideration for acquisition is not included in the consideration for acquisition. Contingent consideration for acquisition has yet to be determined at this time because it is specified in the agreement that the contingent consideration for acquisition shall be paid based on the future performance of the acquired company over a certain period of time. In the event where the payment of additional consideration for acquisition is required, the Company shall adjust the acquisition costs by deeming such additional amount has been paid at the time of the acquisition, and the amount of goodwill and amortization thereof shall be revised accordingly.

(3) Description and amounts of major relevant costs for the acquisition

Due diligence costs  ¥22 million

(4) Goodwill recognized, reason for recognition, and amortization method and period

Yet to be determined as the allocation of the acquisition cost has not been completed.

(5) Amount of assets acquired and liabilities assumed on the date of the business combination

Yet to be determined.

(From April 1, 2018 To March 31, 2019)

(Unit: millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>Shareholders’ equity</th>
<th></th>
<th>Capital surplus</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital stock</td>
<td>Shareholders’ equity</td>
<td>Capital surplus</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shareholders’ equity</td>
<td>Capital surplus</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Legal capital</td>
<td>Other capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>surplus</td>
<td>surplus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total capital</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>surplus</td>
<td></td>
</tr>
<tr>
<td>Balances as of April 1, 2018</td>
<td>29,953</td>
<td>29,945</td>
<td>162,299</td>
<td>192,244</td>
</tr>
<tr>
<td>Changes of items during the</td>
<td></td>
<td></td>
<td>Total capital</td>
<td></td>
</tr>
<tr>
<td>period</td>
<td></td>
<td></td>
<td>surplus</td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td>Total capital</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>surplus</td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td></td>
<td></td>
<td>Total capital</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>surplus</td>
<td></td>
</tr>
<tr>
<td>Total changes of items during</td>
<td></td>
<td></td>
<td>Total capital</td>
<td></td>
</tr>
<tr>
<td>the period</td>
<td></td>
<td></td>
<td>surplus</td>
<td></td>
</tr>
<tr>
<td>Balances as of March 31, 2019</td>
<td>29,953</td>
<td>29,945</td>
<td>162,277</td>
<td>192,222</td>
</tr>
</tbody>
</table>

|                              | Shareholders’ equity |                              |                              |                              |
|                              | Retained earnings    |                              | Treasury stock | Total shareholders’ equity |
|                              |                      | R1 Other retained earnings    | Total retained earnings      |                              |
|                              |                      | brought forward               |                            |                              |
| Balances as of April 1, 2018 | 125,167              | 125,167                       | (55,066)        | 292,298                      |
| Changes of items during the  |                      |                              | Total retained earnings      |                              |
| period                        |                      |                              |                            |                              |
| Dividends from surplus       |                      | (9,377)                       | (9,377)         |                              |
| Net income                   |                      | 196                           | 196                     | 196                          |
| Purchase of treasury stock   |                      |                              | (11)                    | (11)                         |
| Disposal of treasury stock   |                      |                              | 627                     | 605                          |
| Total changes of items during |                      | (9,180)                       | (9,180)        | (8,585)                      |
| the period                   |                      |                              | Total retained         |                              |
| Balances as of March 31, 2019| 115,987              | 115,987                       | (54,450)        | 283,712                      |

|                              | 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, 2018 | 7,209                                 | 7,209                         | 819               | 300,326                      |
| Changes of items during the  |                                      |                              |                  |                              |
| period                        |                                      |                              |                  |                              |
| Dividends from surplus       |                                      | (9,377)                       |                  |                              |
| Net income                   |                                      | 196                           |                  |                              |
| Purchase of treasury stock   |                                      | (11)                          |                  |                              |
| Disposal of treasury stock   |                                      | 605                           |                  |                              |
| Net changes of items other than shareholders’ equity | 4,322                                 | 4,322                         | 93                | 4,415                        |
| Total changes of items during |                                      | 4,322                         | 4,322             | (4,169)                      |
| the period                   |                                      |                              |                  |                              |
| Balances as of March 31, 2019| 11,531                                | 11,531                        | 912              | 296,157                      |

Note: Figures shown in millions of yen have been rounded down to the nearest million.
7. Notes to Non-Consolidated Financial Statements

I. Notes Regarding Material Matters Related to Accounting Policies

1. Valuation standards and accounting treatment for assets
   (1) Valuation standards and methods for securities
       ① Shares of subsidiaries and affiliates are stated at moving-average cost.

       ② Available-for-sale securities
           Securities with fair value are stated at fair value. The difference between acquisition cost and
           fair value is accounted for as valuation difference on available-for-sale securities, with cost of
           sales determined by the moving average method.
           With respect to compound financial instruments whose fair values cannot be categorized and
           measured for each embedded derivative, the entire compound financial instruments are
           appraised by fair value, and unrealized gains or losses are reported as income or expenses for
           the fiscal year ended March 31, 2019.
           Securities without fair value are stated at moving-average cost.
           The net amount of equity included in the Company’s financial statements from limited liability
           investment partnerships and similar investments, regarded as marketable securities under
           Article 2-2 of the Financial Investment and Exchange Law of Japan, is calculated based on the
           relevant financial statements for the partnership available as of the reporting date stipulated in
           the partnership agreement.

       (2) Derivatives
           Derivatives are stated at fair value.

2. Depreciation and amortization of noncurrent assets
   (1) Property, plant and equipment
       Depreciation is calculated by the straight-line method.
       Range of useful life for the assets is as follows:
       Buildings : 2 - 50 years
       Structures : 2 - 47 years
       Aircraft : 8 years
       Tools, furniture and fixtures : 2 - 15 years

   (2) Intangible assets
       Amortization is calculated using the straight-line method. The software used in the Company is
       amortized by the straight-line method based on the useful lives within the Company (less than 5
       years).

3. Accounting for deferred assets
   Bond issue cost: All expenses are expensed when incurred.

4. Accounting for provisions
   (1) Allowance for doubtful accounts
       The reserve for doubtful accounts is provided in amount sufficient to cover possible losses.
       Allowance for doubtful accounts is calculated on an individual assessment of the possibility of
       collection.

   (2) Provision for bonuses
       The estimated amount of bonuses was recorded to meet the payment of employee bonuses, an
       amount corresponding to the current fiscal year.

   (3) Provision for directors’ bonuses
       The estimated amount of bonuses was recorded to meet the payment of Directors and Audit &
       Supervisory Board Members bonuses, an amount corresponding to the current fiscal year.
(4) Provision for retirement benefits
   a. Attribution method for projected retirement benefits
      In calculating retirement benefits obligations, benefit formula attribution is adopted for the
      purpose of attributing projected retirement benefits to the period up to the end of the fiscal year
      ended March 31, 2019.
   b. Treatment of actuarial gains and losses and prior service costs
      Actuarial gains and losses are charged to income collectively in the following fiscal year after
      the accrual. Prior service costs are charged to income collectively at the time of accrual.

5. Accounting for hedge
   (1) Accounting for hedge
      Allocation hedge accounting is used for qualifying currency swap transactions, while special
      treatment is applied to qualifying interest rate swap transactions.

   (2) Hedging instruments and hedged items
      Hedging instrument: Currency swaps, Interest rate swaps
      Hedged item: Foreign currency-denominated loans payable and associated interest

   (3) Hedge policy
      The Company engages in currency swap transactions with the purpose to avoid risks associated
      with foreign exchange fluctuations of loans payable, along with interest rate swap transactions with
      the purpose to avoid risks associated with interest rate fluctuations of loans payable. The Company
      has a policy not to engage in speculative derivative transactions.

   (4) Evaluation of hedge effectiveness
      Evaluation of hedge effectiveness at fiscal year-end is omitted for currency swap transactions, as
      material conditions for the notional principal of hedging instruments and those for hedged items
      are the same and these transactions are deemed to offset the market fluctuations. Evaluation of
      hedge effectiveness at fiscal year-end is omitted also for interest rate swap transactions as they
      adopt special treatment.

6. Other material matters that form the basis of accounting documents
   (1) Accounting method for consumption taxes
      Consumption taxes and local consumption taxes are accounted using the net-of-tax method, and
      non-deductible consumption taxes and local consumption taxes on assets are posted mainly as
      expenses when incurred.

   (2) Application of the Consolidated Taxation System
      The Company applied the Consolidated Taxation System.

II Note to Changes in Presentation
   (Balance Sheet)
   In line with the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ
   Statement No. 28; February 16, 2018), the “Ministerial Order on Partial Revisions to the
   Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting”
   (Ministry of Justice Order No. 5; March 26, 2018) has been applied from the fiscal year.
   As a result, the Company changed the presentation of deferred tax assets and deferred tax liabilities,
   such that deferred tax assets and deferred tax liabilities are classified as part of ‘Investments and
   other assets’ and ‘Noncurrent liabilities’, respectively.
   The note related to tax effect accounting additionally included those described in notes 8
   (excluding total amount of valuation reserves), which is required in paragraphs 4 of Statement
   No.28. In addition, the details stated in Note 8 (1) (Excluding total of valuation allowance) of the
   explanatory notes to the “Accounting Standard for Tax Effect Accounting,” stipulated in Paragraph
   4 of the Partial Amendments to Accounting Standard for Tax Effect Accounting, are added to Notes
   Regarding Tax Effect Accounting.
III  Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment ¥5,015 million

(2) Assets pledged
Shares of affiliates (Note) ¥30,557 million
(Note) For loans from financial institutions to the affiliated company PARADISE SEGASAMMY Co., Ltd. at the end of the current fiscal year ¥69,020 million (KRW700,000 million), the shares of this company were provided as a pledge.

(3) Receivables from and payables to subsidiaries and affiliates
   Short-term receivables from subsidiaries and affiliates ¥5,415 million
   Short-term payables to subsidiaries and affiliates ¥17,277 million
   Long-term payables to subsidiaries and affiliates ¥22,500 million

IV  Notes to Statement of Income

Transactions with subsidiaries and affiliates
   Consulting fee income ¥7,713 million
   Dividends income (Operating revenue) ¥3,860 million
   SG&A expenses ¥731 million
   Non-operating transactions ¥754 million
   Transfer of assets ¥4,427 million

V  Notes to Statement of Changes in Net Assets

Number and type of Treasury stock as of the end of the fiscal year ended March 31, 2019
   Common stock 31,493,927 shares
### VI Notes Regarding Tax Effect Accounting

1. **Significant components of deferred tax assets and deferred tax liabilities**

   **(Unit: millions of yen)**

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax loss carry forward</td>
<td>1,407</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>40</td>
</tr>
<tr>
<td>Allowance for doubtful account</td>
<td>2,332</td>
</tr>
<tr>
<td>Loss on valuation of shares of subsidiaries and affiliates</td>
<td>6,772</td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>32</td>
</tr>
<tr>
<td>Other</td>
<td>831</td>
</tr>
<tr>
<td><strong>Subtotal deferred tax assets</strong></td>
<td>11,417</td>
</tr>
<tr>
<td>Valuation allowance for tax loss carry forward</td>
<td>(1,393)</td>
</tr>
<tr>
<td>Valuation allowance for deductible temporary difference</td>
<td>(9,886)</td>
</tr>
<tr>
<td><strong>Subtotal valuation allowance</strong></td>
<td>(11,279)</td>
</tr>
<tr>
<td>Offset against deferred tax liabilities</td>
<td>(137)</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td></td>
</tr>
</tbody>
</table>

   | Deferred tax liabilities                        |             |
   | Valuation difference on available-for-sale securities | (5,239)     |
   | Other                                           | (225)       |
   | **Subtotal deferred tax liabilities**           | (5,465)     |
   | Offset against deferred tax assets              | 137         |
   | **Total deferred tax liabilities**              | (5,327)     |
   | **Deferred tax liabilities, net**              | (5,327)     |

2. **Breakdown by major causes of the significant difference between the statutory tax rate and the effective tax rate for financial statement purposes, if any, by item.**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate</td>
<td>30.6%</td>
</tr>
<tr>
<td><strong>(Reconciliation)</strong></td>
<td></td>
</tr>
<tr>
<td>Permanently non-deductible expenses including</td>
<td></td>
</tr>
<tr>
<td>entertainment expenses</td>
<td>(84.5%)</td>
</tr>
<tr>
<td>Tax credit for experimentation and research expenses</td>
<td>12.5%</td>
</tr>
<tr>
<td>Changes in valuation allowance</td>
<td>(223.7%)</td>
</tr>
<tr>
<td>Tax loss carry forward</td>
<td>(173.3%)</td>
</tr>
<tr>
<td>Amount excluded from gross revenue such as dividend income</td>
<td>640.5%</td>
</tr>
<tr>
<td>Other</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Effective tax rate after tax effect accounting</strong></td>
<td>202.5%</td>
</tr>
</tbody>
</table>
### VII Notes Regarding Transactions with Related Parties

#### (1) Subsidiaries and Affiliates

(Unit: millions of yen)

<table>
<thead>
<tr>
<th>Type</th>
<th>Name of the company</th>
<th>Voting rights (%)</th>
<th>Relationship</th>
<th>Description of the transactions</th>
<th>Transaction amount (Note 1)</th>
<th>Accounts</th>
<th>Balance at end of fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Sammy Corporation</td>
<td>100.0</td>
<td>Management guidance to the company, interlocking directorate</td>
<td>Consulting fee income (Note 2)</td>
<td>4,011</td>
<td>Accounts receivable - trade</td>
<td>361</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Consolidated taxation system</td>
<td>—</td>
<td>Accounts receivable - other</td>
<td>1,753</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Deposits received / paid (Note 3)</td>
<td>—</td>
<td>Deposits received</td>
<td>13,648</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Payment of interests (Note 4)</td>
<td>198</td>
<td>Long-term deposits received</td>
<td>22,500</td>
</tr>
<tr>
<td></td>
<td>SEGA Holdings Co., Ltd.</td>
<td>100.0</td>
<td>Management guidance to the company, interlocking directorate</td>
<td>Consulting fee income (Note 2)</td>
<td>3,702</td>
<td>Accounts receivable - trade</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Consolidated taxation system</td>
<td>—</td>
<td>Accounts receivable - other</td>
<td>923</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reception of interests (Note 4)</td>
<td>17</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Deposits received / paid (Note 3)</td>
<td>—</td>
<td>Short-term loans receivable from subsidiaries and affiliates</td>
<td>4,271</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Payment of interests (Note 4)</td>
<td>4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>SEGA SAMMY CREATION INC.</td>
<td>100.0</td>
<td>—</td>
<td>Lending of funds</td>
<td>1,600</td>
<td>Long-term loans receivable from subsidiaries and affiliates (Note 5)</td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reception of interests (Note 4)</td>
<td>118</td>
<td>Current liabilities - other</td>
<td>0</td>
</tr>
</tbody>
</table>
### Table: Description of Transactions

<table>
<thead>
<tr>
<th>Type</th>
<th>Name of the company</th>
<th>Voting rights (%)</th>
<th>Relationship</th>
<th>Description of the transactions</th>
<th>Transaction amount (Note 1)</th>
<th>Accounts</th>
<th>Balance at end of fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>PHOENIX RESORT CO., LTD.</td>
<td>100.0</td>
<td>Interlocking directorate</td>
<td>Lending of funds</td>
<td>265</td>
<td>Short-term loans receivable from subsidiaries and affiliates</td>
<td>800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Collection of loans receivable</td>
<td>2,534</td>
<td>Long-term loans receivable from subsidiaries and affiliates</td>
<td>4,415</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Debt forgiveness (Note 6)</td>
<td>20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reception of interests (Note 4)</td>
<td>100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Affiliate</td>
<td>PARADISE SEGASAMMY Co., Ltd.</td>
<td>45.0</td>
<td>Interlocking directorate</td>
<td>Fiduciary obligation (Note 7)</td>
<td>166</td>
<td>Accounts receivable - other</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Underwriting of capital increase (Note 8)</td>
<td>4,436</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Provision of security (Note 9)</td>
<td>30,557</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Notes:**
1. Consumption taxes are not included in transaction amounts.
2. The amount of the Consulting fee income is decided based on the Company’s necessary expenses.
3. Cash management system transactions are used for the purpose of uniformly and efficiently procuring and managing funds within the Group. Lending and borrowing of funds is executed at any time between the Group companies, thus the transaction amount is omitted.
4. Interest is determined with consideration to market interest rates.
5. For long-term loans receivable from subsidiaries and affiliates from SEGA SAMMY CREATION INC., the Company recorded provision of allowance for doubtful accounts of ¥7,610 million while recorded allowance for doubtful accounts of ¥1,095 million for the fiscal year ended March 31, 2019.
6. For ¥20 million of long-term loans receivable to PHOENIX RESORT CO., LTD., the Company implemented debt forgiveness and recorded as “loss on support to subsidiaries and affiliates” for the fiscal year ended March 31, 2019.
7. Transaction prices are determined in the same way as for general transactions and with reference to fair values.
8. The Company underwrote a capital increase through allotment to shareholders.
9. For part of the loans from financial institutions to PARADISE SEGASAMMY Co., Ltd., the shares of the company were provided as a pledge.
### (2) Directors, Key Individual Shareholders, etc.

<table>
<thead>
<tr>
<th>Type</th>
<th>Name of related individual and company</th>
<th>Voting rights (%)</th>
<th>Relationship</th>
<th>Description of the transactions</th>
<th>Transaction amount (Note 1)</th>
<th>Accounts</th>
<th>Balance at end of fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>Hajime Satomi</td>
<td>3.34</td>
<td>Director of the Company</td>
<td>Exercise of stock options (Note 2)</td>
<td>105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Haruki Satomi</td>
<td>1.38</td>
<td>Director of the Company</td>
<td>Exercise of stock options (Note 2)</td>
<td>127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company in which Directors or their relatives own majority voting rights</td>
<td>FSC Co., Ltd. (Note 3)</td>
<td>5.81</td>
<td>Insurance representative</td>
<td>Payment of insurance premium (Note 4)</td>
<td></td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lending of real-estate and equipment</td>
<td>Rental income from real-estate and equipment (Note 3)</td>
<td></td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Consumption taxes are not included in transaction amounts.
2. Stock options which were granted based on the resolution at the interim Board of Directors meeting on August 2, 2016 and exercised for the fiscal year ended March 31, 2019 are listed. The transaction amount listed herein is calculated by multiplying the number of shares granted upon exercise of stock options for the fiscal year ended March 31, 2019 by the amount of payment upon exercise.
3. Hajime Satomi, Chairman and CEO (Representative Director), and Haruki Satomi, President and COO (Representative Director), directly hold a majority of the shares of FSC Co., Ltd.
4. Transaction prices are determined in the same way as for general transactions and with reference to fair values.

#### VIII Note Regarding Per Share Information

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets per share</td>
<td>¥1,257.78</td>
</tr>
<tr>
<td>Net income per share</td>
<td>¥0.84</td>
</tr>
</tbody>
</table>