

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**Year Ended March 31, 2014**

**Name of the Company :** SEGA SAMMY HOLDINGS INC.  
**Code number :** 6460  
 (URL <http://www.segasammy.co.jp/> )  
**Representative:** Hajime Satomi  
 Chairman of the Board and Chief Executive Officer  
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Annual Meeting of Shareholders: June 18, 2014 (plan)  
 Filing of Financial Report : June 19, 2014 (plan)  
 Start of cash dividend payments : May 28, 2014 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the Year Ended March 31, 2014**

(1) RESULTS OF CONSOLIDATED OPERATIONS

(Percentage represents changes from the prior year)

	Net sales		Operating income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For Year ended March 31, 2014	378,011	17.6	38,533	102.0	30,721	(8.2)
For Year ended March 31, 2013	321,407	(18.7)	19,073	(67.3)	33,460	53.3

(Note) Comprehensive income:

For Year ended March 31, 2014: ¥33,308 million ((29.8) %)

For Year ended March 31, 2013: ¥47,481 million (60.1 %)

	Net income per share	Net income per share (Diluted)	Return on equity	Operating income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
For Year ended March 31, 2014	126.42	125.39	9.3	7.2	10.2
For Year ended March 31, 2013	137.14	136.85	11.0	3.7	5.9

(Reference) Equity in earnings of affiliates:

For Year ended March 31, 2014: ¥ (257) million

For Year ended March 31, 2013: ¥ 15 million

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2014	542,936	348,270	63.2	1,409.27
March 31, 2013	528,504	320,034	59.7	1,304.44

(Reference) Shareholders' equity

March 31, 2014: ¥343,300 million

March 31, 2013: ¥315,752 million

(3) CONSOLIDATED CASH FLOWS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the year-end
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For Year ended March 31, 2014	75,201	(38,547)	(11,512)	202,741
For Year ended March 31, 2013	18,603	6,396	(1,116)	174,210

2. Cash Dividends

	Cash dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends paid to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	For the year			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
Year ended March 31, 2013	—	20.00	—	20.00	40.00	9,672	29.2	3.2
Year ended March 31, 2014	—	20.00	—	20.00	40.00	9,732	31.6	2.9
Year ending March 31, 2015 (plan)	—	20.00	—	20.00	40.00		46.4	

3. Forecast of Consolidated Operating Results for the Year ending March 31, 2015

(Percentage represents changes from the prior year)

	Net sales		Operating income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half ending September, 2014	160,000	(1.4)	(8,000)	—	(7,000)	—	(28.74)
Entire - year	450,000	19.0	35,000	(9.2)	21,000	(31.6)	86.21

#### 4. Other

- (1) Significant changes in subsidiaries (scope of consolidation) during the year ended March 31, 2014: Yes  
(Included) Company name: SEGA SAMMY BUSAN INC.  
(Excluded) Company name: Sega Sammy Resort Limited Liability Partnership  
: Sega Publishing America, Inc.  
: Sega Holdings Europe Limited
- (2) Changes in accounting principles, procedures, disclosure methods, etc., for preparing the consolidated financial statements:
  1. Changes associated with revision in accounting standards: Yes
  2. Other changes: No
- (3) Number of shares outstanding (common stock)
  1. Number of shares outstanding at the end of the period (including treasury stock)  
March 31, 2014: 266,229,476  
March 31, 2013: 266,229,476
  2. Number of treasury stock at the end of the period  
March 31, 2014: 22,627,725  
March 31, 2013: 24,169,675
  3. Average number of shares during the period  
For Year ended March 31, 2014: 243,017,280  
For Year ended March 31, 2013: 243,981,508

#### **[Caution With Regard to Operating Results Outlook]**

- This report is outside the scope of audit in accordance with the Financial Instruments and Exchange Law, and the audit of financial statements in accordance with the Law has not been completed as of the disclosure of this report.
- The forward-looking statements, such as results forecasts, included in this document are based on information available to SEGA SAMMY HOLDINGS INC. (the Company) at the time of the announcement and assumptions considered reasonable. Actual results could differ materially, depending on a range of factors. For the assumptions prerequisite to the results forecasts and the points to be noted in the use of the forecasts, please see "Overview" on page 4.

## **1. Operating Results and Financial Position**

### **(1) Overview**

During the fiscal year ended March 31, 2014, there were growing hopes that the Japanese economy would break out of deflation and experience economic recovery amid the trend toward yen depreciation and rising stock prices backed by the effects of monetary and financial policies. However, uncertainty still prevailed due to factors such as worries over the effect of increase in the consumption tax rate to the economy.

In this climate, with regard to the pachislot and pachinko industry, as orders tended to concentrate on some mainstay products due to pachinko parlor operators becoming increasingly selective about machines, there has been continuing strong replacement demand for new pachislot machines, while replacement demand for new pachinko machines has been rather weak. In order to revitalize the market in the future, it is essential to develop and supply machines that will be supported by end users.

In the amusement machine and amusement center industry, the market was sluggish due to the absence of major market-driving titles, along with the diversification of ways to play on smartphones and other devices. In the future, however, development and supply of innovative new game machines in line with diversifying customer needs is expected to revitalize the market.

In the home video game software industry, demand expanded in the market for digital games geared toward social networking services (SNS) and smartphones, while the market for packaged games softened.

In this business environment, net sales for the fiscal year ended March 31, 2014 amounted to ¥378,011 million (an increase of 17.6% from the previous fiscal year). The Group posted an operating income of ¥38,533 million (an increase of 102.0% from the previous fiscal year). Due to the factors including gains such as gain on sales of investment securities and losses such as loss on liquidation of subsidiaries and affiliates from realization of foreign currency translation adjustment resulted from the completion of the liquidation of some of the subsidiaries in the U.S. and Europe, the Group recorded a net income of ¥30,721 million (a decrease of 8.2% from the previous fiscal year). The main reason for net income of the fiscal year fell short of the previous fiscal year is the Group recorded deferred tax asset related to the tax loss which was resulted from the completion of liquidation of some of the subsidiaries in the U.S. for the amount that would be deductible from the future taxable income in the previous fiscal year.

Result of each segment is as follows

#### 《Pachislot and Pachinko Machines》

In the pachislot machine business, sales of “Pachislot Hokuto No Ken Chapter of Resurrection” and “Pachislot Eureka Seven 2” under the Sammy brand were solid. In spite of the rescheduling of the launch of certain titles, overall sales of the pachislot machines were 301 thousand units and exceeded results for the previous fiscal year. In the pachinko machine business, although the Group launched “Pachinko CR Hokuto No Ken 5 Hyakuretsu” and “Pachinko CR Monster Hunter” under the Sammy brand, titles other than the major titles performed weakly due to the stagnant market environment. Overall sales of the pachinko machines were 200 thousand units and fell short of the previous fiscal year.

As a result, net sales in this segment were ¥181,984 million (an increase of 27.4% from the previous fiscal year) and operating income was ¥45,292 million (an increase of 92.4% from the previous fiscal year).

#### Main Pachislot Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachislot Hokuto No Ken Chapter of Resurrection	(Sammy)	114
Pachislot Eureka Seven 2	(Sammy)	59
Pachislot Juoh	(Sammy)	43
Pachislot Bakemonogatari	(Sammy)	31
Pachislot Kaiji 3	(GINZA)	25

#### Main Pachinko Machines and Units Sold

Model name	Brand	Units sold (Thousands)
Pachinko CR Hokuto No Ken 5 Hyakuretsu	(Sammy)	69
Pachinko CR Monster Hunter	(Sammy)	32
Pachinko CR SOUTEN-NO-KEN	(Sammy)	27
CR Kayou Suspense Gekijou	(Taiyo Elec)	18
Pachinko CR Rookies	(Sammy)	12

#### 《Amusement Machine Sales》

In the amusement machine sales business, although the Group launched CVT KITs and expendables such as cards for “WORLD CLUB Champion Football” and reported distribution revenue from revenue sharing titles such as “CODE OF JOKER,” new titles including “THE WORLD of THREE KINGDOMS” struggled due to the harsh market environment.

As a result, net sales in this segment were ¥43,855 million (an increase of 2.9% from the previous fiscal year) and operating loss was ¥1,264 million (operating income of ¥1,902 million for the previous fiscal year).

#### 《Amusement Center Operations》

In the amusement center operations business, efforts to reinforce management capabilities of existing amusement centers continued from the previous fiscal year. However, due to the absence of industry-driving titles, sales at existing amusement centers in Japan dipped and registered 96.1% of the level compared to the previous fiscal year.

The Group opened 5 amusement centers and closed 9 amusement centers in the domestic market in the fiscal year. Consequently, the Group operated a total of 198 amusement centers in Japan at the end of the period. Meanwhile, from the fiscal year ended March 31, 2014, numbers counted as amusement centers in the domestic market are based on amusement centers (game arcades) directly operated by the Group.

As a result, net sales in this segment were ¥43,227 million (an increase of 1.2% from the previous fiscal year) and operating income was ¥60 million (a decrease of 94.9% from the previous fiscal year).

## 《Consumer Business》

In the consumer business, although the Group launched multiple titles including “Total War: ROME II” and “Football Manager 2014” in the packaged game software field, sales were low due to the harsh market environment. A year-on-year decline in total volume of packaged software sales to 8,730 thousand copies, which includes 2,800 thousand copies in the U.S., 3,770 thousand copies in Europe, and 2,150 thousand copies in Japan.

In the field of digital game software for mobile phones, smartphones, and PC downloading, performance remained favorable for the online RPG “PHANTASY STAR ONLINE 2” as well as titles for smartphones, “Puyopuyo!! Quest” and “CHAIN CHRONICLE.” Meanwhile, on the pachinko and pachislot game website for mobile phones and PCs, the smartphone version of “777TOWN for Android,” “777TOWN for iOS” and service for DeNA Co., Ltd.’s “Moba7” were enhanced.

Also, the number of titles distributed domestically as of March 31, 2014 was 141 (including 73 Pay-to-play types and 68 Free-to-play types).

In the toy sales division, the Group implemented the sale of mainstay products such as “Anpanman Series” and “Jewelpod Series,” however the toy sales division as a whole performed weakly.

In the animated films division, theater film “LUPIN THE 3rd VS DETECTIVE CONAN THE MOVIE” recorded an audience of over 3 million and was favorable.

As a result, net sales in this segment were ¥100,541 million (an increase of 18.6% from the previous fiscal year) and operating income was ¥2,089 million (operating loss of ¥732 million for the previous fiscal year).

In addition, a newly established subsidiary, which is a wholly owned subsidiary of SEGA CORPORATION, a subsidiary of the Company, concluded a business transfer agreement with Index Corporation on September 18, 2013 and the business transfer took place on November 1, 2013.

## Outlook for the Fiscal Year ending March 31, 2015

For the Japanese economy during the fiscal year ending March 31, 2015, uncertainty is expected to continue for the consumer spending trends in the future, due to worries of an economic slowdown after the increase in the consumption tax rate and unstable political and economic conditions overseas.

Under such circumstance, the market in the pachislot and pachinko industry is likely to remain solid for the pachislot machine business, while the pachinko machine business is expected to remain weak. In its pachislot and pachinko machines business, the Group will endeavor to further increase the quality of each title and at the same time, the Group will also strengthen the management of development and sales schedules. For the fiscal year ending March 31, 2015, the Group forecasts sales of 374 thousand pachislot machines, up 73 thousand from the current fiscal year, and 250 thousand pachinko machines, up 49 thousand from the current fiscal year. On the other hand, we anticipate a temporary decline in profit margin due to products becoming more sophisticated through greater LCD ROM capacity and an increase in moving gadgets.

In the amusement machine sales business, harsh market environment is expected due to the effects of the increase in the consumption tax rate that will increase restraint on investment among amusement center operators. In this environment, we will work on securing consistent profits by strengthening our revenue-sharing model, and endeavor to construct a product lineup which adapts to the changes in the industry. Furthermore, we will advance the optimum distribution of management resources to areas such as the field of digital game software.

In the amusement center operations business, decrease in profits of existing amusement centers are expected due to the effects of the increase in the consumption tax rate, but we will continue to endeavor to reinforce management capabilities and work into new areas. For the fiscal year ending March 31, 2015, the Group plans to open 3 new amusement centers and to close 7 amusement centers.

The packaged game software field in the consumer business will continue to undergo rationalization, in an effort to establish a structure that can consistently generate profit. We will also push forth with the digital conversion of existing package IPs. For the fiscal year ending March 31, 2015, estimated total volume of packaged software sales is 12,780 thousand copies, including 4,540 thousand copies in the U.S., 4,890 thousand in Europe and 3,340 thousand in Japan.

In the digital game software field, together with continuing operations of our major online service “PHANTASY STAR ONLINE 2,” we will also strengthen our work on service for smartphones and tablet PCs. For the fiscal year ending March 31, 2015, the Group plans to introduce 43 new titles domestically (including 13 Pay-to-play types and 30 Free-to-play types) in the digital game software field.

In the toy division, our value chain will be reviewed as part of measures to further enhance profitability.

In the animated films business, centering around the production of television programs such as “Yowamushi Pedal” and “LUPIN THE 3rd,” we will engage in business development including related businesses.

In light of the above, the Group is forecasting consolidated net sales of ¥450,000 million (an increase of 19.0% from the previous fiscal year), operating income of ¥35,000 million (a decrease of 9.2% from the previous fiscal year), and net income of ¥21,000 million (a decrease of 31.6% from the previous fiscal year) for the fiscal year ending March 31, 2015.

The Company set up a “Group Structure Reform Division” on May 9, 2014 to reassess the earnings structure of the entire group from a medium- to long-term perspective and has started the reviewing activities. In the “Group Structure Reform Division,” together with tackling issues in each existing business, we will prepare and implement measures aimed at increasing our earning capacity by the end of the fiscal year ending March 31, 2015 through implementations such as deploying our management resources on growth areas, including new areas. Furthermore, for the decided measures, we will announce them officially at the appropriate timing.

#### **[Caution With Regard to Operating Results Outlook]**

Statements in this report pertaining to market projections and the outlook for operating results reflect the assumptions and judgment of the Company’s management based on the most accurate information available at the time of release. Such statements carry inherent risks and uncertainties. Factors that may affect operating results include, but are not limited to, those discussed in the projections and outlook. Readers are cautioned that changes in a variety of factors could cause actual results to differ substantially from the aforementioned projections and outlook.

## **(2) Consolidated Financial Position**

### 1) Assets, liabilities and net assets

#### (Assets and liabilities)

During the current fiscal year, current assets decreased ¥95 million due to a decrease in cash and deposits while short-term investment securities increased. Meanwhile, noncurrent assets increased ¥14,527 million due to the factors including increase in property, plant and equipment from acquisition of land in Busan Metropolitan City, the Republic of Korea and recognition of goodwill from business transfer.

Current liabilities decreased ¥12,568 million due to a decrease in trade payables.

As a result, total assets as of the end of the current fiscal year increased ¥14,432 million from the end of the previous fiscal year, to ¥542,936 million.

#### (Net assets)

During the current fiscal year, shareholder's equity increased thanks to the posting of net income and a decrease in treasury stocks, while shareholder's equity decreased because of dividend payments. Meanwhile, valuation difference on available-for-sale securities decreased because of sale of investment securities, foreign currency translation adjustment and remeasurements of defined benefit plans increased.

As a result, net assets as of the end of the current fiscal year increased ¥28,235 million from the end of the previous fiscal year, to ¥348,270 million.

#### (Financial ratio)

The current ratio at the end of the current fiscal year still remained at high level of 349.7%, 42.3 points increase from the end of the previous fiscal year due to decrease in current liabilities is more than that of current assets.

The equity ratio at the end of the current fiscal year increased 3.5 points from the end of the previous fiscal year, to 63.2%.

### 2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased ¥28,530 million from the end of the previous fiscal year, to ¥202,741 million.

Cash flows in respect of each area of activities in the current fiscal year are as follows

#### (Cash flows from operating activities)

Factors including ¥47,545 million income before income taxes and minority interests, ¥19,743 million of depreciation and amortization and ¥16,517 million decrease of notes and accounts receivable-trade, resulted in ¥75,201 million (¥18,603 million in the previous fiscal year) net cash provided by operating activities in the current fiscal year.

#### (Cash flows from investing activities)

Meanwhile, ¥16,199 million provided by sale of investment securities, expenditures of ¥27,123 million for the acquisition of property, plant and equipment, ¥14,359 million for business transfer, ¥7,846 million for the acquisition of stocks of subsidiaries and affiliates, ¥6,870 million for the acquisition of intangible assets resulted in ¥38,547 million net cash used in investing activities in the current fiscal year, compared with ¥6,396 million net cash provided by investing activities in the previous fiscal year.

#### (Cash flows from financing activities)

Meanwhile, financing of ¥9,935 million through issuance of bonds payables, expenditures of ¥9,723 million for cash dividends paid (including cash dividends paid to minority shareholders) and ¥12,369 million for repayment of long-term debt resulted in ¥11,512 million (¥1,116 million in the previous fiscal year) net cash used in financing activities in the current fiscal year.



<Cash Flow Indices>

	March 2010	March 2011	March 2012	March 2013	March 2014
Equity ratio	55.8%	60.0%	58.9%	59.7%	63.2%
Equity ratio (fair market value)	67.4%	79.4%	87.5%	87.5%	103.7%
Redemption of debt	137.9%	58.9%	192.4%	524.9%	127.7%
Interest coverage ratio	73.0 times	134.1 times	58.1 times	22.9 times	90.0 times

Notes: Equity ratio: (Net assets – Subscription rights to shares – Minority interests) / total assets

Equity ratio (fair market value): Market capitalization / total assets

Redemption of debt: Interest-bearing debt / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

1. All indicators are calculated using the consolidated financial results.
2. Market capitalization is calculated by multiplying the year-end share price with the number of shares issued and outstanding at year-end (excluding treasury stock).
3. Operating cash flow refers to Cash Flows from Operating Activities in the Consolidated Statements of Cash Flows.
4. Interest-bearing debt is the portion of debt recorded in the Consolidated Balance Sheets on which interest is being paid.
5. Interest payments refer to interest paid as shown in the Consolidated Statements of Cash Flows.

**(3) Basic Policy Concerning Distribution of Earnings for the Fiscal Year ended March 31, 2014 and the Fiscal Year ending March 31, 2015**

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

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

For the fiscal year ending March 31, 2015, the Company plans to pay second quarter and year-end dividends of ¥20 per share, respectively.

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

**2. Overview of the SEGA SAMMY Group**

This information is omitted since nothing significant has changed from the one set forth in the Annual Securities Report filed on June 19, 2013.

### **3. Management Policies**

#### **(1) Basic Management Policies**

SEGA CORPORATION and Sammy Corporation on October 1, 2004 integrated their operations to build an even more powerful base as a comprehensive global entertainment organization. Combining the resources of the two companies, a holding company called SEGA SAMMY HOLDINGS INC. was established with the aim of maximizing corporate value. Since then, the Group has been taking various measures to build a business framework that responds quickly and flexibly to changes in the operating environment and accelerate growth.

The core business domain of the SEGA SAMMY Group is the comprehensive entertainment business, comprising pachislot and pachinko machines, amusement machine sales, amusement center operations, and the consumer business.

Within this sphere, the Group targets markets worldwide in the quest to maximize and cross-fertilize its entertainment content and resources, ultimately aiming to promote business operations that target every age group. Moreover, the SEGA SAMMY Group is enhancing its presence in every applicable business field in a drive to become the world's leading name in comprehensive entertainment. To this end, the Group is committed to winning the trust and meeting the expectations of its stakeholders.

#### **(2) Medium- to Long-term Strategies and Other Issues**

The SEGA SAMMY Group is engaged in a diverse array of entertainment businesses, ranging from pachislot and pachinko machines to commercial amusement machines, amusement center operation and home videogame software, as well as services through internet and for mobile handsets. Operations also extend to toys and animation. Our goal is to have strong competitiveness in these fields as our core businesses. Additionally, we are aiming to make a full-fledged entry into the resort complex business and are ready to make this a new core business.

#### **(3) Issues to be Addressed**

In the pachislot and pachinko machines business, pachinko parlor operators are facing increasingly harsh business conditions due to the widespread practice of lowering ball rental fees and a decline in the number of players. There has also been a tendency for demand to concentrate on large major titles that promise greater profitability. Under these circumstances, while the Group is required to adapt to the changes in the business environment through efforts including development and supply of products with innovative gameplay that meet market needs, we also need to deal with rising development and manufacturing costs caused by products becoming more high-quality.

In the amusement machine sales business, even in the struggling market environment, the Group will seek a broad range of users by not only providing various products from high value added items to household items that meet user needs but also simultaneously enhancing investment efficiency for operators and securing sources of long-term and stable earnings for the Company as a machine manufacture. At the same time, the Group will also strive to achieve the optimum distribution of management resources into the growing fields of digital game software for mobile phones, smartphones and PC downloading, among others.

In the amusement center operations business, because profits from existing amusement centers will be compressed due to the effects of the increase in the consumption tax rate, the Group's challenge will be to recover profits by strengthening management capabilities and competitiveness at its amusement centers, acquiring new customers, and by developing new business categories besides the traditional game arcades.

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

**(4) Other Important Items for the Company's Business Management**

A subsidiary of the Company, RODEO Co., Ltd., has ended the "Basic Agreement on Exclusive Sales Agency Transactions Regarding Sales and Purchase of Pachislot Machines," which was concluded with FIELDS CORPORATION in order to make the profitability of their pachislot and pachinko machines business more robust, on March 31, 2014 due to expiry of the term of contract. Likewise, Sammy Corporation has ended the "Basic Agreement on Representation Transactions Regarding Sales and Purchase of Pachinko Machines" and "Outsourcing Agreement on Representation Management of Designated Agency and Halls," which were concluded with FIELDS CORPORATION, on April 30, 2014. Consultations will be held with FIELDS CORPORATION on other details incidental to the relevant contracts.

## CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2013 AND 2014

(Unit : Millions of Yen)

	Prior year (As of March 31, 2013)	Current year (As of March 31, 2014)
	Amount	Amount
( A s s e t s )		
Current assets		
Cash and deposits	176,540	101,220
Notes and accounts receivable-trade	63,886	48,108
Allowance for doubtful accounts	(386)	(323)
Short-term investment securities	4,260	107,713
Merchandise and finished goods	5,931	6,130
Work in process	12,773	13,610
Raw materials and supplies	23,850	16,189
Income taxes receivable	8,428	1,993
Deferred tax assets	10,965	12,627
Other	12,319	11,203
Total current assets	318,570	318,475
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	102,332	103,561
Accumulated depreciation	(70,270)	(69,458)
Buildings and structures, net	32,062	34,103
Machinery, equipment and vehicles	20,326	20,468
Accumulated depreciation	(10,944)	(11,427)
Machinery, equipment and vehicles, net	9,381	9,041
Amusement machines and facilities	50,282	52,971
Accumulated depreciation	(41,939)	(43,534)
Amusement machines and facilities, net	8,343	9,436
Land	27,229	39,029
Construction in progress	2,555	2,239
Other	48,273	51,762
Accumulated depreciation	(40,786)	(43,450)
Other, net	7,487	8,311
Total property, plant and equipment	87,060	102,162
Intangible assets		
Goodwill	10,206	18,915
Other	12,706	12,879
Total intangible assets	22,913	31,795
Investments and other assets		
Investment securities	72,797	60,825
Long-term loans receivable	663	710
Lease and guarantee deposits	12,492	13,342
Deferred tax assets	5,172	875
Other	9,831	15,554
Allowance for doubtful accounts	(997)	(805)
Total investments and other assets	99,960	90,503
Total noncurrent assets	209,933	224,461
Total assets	528,504	542,936

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF MARCH 31, 2013 AND 2014

(Unit : Millions of Yen)

	Prior year (As of March 31, 2013)	Current year (As of March 31, 2014)
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	50,142	37,292
Short-term loans payable	12,867	12,918
Current portion of bonds	5,843	1,700
Income taxes payable	1,494	6,288
Accrued expenses	10,825	12,255
Provision for bonuses	3,893	3,868
Provision for directors' bonuses	654	614
Provision for business restructuring	907	243
Provision for point card certificates	—	56
Asset retirement obligations	229	325
Deferred tax liabilities	0	5
Other	16,778	15,499
Total current liabilities	103,637	91,069
Noncurrent liabilities		
Bonds payable	29,500	37,800
Long-term loans payable	44,926	35,198
Provision for retirement benefits	9,277	—
Net defined benefit liability	—	6,053
Provision for directors' retirement benefits	138	146
Deferred tax liabilities	5,124	4,294
Deferred tax liabilities for land revaluation	745	745
Asset retirement obligations	2,165	2,165
Other	12,953	17,192
Total noncurrent liabilities	104,831	103,596
Total liabilities	208,469	194,666
(Net Assets)		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	119,335	119,312
Retained earnings	198,924	219,684
Treasury stock	(40,540)	(37,971)
Total shareholders' equity	307,673	330,977
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,385	16,804
Deferred gains or losses on hedges	—	0
Revaluation reserve for land	(4,705)	(4,705)
Foreign currency translation adjustment	(14,601)	(2,281)
Remeasurements of defined benefit plans	—	2,504
Total accumulated other comprehensive income	8,078	12,322
Subscription rights to shares	1,146	1,078
Minority interests	3,136	3,892
Total net assets	320,034	348,270
Total liabilities and net assets	528,504	542,936

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED MARCH 31, 2013 AND 2014

(Unit : Millions of Yen)

	Prior year From April 1, 2012 To March 31, 2013	Current year From April 1, 2013 To March 31, 2014
	Amount	Amount
Net sales	321,407	378,011
Cost of sales	204,468	230,040
Gross profit	116,938	147,970
Selling, general and administrative expenses	97,865	109,437
Operating income	19,073	38,533
Other income (expenses) :		
Interest income	507	341
Dividends income	752	917
Equity in earnings of affiliates	15	—
Gain on investments in partnership	193	1,623
Income from operation of lease asset	67	—
Gain on valuation of derivatives	318	—
Foreign exchange gains	1,925	966
Interest expenses	(836)	(849)
Equity in losses of affiliates	—	(257)
Sales discounts	(139)	(125)
Commission fee	(204)	(91)
Loss on investments in partnership	(229)	(357)
Penalty payment for cancellation of game center lease agreement	(45)	(18)
Bond issuance cost	(373)	(64)
Loss on retirement of noncurrent assets	(232)	(400)
Gain on sales of noncurrent assets	667	3,585
Gain on sales of subsidiaries and affiliates' stocks	—	21
Gain on sales of investment securities	1,917	11,970
Gain on liquidation of subsidiaries and affiliates	20	—
Gain on transfer of benefit obligation relating to employees' pension fund	6,345	—
Loss on sales of noncurrent assets	(11)	(9)
Impairment loss	(2,986)	(1,799)
Loss on valuation of investment securities	(6)	(196)
Restructuring loss	(489)	—
Loss on liquidation of subsidiaries and affiliates	(1,795)	(6,601)
Other	1,179	356
Subtotal	6,558	9,012

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED MARCH 31, 2013 AND 2014

(Unit : Millions of Yen)

	Prior year From April 1, 2012 To March 31, 2013	Current year From April 1, 2013 To March 31, 2014
	Amount	Amount
Income before income taxes and minority interests	25,631	47,545
Income taxes-current	4,038	8,131
Income taxes-deferred	(12,201)	8,098
Total income taxes	(8,163)	16,230
Income before minority interests	33,795	31,315
Minority interests in income	334	593
Net income	33,460	30,721
Minority interests in income	334	593
Income before minority interests	33,795	31,315
Other comprehensive income		
Valuation difference on available-for-sale securities	8,512	(10,580)
Deferred gains or losses on hedges	—	2
Foreign currency translation adjustment	4,325	10,692
Share of other comprehensive income of associates accounted for using equity method	847	1,878
Total other comprehensive income	13,686	1,993
Comprehensive income	47,481	33,308
(Breakdown)		
Comprehensive income attributable to owners of the parent	47,053	32,460
Comprehensive income attributable to minority interests	427	847

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2013 AND 2014

Prior year (From April 1, 2012 to March 31, 2013)

(Unit : Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2012	29,953	119,397	175,173	(26,067)	298,456
Changes of items during the period					
Dividends from surplus			(9,851)		(9,851)
Net income			33,460		33,460
Purchase of treasury stock				(16,220)	(16,220)
Disposal of treasury stock		(61)		1,747	1,686
Change of scope of consolidation			(21)		(21)
Reversal of revaluation reserve for land			163		163
Total changes of items during the period	—	(61)	23,751	(14,472)	9,217
Balances as of March 31, 2013	29,953	119,335	198,924	(40,540)	307,673

(Unit:Millions of Yen)

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income
Balances as of April 1, 2012	18,872	—	(4,541)	(19,681)	(5,350)
Changes of items during the period					
Dividends from surplus					
Net income					
Purchase of treasury stock					
Disposal of treasury stock					
Change of scope of consolidation					
Reversal of revaluation reserve for land			(163)		(163)
Net changes of items other than shareholders' equity	8,513	—	—	5,079	13,593
Total changes of items during the period	8,513	—	(163)	5,079	13,429
Balances as of March 31, 2013	27,385	—	(4,705)	(14,601)	8,078



(Unit : Millions of Yen)

	Subscription rights to shares	Minority interests	Total net assets
Balances as of April 1, 2012	991	2,279	296,376
Changes of items during the period			
Dividends from surplus			(9,851)
Net income			33,460
Purchase of treasury stock			(16,220)
Disposal of treasury stock			1,686
Change of scope of consolidation			(21)
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	155	856	14,604
Total changes of items during the period	155	856	23,658
Balances as of March 31, 2013	1,146	3,136	320,034

Current year (From April 1, 2013 to March 31, 2014)

(Unit : Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balances as of April 1, 2013	29,953	119,335	198,924	(40,540)	307,673
Changes of items during the period					
Dividends from surplus			(9,701)		(9,701)
Net income			30,721		30,721
Purchase of treasury stock				(55)	(55)
Disposal of treasury stock		(14)		2,623	2,608
Change of scope of consolidation		(8)	(260)		(269)
Reversal of revaluation reserve for land					—
Total changes of items during the period	—	(23)	20,759	2,568	23,304
Balances as of March 31, 2014	29,953	119,312	219,684	(37,971)	330,977

(Unit : Millions of Yen)

	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, 2013	27,385	—	(4,705)	(14,601)	—	8,078
Changes of items during the period						
Dividends from surplus						
Net income						
Purchase of treasury stock						
Disposal of treasury stock						
Change of scope of consolidation						
Reversal of revaluation reserve for land						
Net changes of items other than shareholders' equity	(10,581)	0	—	12,319	2,504	4,243
Total changes of items during the period	(10,581)	0	—	12,319	2,504	4,243
Balances as of March 31, 2014	16,804	0	(4,705)	(2,281)	2,504	12,322

(Unit : Millions of Yen)

	Subscription rights to shares	Minority interests	Total net assets
Balances as of April 1, 2013	1,146	3,136	320,034
Changes of items during the period			
Dividends from surplus			(9,701)
Net income			30,721
Purchase of treasury stock			(55)
Disposal of treasury stock			2,608
Change of scope of consolidation			(269)
Reversal of revaluation reserve for land			—
Net changes of items other than shareholders' equity	(68)	756	4,931
Total changes of items during the period	(68)	756	28,235
Balances as of March 31, 2014	1,078	3,892	348,270

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2013 AND 2014

(Unit: Millions of Yen)

	Prior year From April 1, 2012 To March 31, 2013	Current year From April 1, 2013 To March 31, 2014
	Amount	Amount
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	25,631	47,545
Depreciation and amortization	18,181	19,743
Impairment loss	2,986	1,799
Amount of transfer of equipment by amusement center operation business	(3,054)	(3,287)
Loss (gain) on sales of noncurrent assets	(655)	(3,576)
Loss on retirement of noncurrent assets	232	400
Loss (gain) on sales of stocks of subsidiaries and affiliates	2	(21)
Loss (gain) on liquidation of subsidiaries and affiliates	1,774	6,601
Loss (gain) on sales of investment securities	(1,917)	(11,941)
Loss (gain) on valuation of investment securities	6	196
Loss (gain) on investments in partnership	36	(1,266)
Amortization of goodwill	2,225	2,997
Increase (decrease) in allowance for doubtful accounts	(420)	(294)
Increase (decrease) in provision for directors' bonuses	(267)	(48)
Increase (decrease) in provision for retirement benefits	(5,263)	—
Increase (decrease) in net defined benefit liability	—	(398)
Increase (decrease) in provision for directors' retirement benefits	(169)	8
Increase (decrease) in provision for bonuses	(540)	(78)
Interest and dividends income	(1,259)	(1,258)
Interest expenses	836	849
Foreign exchange losses (gains)	(2,230)	(1,318)
Equity in (earnings) losses of affiliates	(15)	257
Decrease (increase) in notes and accounts receivable-trade	10,819	16,517
Decrease (increase) in inventories	(7,590)	8,616
Increase (decrease) in notes and accounts payable-trade	(10,197)	(13,384)
Increase (decrease) in guarantee deposits received	86	186
Other, net	(1,513)	3,260
Subtotal	27,723	72,104
Interest and dividends income received	1,274	1,273
Interest expenses paid	(813)	(835)
Income taxes paid	(16,336)	(5,818)
Income taxes refund	6,754	8,477
Net cash provided by (used in) operating activities	18,603	75,201

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2013 AND 2014

(Unit : Millions of Yen)

	Prior year From April 1, 2012 To March 31, 2013	Current year From April 1, 2013 To March 31, 2014
	Amount	Amount
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,127)	(5,860)
Proceeds from withdrawal of time deposits	2,058	1,939
Purchase of short-term investment securities	(100)	—
Proceeds from redemption of securities	42,650	—
Purchase of trust beneficiary right	(5,494)	(4,941)
Proceeds from sales of trust beneficiary right	5,879	6,195
Purchase of property, plant and equipment	(21,896)	(27,123)
Proceeds from sales of property, plant and equipment	3,830	3,461
Purchase of intangible assets	(8,068)	(6,870)
Proceeds from sales of intangible assets	—	1,895
Purchase of investment securities	(5,025)	(4,768)
Proceeds from sales of investment securities	7,274	16,199
Proceeds from redemption of investment securities	150	4,755
Payments for investment in partnerships	(162)	(383)
Proceeds from distribution of investment in partnerships	264	978
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,226)	(398)
Proceeds from liquidation of subsidiaries	16	—
Purchase of stocks of subsidiaries and affiliates	(5,139)	(7,846)
Payments of loans receivable	(510)	(694)
Collection of loans receivable	164	124
Purchase of money held in trust	(5,800)	—
Payments for lease deposits	(377)	(1,421)
Collection of lease deposits	1,034	674
Payments for transfer of business	—	(14,359)
Proceeds from transfer of business	184	—
Other, net	(180)	(104)
Net cash provided by (used in) investing activities	6,396	(38,547)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	33,000	2,488
Repayment of long-term loans payable	(10,472)	(12,369)
Proceeds from issuance of bonds	23,026	9,935
Redemption of bonds	(23,515)	(5,843)
Proceeds from exercise of stock option	1,365	2,031
Proceeds from stock issuance to minority shareholders	299	—
Cash dividends paid	(9,839)	(9,706)
Cash dividends paid to minority shareholders	(19)	(17)
Purchase of treasury stock	(16,220)	(56)
Other, net	1,257	2,024
Net cash provided by (used in) financing activities	(1,116)	(11,512)
Effect of exchange rate change on cash and cash equivalents	3,599	3,357
Net increase (decrease) in cash and cash equivalents	27,482	28,499
Cash and cash equivalents at beginning of period	146,599	174,210
Increase in cash and cash equivalents from newly consolidated subsidiary	128	31
Cash and cash equivalents at end of period	174,210	202,741

### **Changes in Important Matters that Form the Basis for Preparing Consolidated Financial Statements**

The “Accounting Standard for Retirement Benefits” (Accounting Standard Board of Japan “ASBJ” Statement No. 26, May 17, 2012; the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; the “Guidance”) were adopted from the end of the fiscal year ended March 31, 2014 (except for provisions set in the main clause of Paragraph 35 of the Standard and Paragraph 67 of the Guidance) to change the method to the new one by which retirement benefit obligations less pension assets are recognized as net defined benefit liability, and unrecognized actuarial differences and prior service costs were recognized as net defined benefit liability.

The application of the Standard, etc. follows the transitional rules set in Paragraph 37 of the Standard, and adjustments associated with this change are recorded in accumulated other comprehensive income as of the end of the fiscal year ended March 31, 2014.

As a result, ¥6,053 million has been recorded in net defined benefit liability at the end of the fiscal year ended March 31, 2014. In addition, deferred tax assets have decreased ¥322 million, and accumulated other comprehensive income has increased ¥2,504 million.

(Additional information)

The “Partial Amendment of the Income Tax Act” (Act No. 10 of 2014) was officially announced on March 31, 2014 and the special corporate tax for reconstruction will no longer be imposed on consolidated fiscal years beginning on or after April 1, 2014. As a result, net deferred tax assets by the end of the fiscal year ended March 31, 2014 have decreased by ¥1,429 million, income taxes-deferred have increased by ¥1,459 million.

## SEGMENT INFORMATION

### 1. Outline of reporting segments

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

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

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

Line of business at each reporting segment is as follows:

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

2. Information on the amounts of net sales, income or loss, assets and other items by each reporting segment

Prior year (From April 1, 2012 to March 31, 2013)

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
Sales to third parties	142,281	39,134	42,707	83,874	307,997	13,409	321,407
Inter-segment sales and transfers	515	3,485	20	865	4,887	879	5,766
Total	142,796	42,620	42,728	84,740	312,885	14,288	327,173
Segment income (loss)	23,534	1,902	1,194	(732)	25,899	(484)	25,415
Segment assets	138,014	31,843	41,915	103,703	315,476	14,338	329,814
Other items							
Depreciation	5,416	1,570	4,671	6,040	17,699	478	18,177
Increases in property, plant and equipment and intangible assets	11,914	2,308	7,923	8,393	30,539	1,559	32,098

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

Current year (From April 1, 2013 to March 31, 2014)

(Unit: Millions of Yen)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (note)	Total
Net sales -							
Sales to third parties	181,834	38,604	43,216	99,841	363,498	14,513	378,011
Inter-segment sales and transfers	149	5,251	10	699	6,110	712	6,823
Total	181,984	43,855	43,227	100,541	369,609	15,225	384,835
Segment income (loss)	45,292	(1,264)	60	2,089	46,178	(1,200)	44,978
Segment assets	105,018	34,814	40,483	111,634	291,951	23,417	315,369
Other items							
Depreciation	5,887	1,970	4,725	6,248	18,832	529	19,362
Increases in property, plant and equipment and intangible assets	7,905	2,037	7,729	8,389	26,061	12,052	38,114

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



3. Major differences between the total amount of all reporting segments and the amounts on the consolidated financial statements (Difference adjustment)

(Unit: Millions of Yen)

Net sales	Previous year	Current year
Total net sales in the reporting segments	312,885	369,609
Segment net sales in Other	14,288	15,225
Elimination of inter segment transactions	(5,766)	(6,823)
Net sales in the consolidated financial statements	321,407	378,011

(Unit: Millions of Yen)

Income (loss)	Previous year	Current year
Total income in the reporting segments	25,899	46,178
Segment income (loss) in Other	(484)	(1,200)
Elimination of inter segment transactions	(61)	120
General corporate expenses (note)	(6,280)	(6,565)
Operating income in the consolidated financial statements	19,073	38,533

(Note) General corporate expenses are mainly consisted of the expenses of the group management incurred by the Company.

(Unit: Millions of Yen)

Assets	Previous year	Current year
Total assets in the reporting segments	315,476	291,951
Segment assets in Other	14,338	23,417
General corporate assets (note)	201,720	246,878
Other adjustments	(3,031)	(19,311)
Total assets in the consolidated financial statements	528,504	542,936

(Note) General corporate assets are mainly consisted of excess funds at the Company, etc. and other assets, etc. of the Company.

(Unit: Millions of Yen)

Other items	Total assets in the reporting segments		Other		Adjustments		Amount in the consolidated financial statement	
	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year
Depreciation	17,699	18,832	478	529	3	381	18,181	19,743
Increases in property, plant and equipment and intangible assets	30,539	26,061	1,559	12,052	772	67	32,871	38,182

(Note) Adjustments are corporate and elimination of inter segment transactions.