

Management's Discussion and Analysis

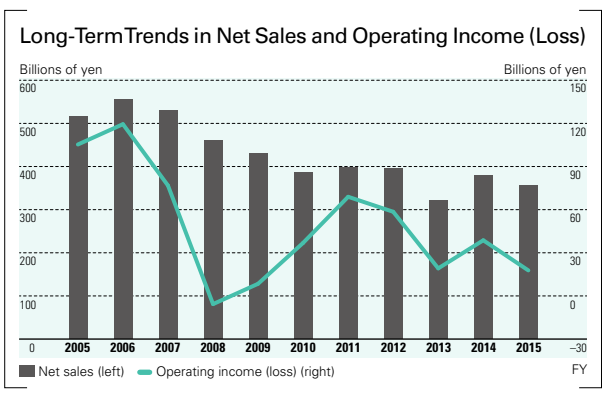
REVENUE AND EXPENSES ANALYSIS

Long-Term Trends

Net sales have declined from their level directly after management integration to the level of recent years for two main reasons. (1) Market conditions for the Pachislot and Pachinko Machine Business segment, which accounts for a significant share of net sales, changed dramatically after the ending in fall 2007 of the interim measures period for the revision of regulations pertaining to the Entertainment Establishments Control Law. (2) A decline in net sales resulting from restructuring aimed at strengthening the profitability of SEGA CORPORATION (currently SEGA Games Co., Ltd.). (Restructuring entailed closing and selling amusement centers with low profitability or potential in the Amusement Center Operations segment and narrowing down the number of packaged game software titles to be developed.)

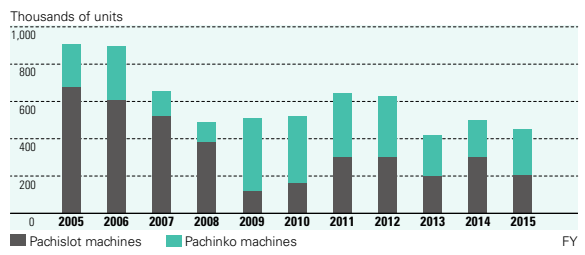
Regarding earnings, the Company recorded an operating loss in fiscal 2008, reflecting a decrease in unit sales of pachislot and pachinko

machines, which have comparatively high profit margins; lower revenues in the Amusement Center Operations segment; and flagging sales of packaged game software. Due to the impact of restructuring, profits recovered through fiscal 2011. In recent years, we have optimized the scale of operations in the Amusement Center Operations and packaged game software area, and profits in the digital game area have grown. However, the operating environment in the Pachislot and Pachinko Machine Business has worsened, and profitability in the Amusement Machine Sales Business has fallen, drawing down overall profits. Consequently, in fiscal 2015 the Group worked to address the issues faced by each existing business segment and positioned the Pachislot and Pachinko Machine Business, the Entertainment Contents Business—centered on the digital game area—and the Resort Business as core businesses.



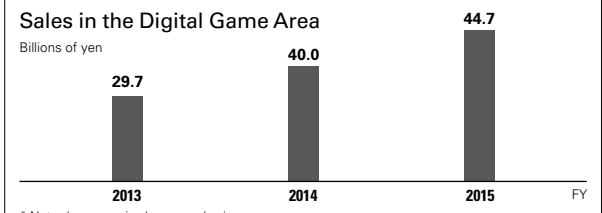
Principal Negative Factors

1. Sluggish earnings growth in the Pachislot and Pachinko Machine Business, stemming from a shrinking market

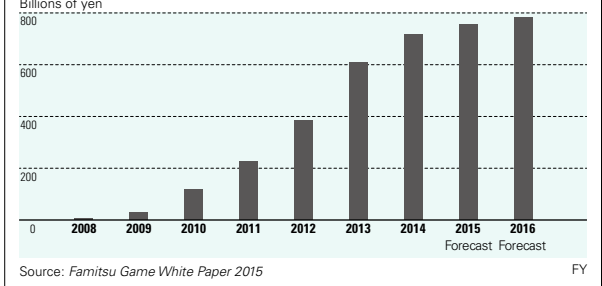


Principal Positive Factors

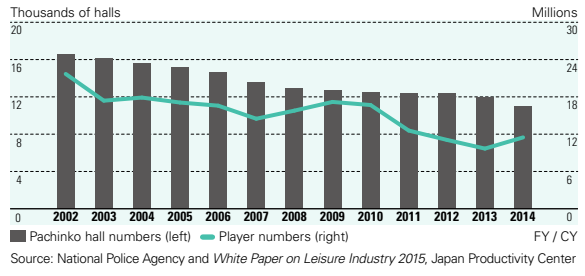
Earnings growth in the digital game area



Scale of Business in the Domestic Game App Market

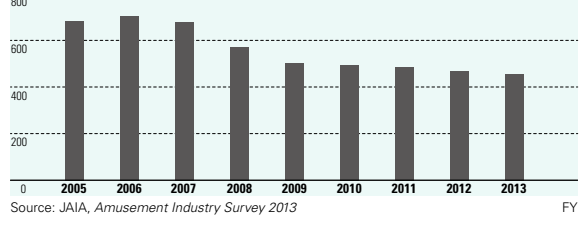


Pachinko Hall Numbers / Player Numbers



2. Worsening profitability in Amusement Machine Sales Business / Amusement Center Operations, due to market decline

Revenues from Amusement Center Operations



Comparing Fiscal 2015 and Fiscal 2014

In fiscal 2015, ended March 31, 2015, net sales fell ¥23.0 billion, or 6.1%, year on year, to ¥354.9 billion. Buoyed by growth in the digital game area, sales in the Consumer Business expanded 11.2%, but sales were down 18.0% year on year in the Pachislot and Pachinko Machine Business, due to lower unit sales of pachislot machines.

Cost of sales decreased ¥9.9 billion, or 4.3%, to ¥220.0 billion, owing to lower machine unit sales. The cost of sales ratio worsened 1.1 percentage points, to 62.0%, mainly because of higher component costs in the Pachislot and Pachinko Machine Business.

Selling, general and administrative expenses amounted to ¥117.2 billion, up ¥7.8 billion, or 7.2%, year on year. This rise reflected higher advertising and R&D expenses to enhance the digital game content, as well as an increase in R&D expenses to augment the quality of pachislot machines in the Pachislot and Pachinko Machine Business.

As a result of these factors, operating income dropped ¥20.9 billion, or 54.3%, year on year, to ¥17.6 billion. The operating margin declined 5.2 percentage points, to 5.0%.

During the fiscal year, the Company posted an extraordinary loss of ¥15.9 billion, including restructuring-related expenses of ¥7.0 billion, comprising an impairment loss of ¥7.8 billion, a provision for dismantling of fixed assets of ¥2.7 billion, a loss on the discontinuance of independent film production of ¥1.8 billion, and early extra retirement payments of ¥1.8 billion.

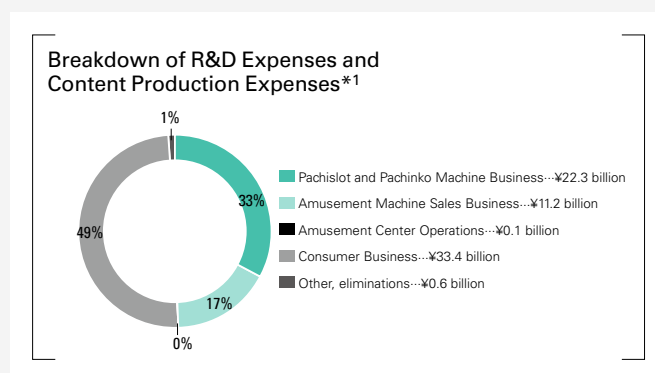
After seriously considering the effect of tax reform, performance during the year, and future earnings forecasts along with the probability of recovering deferred tax assets, the Group opted to realize some of its deferred tax assets and record them in deferred income taxes. Accordingly, the Group posted a net loss of ¥11.2 billion, compared with net income of ¥30.7 billion in the preceding fiscal year.

Capital Expenditures and Depreciation and Amortization*1

Total capital expenditures decreased ¥9.4 billion, or 24.6%, year on year, to ¥28.7 billion. Principal capital expenditures were ¥6.7 billion in the Pachislot and Pachinko Machine Business, mainly to acquire molds, and ¥6.5 billion on amusement centers operated by SEGA ENTERTAINMENT Co., Ltd. Depreciation and amortization increased ¥1.4 billion, to ¥17.6 billion.

R&D Expenses, Content Production Expenses*1

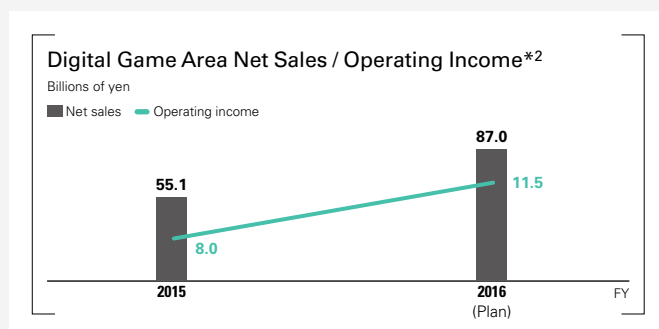
R&D expenses and content production expenses, which are included in cost of sales and general and administrative expenses, rose 14.2% year on year, to ¥67.6 billion. This rise largely resulted from investment to enhance quality with a view to growing the Pachislot and Pachinko Machine Business segment's market share and increased investment to develop the ATLUS brand and strengthen digital content in the Consumer Business.



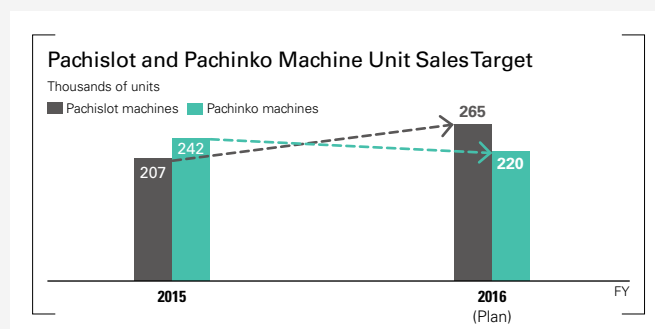
*1 The aggregate calculation method has changed as of fiscal 2014. Consequently, R&D expenses and content production expenses include amortization cost of digital game titles. Until fiscal 2013, depreciation and amortization included amortization cost of digital game titles.

Fiscal 2016 Outlook

In fiscal 2016, ending March 31, 2016, the Company is targeting a 15% year-on-year increase in net sales, to ¥420.0 billion. Owing to higher profitability in the aftermath of business restructuring, we expect operating income to grow 44%, to ¥25.0 billion. We anticipate ¥19.0 billion in profit attributable to owners of the parent.



*2 Because recognition of net sales has been changed from a net basis to a gross basis and from a shipment basis to a delivery basis from fiscal 2016, figures for fiscal 2015 reflect this change retrospectively.



Summary of Consolidated Statements of Income and Comprehensive Income

	2014	2015	YOY change	Billions of yen 2016 (Plan)
Net sales	378.0	354.9	-23.1	420.0
Cost of sales	230.0	220.0	-10.0	—
Gross profit	147.9	134.8	-13.1	—
Selling, general and administrative expenses	109.4	117.2	7.8	—
Operating income	38.5	17.6	-20.9	25.0
Non-operating income	4.8	2.8	-2.0	—
Non-operating expenses	2.8	3.4	0.6	—
Ordinary income	40.5	16.9	-23.6	25.0
Extraordinary income	15.7	1.0	-14.7	0.0
Extraordinary loss	8.7	15.9	7.2	1.0
Income before income taxes and minority interests	47.5	2.0	-45.5	24.0
Total income taxes	16.2	12.3	-3.9	—
Net income (loss)	30.7	(11.2)	-41.9	19.0

Major Expenses

	2014	2015	YOY change	Billions of yen 2016 (Plan)
R&D expenses, content production expenses*1	59.2	67.6	8.4	69.4
Capital expenditures	38.1	28.7	-9.4	34.4
Depreciation and amortization*2	16.1	17.6	1.5	16.8
Advertising expenses*3	16.0	19.1	3.1	24.5

Note

Certain line items that are classified as other income (expenses) in consolidated statements of income and comprehensive income have been presented as extraordinary income or extraordinary loss.

*1 From fiscal 2014, R&D expenses and content production expenses include amortization cost of digital game titles. Until fiscal 2013, depreciation and amortization included amortization cost of digital game titles.

*2 From fiscal 2014, depreciation and amortization does not include amortization cost of digital game titles. Until fiscal 2013, R&D expenses and content production expenses include amortization cost of digital game titles.

*3 From fiscal 2014, advertising expenses include advertising expenses recognized in cost of sales. Until fiscal 2013, advertising expenses were only recognized in SG&A expenses.

Extraordinary Income and Extraordinary Loss

	2014	2015
Extraordinary income		Extraordinary income
Gain on sales of investment securities	11.9	Gain on sales of noncurrent assets
Gain on sales of noncurrent assets	3.5	Gain on sales of shares of subsidiaries and associates
Others	0.3	Gain on sales of investment securities
Total	15.7	Gain on reversal of subscription rights to shares
		Compensation income for expropriation
Extraordinary loss		Others
Loss on liquidation of subsidiaries and affiliates	6.6	Total
Impairment loss	1.7	
Others	0.4	Extraordinary loss
Total	8.7	Loss on sales of noncurrent assets
		Impairment loss
		Loss on valuation of investment securities
		Provision for dismantling of fixed assets
		Loss on the discontinuance of independent film production
		Early extra retirement payments
		Others
		Total

(Reference)

Comprehensive Income

	2014	2015
Net income (loss)	30.7	(11.2)
Minority interests in income	0.5	0.9
Income (loss) before minority interests	31.3	(10.3)
Other comprehensive income		
Valuation difference on available-for-sale securities	(10.5)	0.9
Deferred gains or losses on hedges	0.0	0.0
Revaluation reserve for land	—	0.0
Foreign currency translation adjustment	10.6	4.3
Remeasurements of defined benefit plans	—	(0.2)
Share of other comprehensive income of associates accounted for using equity method	1.8	1.2
Total other comprehensive income	1.9	6.3
Comprehensive income	33.3	(3.9)

ANALYSIS BY BUSINESS SEGMENT

Long-Term Trends

The Pachislot and Pachinko Machine Business segment, which had a product mix overly weighted toward pachislot machines directly after management integration, saw net sales decrease significantly in fiscal 2007 and fiscal 2008 due to a slump in the pachislot machine market originating from regulatory revision in July 2004. In response, the Company strengthened the product appeal of pachinko machines to correct the imbalance between pachislot and pachinko machines in its product portfolio. As a result, the segment's net sales recovered after bottoming out in fiscal 2008. In recent years, however, net sales have tended to flag as the pachinko and pachislot machine market shrinks and development schedules are delayed. In addition, earnings have remained sluggish due to ongoing increases in component procurement costs.

Since fiscal 2010, when a downturn in the amusement center operations market intensified, the Amusement Machine Sales Business segment has adopted a conservative approach to developing and marketing large, high-end machines. In addition, the business segment has introduced a revenue-sharing business model in which amusement center operators and the former SEGA share revenues based on players' use of amusement arcade machines. As a result of these factors, sales have been down in this segment, which had been generating a level of

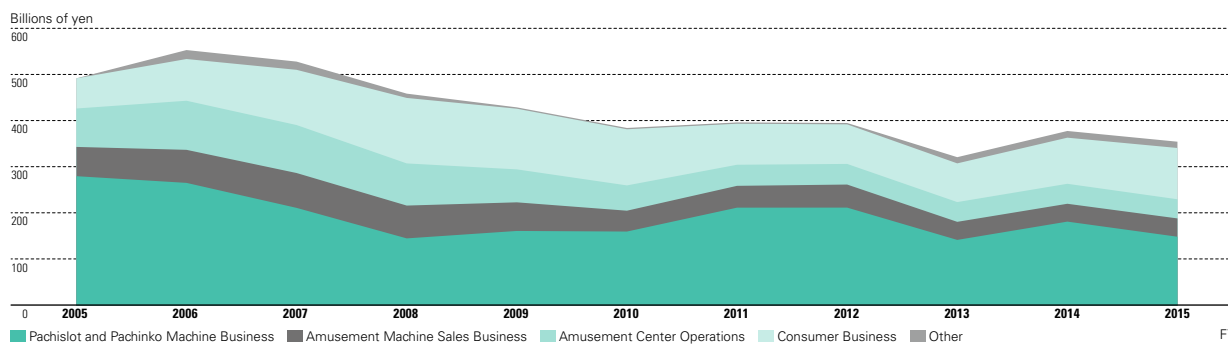
profits second only to the Pachislot and Pachinko Machine Business, and the segment has recorded operating losses in the two years since fiscal 2014, owing to such factors as a dearth of new titles.

The Amusement Center Operations segment has been accelerating the closure and sale of amusement centers with low profitability or potential since recognizing an operating loss in fiscal 2008. As a result, the segment's net sales have decreased to less than half of their peak level, and earnings have been low.

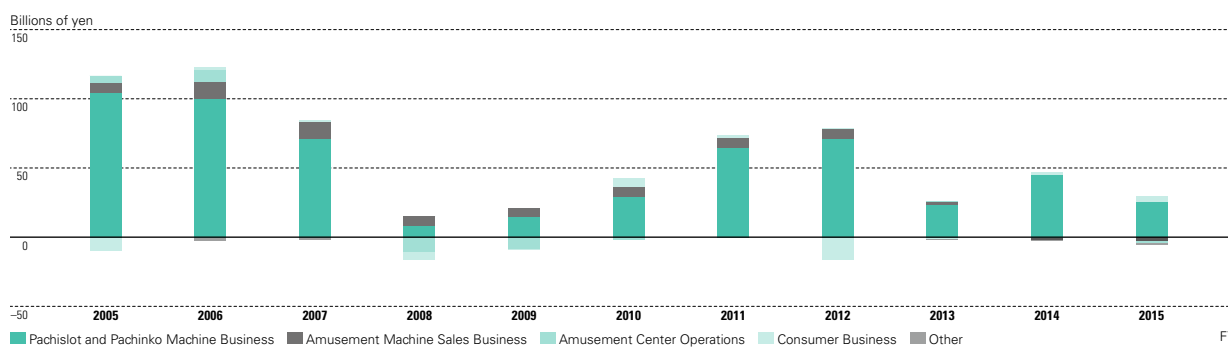
Since the Consumer Business segment recorded an operating loss in fiscal 2008, the packaged game software area has been reforming its profit structure primarily by narrowing down the number of titles it sells and rationalizing its organization. On the other hand, earnings from the digital game area are growing rapidly. In fiscal 2015, sales in the digital game area accounted for approximately 50% of game content sales.

The Company is highly reliant on the Pachislot and Pachinko Machine Business segment's revenues, which represent between 30% and 50% of net sales. Similarly, the business segment's earnings consistently account for the majority of the Company's operating income. Consequently, the Company's earnings tend to be closely tied with fluctuations in pachislot and pachinko machine unit sales.

Net Sales by Segment



Operating Income (Loss) by Segment



ANALYSIS BY BUSINESS SEGMENT

Comparing Fiscal 2015 and Fiscal 2014

Pachislot and Pachinko Machine Business

Sales of pachinko machines were robust, but unit sales of pachislot machines declined substantially, as a revision to model-testing operation methods led to a decrease in the number of launched new titles. As a result, the segment recorded a year-on-year decline in net sales of ¥32.6 billion, or 18.0%, to ¥149.1 billion. Operating income dropped ¥19.4 billion, or 43.0%, to ¥25.7 billion, and the operating margin decreased 7.6 percentage points, to 17.3%.

Amusement Machine Sales Business

Sales of CVT kits, as well as cards and other consumables and revenues from revenue-sharing titles, led to a ¥1.0 billion, or 2.7%, increase in segment net sales, to ¥39.6 billion. Due to sluggish sales of new titles and a book value devaluation on some inventories, the segment incurred an operating loss of ¥2.5 billion, compared with an operating loss of ¥1.2 billion in the preceding term.

Amusement Center Operations

Due to efforts to strengthen the management capabilities of existing amusement centers, net sales of existing amusement centers in Japan rose 0.1% from the previous year's level. Affected by the consumption tax hike, however, net sales for the segment decreased ¥1.8 billion, or 4.2% year on year, to ¥41.4 billion, and the segment recorded an operating loss of ¥0.9 billion, compared with operating income of ¥60 million in the previous fiscal year.

Consumer Business

Sales were down in the packaged game software area and the toy sales business, but sales of existing titles were strong in the digital game area, with the exception of mainstay titles. Accordingly, segment net sales expanded ¥11.1 billion, or 11.2%, year on year, to ¥111.0 billion. Operating income rose from ¥2.0 billion in the previous fiscal year to ¥4.0 billion during the fiscal year under review.

Fiscal 2016 Outlook

On April 1, 2015, we implemented organizational restructuring within the Group to clarify the business fields for which Group companies are responsible, as well as to continuously review businesses going forward and promote further business reorganization. As a result, from fiscal 2016 the Group's business segmentation for accounting purposes will be revised from the previous four into three: the Pachislot and Pachinko Machine Business, the Entertainment Contents Business, and the Resort Business. Furthermore, due to a change in accounting policy, from fiscal 2016 net sales figures will be presented as gross amounts rather than net amounts.

Pachislot and Pachinko Machine Business

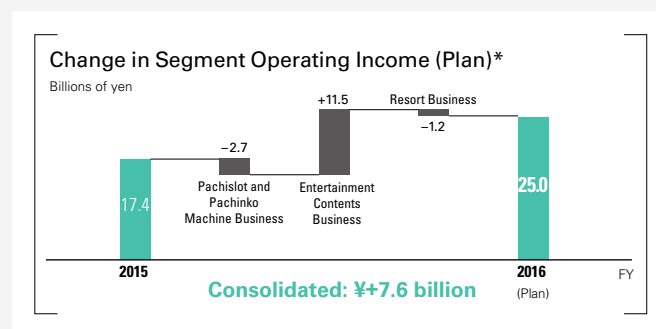
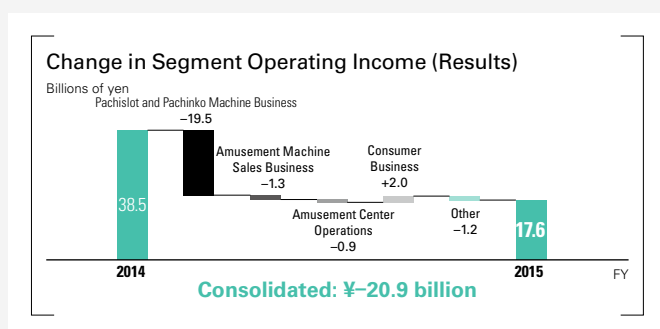
This segment is targeting net sales of ¥167.0 billion and expects operating income to decline 11%, to ¥23.0 billion. In pachislot machines, we expect sales to increase due to the launch of multiple mainstay titles. In pachinko machines, however, despite the introduction of multiple titles the segment expects unit sales to decrease year on year, reflecting a downturn from the previous year's sales of the *Pachinko CR Hokuto No Ken 6* series. Due to a temporary decrease in profitability stemming from the effects of yen depreciation on component procurement costs and the launch of new devices, the Company forecasts an operating margin for this business of 13.8%.

Entertainment Contents Business

In this segment, we are targeting net sales of ¥235.0 billion, driven by efforts to secure sales of existing titles and launch multiple new titles in the digital game area. In addition to higher profits in the digital game area, we expect profitability to improve thanks to the rationalization of operations in the packaged game software, amusement machine sales, and animation and toys areas. As a result, we expect operating income to surge to ¥11.5 billion.

Resort Business

Through initiatives to enhance management and the customer-attraction capabilities of existing facilities, this segment is targeting net sales of ¥18.0 billion. Due to investments to improve utilization rates and profitability at existing facilities, as well as upfront investments in integrated resorts, the segment expects an operating loss of ¥3.5 billion, compared with a loss of ¥2.3 billion in fiscal 2015.



* In accordance with a change in accounting policy from fiscal 2016, figures for fiscal 2015 reflect the change retrospectively.

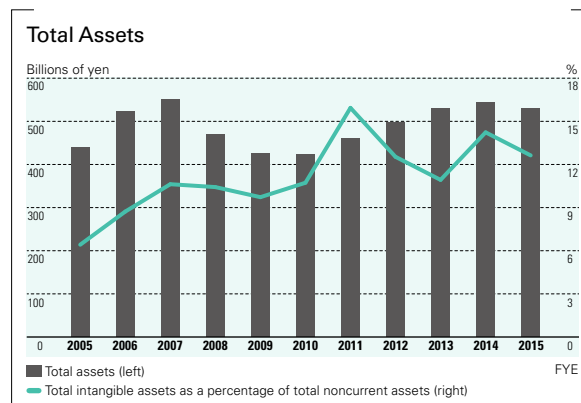
FINANCIAL POSITION ANALYSIS

Long-Term Trends

Total assets rose in fiscal 2006 and fiscal 2007 due to an increase in property, plant and equipment and increases in respective assets that resulted from the new inclusion of companies in consolidation. However, from fiscal 2008 total assets declined as a consequence of valuation loss on securities and sales of securities accompanying restructuring. In recent years, although it has been selling amusement centers, the Company has seen total assets trend upward. This is attributable to the Pachislot and Pachinko Machine Business segment's construction of a new plant, the Company's development of resort complexes and integrated resorts, an increase in goodwill accompanying acquisitions in the digital game area, and an increase in investment securities as the market value of shares held has gone up. Although total assets are trending upward, for initiatives to develop integrated resorts the Company is exercising due diligence to avoid creating a bloated balance sheet.

The equity ratio has remained consistently around 60% due to a policy of securing a certain level of internal reserves that enable investment to develop businesses in growth areas and the payment of stable

cash dividends, even amid the earnings volatility stemming from the consequent presence or absence of hit products, which is the nature of the industry.



Comparing Fiscal 2015 and Fiscal 2014

Assets

Total assets at March 31, 2015, the fiscal year-end, stood at ¥528.8 billion, down ¥14.0 billion from one year earlier.

Total current assets at fiscal year-end amounted to ¥298.2 billion, down ¥20.2 billion. The lower figure is mainly due to decreases in notes and accounts receivable–trade and short-term investment securities.

Total noncurrent assets at the fiscal year-end stood at ¥230.6 billion, up ¥6.1 billion. This primarily reflected a ¥9.2 billion increase in investment securities due to the greater holding of securities in line with a capital and business tie-up agreement.

Liabilities

Total current liabilities at the fiscal year-end stood at ¥86.7 billion, down ¥4.3 billion from the previous fiscal year-end. The current ratio came to 343.9%, reflecting the Company's continued high level of liquidity.

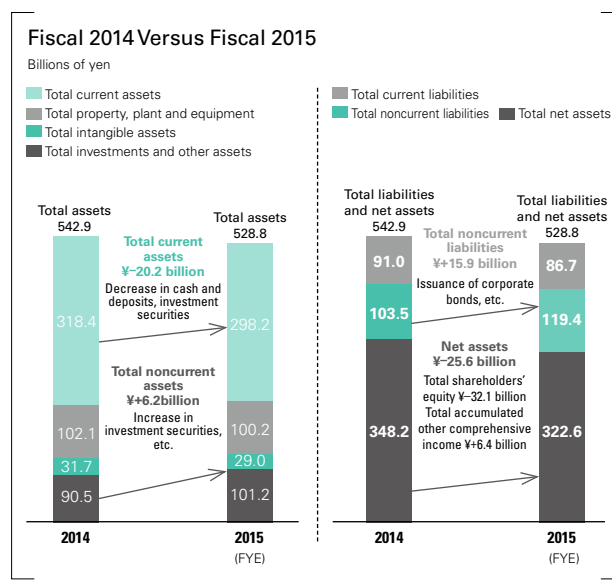
Total noncurrent liabilities at fiscal year-end were ¥119.4 billion, up ¥15.9 billion from one year earlier, due to bond issuance, among other factors.

Interest-bearing debt rose ¥15.7 billion, to ¥111.7 billion, at fiscal year-end. At ¥199.4 billion, liquidity in hand remained higher than interest-bearing debt, testifying to a sound financial position.

Net Assets

Total net assets decreased ¥25.5 billion, to ¥322.6 billion, at the fiscal year-end. Total shareholders' equity declined despite increases in foreign currency translation adjustments and the valuation difference on

available-for-sale securities, due to the posting of a net loss, the acquisition of treasury stock, and the payment of cash dividends. As a result, shareholders' equity stood at ¥317.5 billion on March 31, 2015, down ¥25.7 billion from a year earlier, and the equity ratio fell 3.2 percentage points, to 60.0%. The ratio of fixed assets to fixed liabilities (ratio of total noncurrent assets to total noncurrent liabilities) was 52.8%.

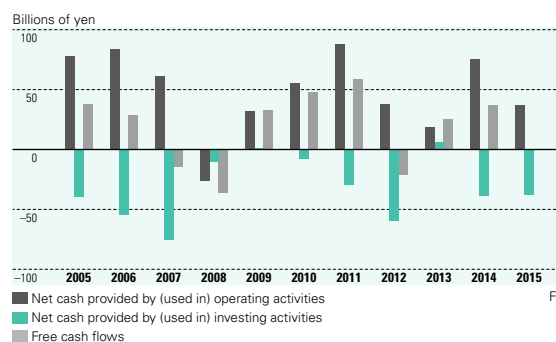


CASH FLOW ANALYSIS

Long-Term Trends

With the exception of one period, the Group has continued to record net cash outflows in investing activities due to M&As in growth areas and strategic investments to raise production capacity. Since fiscal 2011, the Company has been investing in organizational restructuring. These efforts included investments to make three listed subsidiaries into wholly owned subsidiaries. In conjunction with these efforts, the Company has been investing actively in such growth areas as the integrated resort business and the digital game area. Through a cash management system, the Group uses internal capital efficiently. Also, the Group uses a range of methods to support liquidity and meet its investment needs flexibly, including borrowings and bond issuance.

Cash Flows



Comparing Fiscal 2015 and Fiscal 2014

Net Cash Provided by Operating Activities

Net cash provided by operating activities was ¥37.0 billion, compared with ¥75.2 billion in the previous fiscal year. This was primarily attributable to income before income taxes and minority interests of ¥2.0 billion, depreciation and amortization of ¥21.7 billion, a ¥9.1 billion decrease in notes and accounts receivable-trade, and a ¥6.6 billion decline in inventories.

Net Cash Used in Investing Activities / Free Cash Flows

Net cash used in investing activities was ¥37.7 billion, compared with ¥38.5 billion in the previous fiscal year. This was mainly due to expenditures of ¥12.0 billion for the acquisition of short-term investment securities and investment securities, ¥16.1 billion for the purchase of property, plant and equipment, and ¥8.4 billion for the purchase of intangible assets.

As a result, free cash flows amounted to a negative ¥0.7 billion, compared with a positive ¥36.6 billion in the preceding fiscal year.

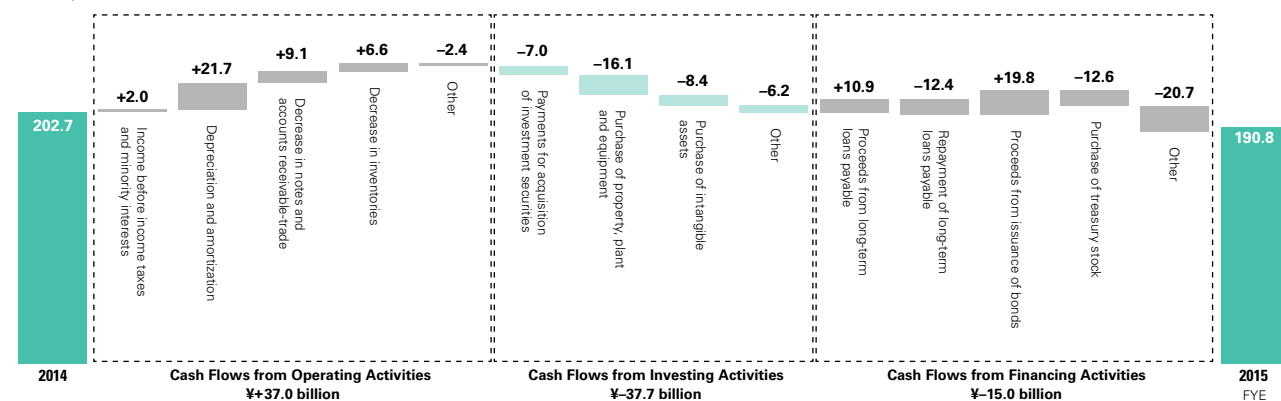
Net Cash Used in Financing Activities

Net cash used in financing activities was ¥15.0 billion, compared with ¥11.5 billion in the previous fiscal year. This mainly stemmed from financing of ¥19.8 billion through the issuance of bonds payable, expenditures of ¥12.4 billion for repayments of long-term loans payable, ¥9.6 billion for cash dividends paid (including to minority interests), and ¥12.6 billion for the purchase of treasury stock.

As a result of the above, cash and cash equivalents at the end of the period amounted to ¥190.8 billion, down ¥11.9 billion from the previous fiscal year-end.

Consolidated Cash Flows

Billions of yen



Fiscal 2016 Outlook

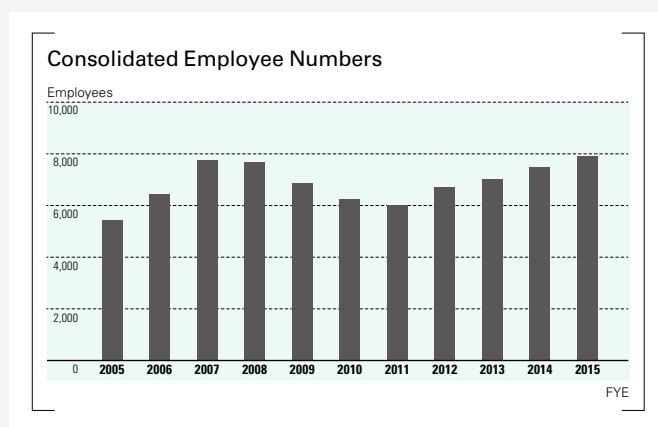
In fiscal 2016, net cash provided by operating activities expected to increase year on year, mainly because of an anticipated increase in unit sales in the Pachislot and Pachinko Machine Business segment. Net cash used in investing activities is projected to rise year on year, due

principally to recurring capital expenditures to acquire molds and other equipment, as well as for capital expenditures in the Resort Business segment. We expect a year-on-year increase in net cash provided by financing activities, due to bond issuance.

HUMAN AND INTELLECTUAL CAPITAL

Consolidated Employee Numbers

The consolidated number of employees at the end of fiscal 2015 is as shown below. The number of employees in the Consumer Business increased, due mainly to efforts to reinforce the digital game area. Group restructuring during the period led to the reduction of approximately 300 personnel.



Employee Numbers by Segment

Segment	2014	2015	YOY change
Pachislot and Pachinko Machine Business	1,540	1,555	+1.0%
Amusement Machine Sales Business	1,672	1,694	+1.3%
Amusement Center Operations	531	681	+28.2%
Consumer Business	2,838	3,036	+7.0%
Other	772	804	+4.1%
Corporate (holding company)	119	118	-0.8%
Total	7,472	7,888	+5.6%

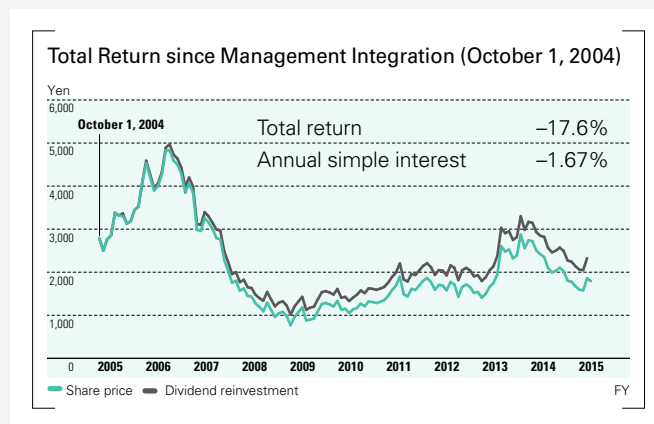
Intellectual Property

The Company acquired no substantial intellectual property due to M&A activity during the year.

SHAREHOLDER VALUE

Long-Term Trends

The basic policy of the Company is to heighten shareholder value through growth strategies that generate higher earnings and thereby increase market capitalization and through the realization of stable dividends consistent with the aim of paying out approximately 20% to 30% of post-tax income as dividends. Furthermore, the Company will retain the option of acquiring treasury stock in response to share price levels. In light of this basic policy, the Company has stably paid cash dividends of ¥40.00 per share for the past five fiscal years while purchasing treasury stock flexibly. Between the management integration on October 1, 2004, and March 31, 2015, total return based on aggregated capital gain and cash dividends was minus 17.6%, equivalent to an annual simple interest of minus 1.67%. (During the same period, the total return of TOPIX was 38.1%. As of October 1, 2004, the government bond interest rate was 1.48%.)



Fiscal 2015 Returns to Shareholders

The net loss per share was ¥46.22, compared with net income per share of ¥126.42 in the previous fiscal year. This result was due to the fact that after seriously considering the effect of tax reform, performance during the year, and future earnings forecasts along with the probability of recovering deferred tax assets, the Group opted to realize some of its deferred tax assets and record them in deferred income taxes. For fiscal 2015, the Company paid cash dividends of ¥40.00 per share, the same as for the previous fiscal year. As a result, the ratio of cash dividends to net assets was 2.9%, as in the preceding term. At a Board of Directors' meeting on February 12, 2015, the Company resolved to acquire treasury stock of up to 10 million shares (an acquisition price of up to ¥20.0 billion). (On April 16, 2015, the Company acquired 10 million shares for approximately ¥18.1 billion.)

Consolidated Balance Sheets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
As of March 31, 2015 and 2014

	2015	2014	Thousands of U.S. dollars (Note 1)
		Millions of yen	
ASSETS			
Current assets			
Cash and deposits	¥102,260	¥101,220	\$ 852,952
Notes and accounts receivable-trade	39,239	48,108	327,298
Allowance for doubtful accounts	(389)	(323)	(3,252)
Short-term investment securities	97,210	107,713	810,828
Merchandise and finished goods	6,518	6,130	54,371
Work in process	12,277	13,610	102,409
Raw materials and supplies	9,967	16,189	83,136
Income taxes receivable	6,235	1,993	52,009
Deferred tax assets	6,053	12,627	50,490
Other	18,887	11,203	157,539
Total current assets	298,260	318,475	2,487,784
Noncurrent assets			
Property, plant and equipment			
Buildings and structures (Note 5 (1))	104,191	103,561	869,056
Accumulated depreciation	(71,111)	(69,458)	(593,140)
Buildings and structures, net	33,079	34,103	275,916
Machinery, equipment and vehicles	20,229	20,468	168,736
Accumulated depreciation	(13,033)	(11,427)	(108,710)
Machinery, equipment and vehicles, net	7,196	9,041	60,025
Amusement machines and facilities	54,154	52,971	451,701
Accumulated depreciation	(44,287)	(43,534)	(369,404)
Amusement machines and facilities, net	9,866	9,436	82,297
Land (Notes 5 (1) and (3))	39,822	39,029	332,160
Construction in progress	1,782	2,239	14,866
Other	52,624	51,762	438,936
Accumulated depreciation	(44,099)	(43,450)	(367,829)
Other, net	8,525	8,311	71,106
Total property, plant and equipment	100,272	102,162	836,373
Intangible assets			
Goodwill	14,668	18,915	122,349
Other	14,402	12,879	120,132
Total intangible assets	29,071	31,795	242,481
Investments and other assets			
Investment securities (Note 5 (2))	70,051	60,825	584,300
Long-term loans receivable	865	710	7,218
Lease and guarantee deposits	14,081	13,342	117,450
Deferred tax assets	656	875	5,477
Other	16,429	15,554	137,040
Allowance for doubtful accounts	(790)	(805)	(6,597)
Total investments and other assets	101,293	90,503	844,889
Total noncurrent assets	230,637	224,461	1,923,745
Total assets	¥528,898	¥542,936	\$4,411,529

See accompanying notes.

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	¥ 26,964	¥ 37,292	\$ 224,911
Short-term loans payable (Notes 5 (1) and (4))	13,842	12,918	115,459
Current portion of bonds	1,600	1,700	13,345
Income taxes payable	3,240	6,288	27,032
Accrued expenses	13,358	12,255	111,422
Provision for bonuses	4,339	3,868	36,195
Provision for directors' bonuses	488	614	4,076
Provision for business restructuring	217	243	1,816
Provision for point card certificates	36	56	308
Asset retirement obligations	133	325	1,114
Deferred tax liabilities	11	5	94
Other	22,491	15,499	187,602
Total current liabilities	86,726	91,069	723,379
Noncurrent liabilities			
Bonds payable	56,200	37,800	468,763
Long-term loans payable	32,918	35,198	274,572
Net defined benefit liability	3,716	6,053	31,003
Provision for directors' retirement benefits	121	146	1,012
Deferred tax liabilities	4,274	4,294	35,651
Deferred tax liabilities for land revaluation	739	745	6,171
Asset retirement obligations	2,435	2,165	20,315
Provision for dismantling of fixed assets	3,395	—	28,323
Other	15,696	17,192	130,923
Total noncurrent liabilities	119,498	103,596	996,737
Total liabilities	206,224	194,666	1,720,116
NET ASSETS			
Shareholders' equity			
Capital stock	29,953	29,953	249,838
Capital surplus	119,282	119,312	994,933
Retained earnings	198,924	219,684	1,659,229
Treasury stock	(49,335)	(37,971)	(411,508)
Total shareholders' equity	298,824	330,977	2,492,493
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	17,794	16,804	148,424
Deferred gains or losses on hedges	10	0	87
Revaluation reserve for land (Note 5 (3))	(4,699)	(4,705)	(39,199)
Foreign currency translation adjustment	3,414	(2,281)	28,477
Remeasurements of defined benefit plans	2,206	2,504	18,404
Total accumulated other comprehensive income	18,726	12,322	156,194
Subscription rights to shares	832	1,078	6,945
Minority interests	4,289	3,892	35,779
Total net assets	322,673	348,270	2,691,412
Total liabilities and net assets	¥528,898	¥542,936	\$4,411,529

See accompanying notes.

Consolidated Statements of Income and Comprehensive Income

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	2015	2014	2015
		Millions of yen	Thousands of U.S. dollars (Note 1)
Net sales	¥354,921	¥378,011	\$2,960,389
Cost of sales (Notes 6 (1) and (2))	220,044	230,040	1,835,384
Gross profit	134,876	147,970	1,125,004
Selling, general and administrative expenses (Note 6 (2))	117,267	109,437	978,125
Operating income	17,609	38,533	146,878
Other income (expenses)			
Interest income	307	341	2,566
Dividends income	982	917	8,193
Equity in earnings of affiliates	26	—	221
Gain on investments in partnership	311	1,623	2,599
Foreign exchange gains	—	966	—
Gain on bad debts recovered	300	—	2,502
Interest expenses	(910)	(849)	(7,597)
Equity in losses of affiliates	—	(257)	—
Sales discounts	(58)	(125)	(489)
Commission fee	(159)	(91)	(1,331)
Loss on investments in partnership	(66)	(357)	(551)
Penalty payment for cancellation of game center lease agreement	(2)	(18)	(17)
Bond issuance cost	(155)	(64)	(1,298)
Loss on retirement of noncurrent assets	(585)	(400)	(4,884)
Settlement package	(418)	(2)	(3,487)
Foreign exchange losses	(390)	—	(3,259)
Gain on sales of noncurrent assets (Note 6 (3))	113	3,585	946
Gain on sales of shares of subsidiaries and associates	175	21	1,467
Gain on sales of investment securities	187	11,970	1,563
Gain on reversal of subscription rights to shares	196	0	1,643
Compensation income for expropriation	277	—	2,315
Loss on sales of noncurrent assets (Note 6 (4))	(80)	(9)	(670)
Impairment loss (Note 6 (6))	(7,881)	(1,799)	(65,739)
Loss on valuation of investment securities	(100)	(196)	(841)
Loss on liquidation of subsidiaries and affiliates (Note 6 (5))	—	(6,601)	—
Provision for dismantling of fixed assets	(2,778)	—	(23,175)
Loss on the discontinuance of independent film production	(1,826)	—	(15,231)
Early extra retirement payments	(1,868)	—	(15,584)
Other, net	(1,123)	358	(9,369)
Subtotal	(15,527)	9,012	(129,511)
Income before income taxes and minority interests	2,082	47,545	17,367
Income taxes-current	5,483	8,131	45,739
Income taxes-deferred	6,901	8,098	57,562
Total income taxes	12,384	16,230	103,302
Income (loss) before minority interests	(10,302)	31,315	(85,934)
Minority interests in income	955	593	7,972
Net income (loss)	(11,258)	30,721	(93,907)
Minority interests in income	955	593	7,972
Income (loss) before minority interests	(10,302)	31,315	(85,934)
Other comprehensive income (Note 6 (7))			
Valuation difference on available-for-sale securities	983	(10,580)	8,200
Deferred gains or losses on hedges	9	2	78
Revaluation reserve for land	5	—	48
Foreign currency translation adjustment	4,337	10,692	36,182
Remeasurements of defined benefit plans, net of tax	(238)	—	(1,989)
Share of other comprehensive income of associates accounted for using equity method	1,275	1,878	10,637
Total other comprehensive income	6,373	1,993	53,158
Comprehensive income	(3,929)	33,308	(32,776)
(Breakdown)			
Comprehensive income attributable to owners of the parent	(4,855)	32,460	(40,496)
Comprehensive income attributable to minority interests	¥ 925	¥ 847	\$ 7,720

See accompanying notes.

Consolidated Statements of Changes in Net Assets

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Shareholders' equity			
Capital stock			
Balance at the beginning of the period	¥ 29,953	¥ 29,953	\$ 249,838
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	29,953	29,953	249,838
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of the period	29,953	29,953	249,838
Capital surplus			
Balance at the beginning of the period	119,312	119,335	995,185
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	119,312	119,335	995,185
Changes of items during the period			
Disposal of treasury stock	(30)	(14)	(251)
Change of scope of consolidation	—	(8)	—
Total changes of items during the period	(30)	(23)	(251)
Balance at the end of the period	119,282	119,312	994,933
Retained earnings			
Balance at the beginning of the period	219,684	198,924	1,832,379
Cumulative effects of changes in accounting policies	711	—	5,932
Balance at the beginning of the period which reflects changes in accounting policies	220,395	198,924	1,838,312
Changes of items during the period			
Dividends from surplus	(9,758)	(9,701)	(81,393)
Net income (loss)	(11,258)	30,721	(93,907)
Change of scope of consolidation	(231)	(260)	(1,930)
Change of scope of equity method	(222)	—	(1,851)
Total changes of items during the period	(21,470)	20,759	(179,083)
Balance at the end of the period	198,924	219,684	1,659,229
Treasury stock			
Balance at the beginning of the period	(37,971)	(40,540)	(316,723)
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	(37,971)	(40,540)	(316,723)
Changes of items during the period			
Purchase of treasury stock	(12,601)	(55)	(105,109)
Disposal of treasury stock	1,237	2,623	10,325
Total changes of items during the period	(11,363)	2,568	(94,784)
Balance at the end of the period	(49,335)	(37,971)	(411,508)
Total shareholders' equity			
Balance at the beginning of the period	330,977	307,673	2,760,679
Cumulative effects of changes in accounting policies	711	—	5,932
Balance at the beginning of the period which reflects changes in accounting policies	331,689	307,673	2,766,612
Changes of items during the period			
Dividends from surplus	(9,758)	(9,701)	(81,393)
Net income (loss)	(11,258)	30,721	(93,907)
Purchase of treasury stock	(12,601)	(55)	(105,109)
Disposal of treasury stock	1,207	2,608	10,073
Change of scope of consolidation	(231)	(269)	(1,930)
Change of scope of equity method	(222)	—	(1,851)
Total changes of items during the period	(32,864)	23,304	(274,119)
Balance at the end of the period	¥298,824	¥330,977	\$2,492,493

See accompanying notes.

Consolidated Statements of Changes in Net Assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of the period	¥ 16,804	¥ 27,385	\$ 140,166
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	16,804	27,385	140,166
Changes of items during the period			
Net changes of items other than shareholders' equity	990	(10,581)	8,258
Total changes of items during the period	990	(10,581)	8,258
Balance at the end of the period	17,794	16,804	148,424
Deferred gains or losses on hedges			
Balance at the beginning of the period	0	—	7
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	0	—	7
Changes of items during the period			
Net changes of items other than shareholders' equity	9	0	80
Total changes of items during the period	9	0	80
Balance at the end of the period	10	0	87
Revaluation reserve for land			
Balance at the beginning of the period	(4,705)	(4,705)	(39,248)
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	(4,705)	(4,705)	(39,248)
Changes of items during the period			
Net changes of items other than shareholders' equity	5	—	48
Total changes of items during the period	5	—	48
Balance at the end of the period	(4,699)	(4,705)	(39,199)
Foreign currency translation adjustment			
Balance at the beginning of the period	(2,281)	(14,601)	(19,030)
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	(2,281)	(14,601)	(19,030)
Changes of items during the period			
Net changes of items other than shareholders' equity	5,695	12,319	47,507
Total changes of items during the period	5,695	12,319	47,507
Balance at the end of the period	3,414	(2,281)	28,477
Remeasurements of defined benefit plans			
Balance at the beginning of the period	2,504	—	20,889
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	2,504	—	20,889
Changes of items during the period			
Net changes of items other than shareholders' equity	(297)	2,504	(2,484)
Total changes of items during the period	(297)	2,504	(2,484)
Balance at the end of the period	2,206	2,504	18,404
Total accumulated other comprehensive income			
Balance at the beginning of the period	12,322	8,078	102,783
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	12,322	8,078	102,783
Changes of items during the period			
Net changes of items other than shareholders' equity	6,403	4,243	53,410
Total changes of items during the period	6,403	4,243	53,410
Balance at the end of the period	18,726	12,322	156,194
Subscription rights to shares			
Balance at the beginning of the period	1,078	1,146	8,991
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	1,078	1,146	8,991
Changes of items during the period			
Net changes of items other than shareholders' equity	(245)	(68)	(2,046)
Total changes of items during the period	(245)	(68)	(2,046)
Balance at the end of the period	832	1,078	6,945
Minority interests			
Balance at the beginning of the period	3,892	3,136	32,463
Cumulative effects of changes in accounting policies			
Balance at the beginning of the period which reflects changes in accounting policies	3,892	3,136	32,463
Changes of items during the period			
Net changes of items other than shareholders' equity	397	756	3,316
Total changes of items during the period	397	756	3,316
Balance at the end of the period	4,289	3,892	35,779
Total net assets			
Balance at the beginning of the period	348,270	320,034	2,904,918
Cumulative effects of changes in accounting policies	711	—	5,932
Balance at the beginning of the period which reflects changes in accounting policies	348,982	320,034	2,910,851
Changes of items during the period			
Dividends from surplus	(9,758)	(9,701)	(81,393)
Net income (loss)	(11,258)	30,721	(93,907)
Purchase of treasury stock	(12,601)	(55)	(105,109)
Disposal of treasury stock	1,207	2,608	10,073
Change of scope of consolidation	(231)	(269)	(1,930)
Change of scope of equity method	(222)	—	(1,851)
Net changes of items other than shareholders' equity	6,555	4,931	54,680
Total changes of items during the period	26,308	28,235	(219,438)
Balance at the end of the period	¥322,673	¥348,270	\$2,691,412

See accompanying notes.

Consolidated Statements of Cash Flows

SEGA SAMMY HOLDINGS INC. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,082	¥ 47,545	\$ 17,367
Depreciation and amortization	21,747	19,743	181,394
Impairment loss	7,881	1,799	65,739
Amount of transfer of equipment by amusement center operations business	(4,270)	(3,287)	(35,618)
Loss (gain) on sales of noncurrent assets	(33)	(3,576)	(275)
Loss on retirement of noncurrent assets	585	400	4,884
Loss (gain) on sales of shares of subsidiaries and associates	79	(21)	661
Loss (gain) on liquidation of subsidiaries and affiliates	—	6,601	—
Loss (gain) on sales of investment securities	(187)	(11,941)	(1,563)
Loss (gain) on valuation of investment securities	100	196	841
Loss (gain) on investments in partnership	(245)	(1,266)	(2,048)
Amortization of goodwill	3,625	2,997	30,236
Increase (decrease) in allowance for doubtful accounts	(24)	(294)	(207)
Increase (decrease) in provision for directors' bonuses	(126)	(48)	(1,053)
Increase (decrease) in net defined benefit liability	(1,179)	(398)	(9,841)
Increase (decrease) in provision for directors' retirement benefits	(25)	8	(210)
Increase (decrease) in provision for bonuses	277	(78)	2,312
Increase (decrease) in provision for dismantling of fixed assets	3,395	—	28,323
Interest and dividends income	(1,289)	(1,258)	(10,759)
Interest expenses	910	849	7,597
Foreign exchange losses (gains)	791	(1,318)	6,599
Equity in (earnings) losses of affiliates	(26)	257	(221)
Decrease (increase) in notes and accounts receivable-trade	9,175	16,517	76,534
Decrease (increase) in inventories	6,679	8,616	55,716
Increase (decrease) in notes and accounts payable-trade	(10,077)	(13,384)	(84,055)
Increase (decrease) in guarantee deposits received	(131)	186	(1,098)
Other, net	8,690	3,260	72,486
Subtotal	48,404	72,104	403,742
Interest and dividends income received	1,343	1,273	11,207
Interest expenses paid	(818)	(835)	(6,828)
Income taxes paid	(13,946)	(5,818)	(116,324)
Income taxes refund	2,026	8,477	16,906
Net cash provided by (used in) operating activities	¥ 37,010	¥ 75,201	\$ 308,703

See accompanying notes.

Consolidated Statements of Cash Flows

	2015	2014	2015
		Millions of yen	Thousands of U.S. dollars (Note 1)
Cash flows from investing activities:			
Payments into time deposits	¥ (2,704)	¥ (5,860)	\$ (22,555)
Proceeds from withdrawal of time deposits	2,558	1,939	21,343
Purchase of short-term investment securities	(5,000)	—	(41,704)
Purchase of trust beneficiary right	(3,924)	(4,941)	(32,734)
Proceeds from sales of trust beneficiary right	4,888	6,195	40,775
Purchase of property, plant and equipment	(16,115)	(27,123)	(134,416)
Proceeds from sales of property, plant and equipment	489	3,461	4,084
Purchase of intangible assets	(8,494)	(6,870)	(70,854)
Proceeds from sales of intangible assets	—	1,895	—
Purchase of investment securities	(7,068)	(4,768)	(58,955)
Proceeds from sales of investment securities	289	16,199	2,416
Proceeds from redemption of investment securities	400	4,755	3,336
Payments for investment in partnerships	(1,518)	(383)	(12,669)
Proceeds from distribution of investment in partnerships	128	978	1,069
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 8 (2))	(637)	(398)	(5,318)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 8 (3))	(96)	—	(800)
Purchase of stocks of subsidiaries and affiliates	(1,039)	(7,846)	(8,670)
Payments of loans receivable	(459)	(694)	(3,832)
Collection of loans receivable	284	124	2,374
Payments for lease deposits	(1,245)	(1,421)	(10,386)
Collection of lease deposits	920	674	7,677
Payments for transfer of business (Note 8 (4))	—	(14,359)	—
Other, net	609	(104)	5,080
Net cash provided by (used in) investing activities	(37,734)	(38,547)	(314,741)
Cash flows from financing activities:			
Proceeds from long-term loans payable	10,900	2,488	90,916
Repayments of long-term loans payable	(12,423)	(12,369)	(103,622)
Proceeds from issuance of bonds	19,844	9,935	165,521
Redemption of bonds	(1,700)	(5,843)	(14,179)
Proceeds from exercise of stock options	1,078	2,031	8,995
Cash dividends paid	(9,690)	(9,706)	(80,826)
Cash dividends paid to minority shareholders	—	(17)	—
Purchase of treasury stock	(12,601)	(56)	(105,109)
Other, net (Note 8 (5))	(10,465)	2,024	(87,294)
Net cash provided by (used in) financing activities	(15,058)	(11,512)	(125,599)
Effect of exchange rate change on cash and cash equivalents	2,100	3,357	17,518
Net increase (decrease) in cash and cash equivalents	(13,681)	28,499	(114,118)
Cash and cash equivalents at beginning of period	202,741	174,210	1,691,060
Increase in cash and cash equivalents from newly consolidated subsidiary	1,778	31	14,832
Cash and cash equivalents at end of period (Note 8 (1))	¥190,837	¥202,741	\$1,591,773

See accompanying notes.

Notes to Consolidated Financial Statements

SEGA SAMMY HOLDINGS INC. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2015 and 2014

NOTE 1

Basis of Presenting Consolidated Financial Statements

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

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, necessary adjustments are made upon consolidation for 2015 and 2014. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese-language consolidated financial statements is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the classifications used in 2015. These changes had no impact on previously reported results of operations or shareholders' equity.

The translation of the Japanese yen amounts into U.S. dollars is rounded down to the nearest unit amount, and is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥119.89 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

NOTE 2

Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, which are controlled through substantial ownership of majority voting rights or existence of certain conditions. All significant inter-company balances, transactions and unrealized profits have been eliminated. The number of consolidated subsidiaries is 78 in 2015.

From the year ended March 31, 2015, the following companies were included in the consolidated subsidiaries of the Company: JMS Communications Co., Ltd. and two other companies, because of the establishment; Demiurge Studios, Inc. and three other companies, because of the Company's acquisition; Index Corporation, because of establishment through an incorporation-type split; and SEGA PUBLISHING KOREA LTD. and five other companies, because of increase of importance.

From the year ended March 31, 2015, the following companies have been excluded from the scope of consolidation: Sammy Design Co, Ltd., sale of the share of stocks; and Sega Australia Pty Ltd. and one other company, because of its liquidation.

The number of non-consolidated subsidiaries is 12 in 2015.
Major non-consolidated subsidiaries: Sega (Shanghai) Software Co., Ltd., etc.

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

(2) Equity method

Investments in affiliated companies over which the Company has the ability to exercise significant influence over their operation and financial policies are accounted for by the equity method.

The number of non-consolidated subsidiaries accounted for under the equity method is 0 in 2015.

From the year ended March 31, 2015, the following company has been excluded from the scope of application of the equity method; SEGA PUBLISHING KOREA LTD., because the company has been included in the scope of consolidation because of increase of importance.

The number of affiliated companies accounted for under the equity method is 11 in 2015.

Major equity-method affiliated companies: INTERLIFE HOLDINGS CO., LTD., PARADISE SEGASAMMY Co., Ltd. and nine companies.

From the year ended March 31, 2015, the following companies have been included in the scope of application of the equity method; GALAXY GRAPHICS Inc., because of the establishment; PLAY HEART, because of acquisition; and Subcul-rise Record and two other companies, because of increase of importance.

CRI Middleware Co., Ltd. has been excluded from the scope of application of equity-method because of sales of parts of its stake.

The number of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method is 16 in 2015.

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

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

(3) Valuation and accounting treatment for important assets

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

b. Available-for-sale securities

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

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

The net amount of equity included in the Company's financial statements from limited liability investment partnerships and similar

investments, regarded as marketable securities under Article 2-2 of the Financial Instruments and Exchange Law of Japan, is calculated based on the relevant financial statements for the partnership available as of the reporting date stipulated in the partnership agreement.

d. Derivatives

Derivatives are stated at fair market value.

e. Inventories

Inventories are stated at cost, cost being determined mainly by the gross-average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

Also, work in process is stated at cost, cost being determined mainly by the specific identification method (or at the NRV calculated by writing down the book value to reflect a decrease in the NRV).

(4) 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 game machines: 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

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

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

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

Depreciated using the straight-line method over a useful life equal to the lease period with a residual value of zero

(5) 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

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

c. Provision for directors' bonuses

The estimated amount of bonuses was recorded to meet the bonus payments to Directors and Audit & Supervisory Board Members.

d. Provision for business restructuring

Of the expenses expected to incur in connection with business restructuring, those recognized to have incurred in the fiscal year are recorded.

e. Provision for directors' retirement benefits

Certain domestic consolidated subsidiaries provide provision for directors' retirement benefits to adequately cover payment of such benefits at the end of the applicable period in accordance with internal regulations.

f. 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, 2015 has been recorded.

g. Provision for dismantling of fixed assets

To provide for expenses for dismantling unused aging buildings, estimated future expenses are recorded.

(6) Accounting method for retirement benefits

a. Attribution method for projected retirement benefits

In calculating retirement benefit 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, 2015.

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.

(Changes in accounting policies)

The "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012; the "Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015; the "Guidance") were adopted from the fiscal year ended March 31, 2015 for provisions set in the main clauses of Paragraph 35 of the Standard and Paragraph 67 of the Guidance. Accordingly, the calculation methods of retirement benefit obligations and service costs were reviewed, the method of attributing expected benefits to periods was changed from the straight-line basis to the benefit-formula basis, and for the method of determining the discount rate, regarding the period of bonds used for the basis of determining the discount rate, it was changed from the method where the number of years approximate the expected average remaining working years of employees, to the method where a single weighted-average discount rate reflecting the estimated period and amount of benefit payment is adopted.

The application of the Standard, etc., follows the transitional rules set in Paragraph 37 of the Standard, and thus the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, net defined benefit liability and deferred tax assets decreased by ¥812 million (\$6,779 thousand) and ¥101 million (\$5,932 thousand), respectively, and retained earnings increased by ¥711 million (\$846 thousand) at the beginning of the fiscal year ended March 31, 2015, while effects on operating income and income before income

taxes and minority interests for the fiscal year ended March 31, 2015 are insignificant.

Meanwhile, the impact on net assets per share and net loss per share for the year ended March 31, 2015 is insignificant. Although dilutive shares existed, there is no impact on diluted net income per share because the Company recorded net loss per share.

(7) Accounting for significant hedge

a. Hedge accounting

The Company 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, and 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.

(8) 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.

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

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

(10) 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.

(11) Application of the Consolidated Taxation System

The Company applied the Consolidated Taxation System.

NOTE 3 **Unapplied New Accounting Standards**

“Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013)

“Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013)

“Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013)

“Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, issued on September 13, 2013)

“Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on September 13, 2013)

“Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, issued on September 13, 2013)

(1) Summary

These accounting standards have been mainly revised: (i) accounting treatment for changes in the parent’s ownership interests in a subsidiary when the parent continues to retain control of that subsidiary after the additional acquisition of the parent’s ownership interest in that subsidiary, (ii) accounting treatment for acquisition-related costs, (iii) presentation of net income as well as the change of minority interests to non-controlling interests and (iv) provisional accounting treatment.

(2) Effective dates

The Company and its consolidated subsidiaries will adopt the revised accounting standards effective from the beginning of the year ending March 31, 2016. In addition, the Company and its consolidated subsidiaries will adopt the provisional accounting for those business combinations initiated after the beginning of the year ending March 31, 2016.

(3) Effect of application of the standard

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18, issued on March 26, 2015)

(1) Summary

This report has clarified: (i) accounting treatment reflecting the change in the accounting standard for goodwill under U.S. GAAP revised in January 2014, (ii) accounting treatment reflecting the revision of “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013) and (iii) amortization of actuarial differences in retirement benefit accounting.

(2) Effective dates

The Company and its consolidated subsidiaries will adopt the revised accounting standards effective from the beginning of the year ending March 31, 2016.

(3) Effect of application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

NOTE 4**Changes in Presentation**

(Consolidated Statements of Income and Comprehensive Income)

(1) "Settlement package" that was included in "Other, net" under "Other expenses" for the previous fiscal year (¥2 million) has increased in importance, and is therefore separately itemized beginning from the fiscal year ended March 31, 2015.

(2) "Gain on reversal of subscription rights to shares" that was included in "Other, net" under "Other income" for the previous fiscal year (¥0 million) has increased in importance, and is therefore separately itemized beginning from the fiscal year ended March 31, 2015.

NOTE 5**Notes to Consolidated Balance Sheets****(1) Assets pledged**

Year ended March 31, 2015

Not applicable

Year ended March 31, 2014

		Millions of yen	
Assets pledged	2014	Liabilities to be covered	2014
Buildings and structures	¥212	Short-term loans payable	¥350
Land	210		
Total	423	Total	350

(2) Investment securities to non-consolidated subsidiaries and affiliated companies

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Investment securities (shares)	¥17,795	¥17,780	\$148,434
Investment securities (capital contributions)	288	155	2,408

(3) Revaluation reserve for land

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

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

Date of revaluation: March 31, 2002

(4) Overdraft agreements and commitment line agreements

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

The balance of unexecuted loans, etc., based on these agreements as of March 31, 2015 and 2014 are as follows:

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Total amount of overdraft limit and commitment line agreements	¥70,925	¥71,425	\$591,583
Balance of executed loans	500	500	4,170
Unexecuted balance	70,425	70,925	587,413

NOTE 6

Notes to Consolidated Statements of Income and Comprehensive Income

(1) Devaluation of inventories

The book value devaluation of inventories held for normal sales purpose based on decline in profitability included in cost of sales amounted to ¥6,195 million (\$51,680 thousand) and ¥3,885 million for the years ended March 31, 2015 and 2014, respectively.

(2) Research and development expenses

Expenses relating to research and development activities have been charged to income as incurred and amounted to ¥44,539 million (\$371,503 thousand) and ¥40,070 million for the years ended March 31, 2015 and 2014, respectively.

(3) Gain on sales of noncurrent assets

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Buildings and structures	¥ —	¥ 521	\$ —
Land	109	2,299	915
Other property, plant and equipment	3	12	30
Other intangible assets	—	751	—
Total	113	3,585	946

(4) Loss on sales of noncurrent assets

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Buildings and structures	¥ —	¥ 4	\$ —
Land	78	—	654
Other property, plant and equipment	1	4	15
Total	80	9	670

(5) Loss on liquidation of subsidiaries and affiliates

Year ended March 31, 2015

Not applicable

Year ended March 31, 2014

Loss on liquidation of subsidiaries and affiliates was recognized mainly by realization of foreign currency translation adjustment resulted from the completion of the liquidation of some of the subsidiaries in the United Kingdom and the United States.

(6) Impairment loss

Year ended March 31, 2015

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

Recoverable values for production facilities of pachislot and pachinko machines are calculated mainly as real estate appraisal amounts, while amusement facilities and assets for business are calculated as memorandum amounts mainly because future cash flows are not expected. Furthermore, recoverable value of goodwill is calculated by its useful value mainly with a discount rate of 17.5%.

Details of impairment loss

Use	Location	Impairment loss		
		Type	Millions of yen	Thousands of U.S. dollars (Note 1)
Production facilities of pachislot and pachinko machines, etc.	Seto City, Aichi and 4 other locations	Buildings and structures	¥ 228	\$ 1,907
		Other property, plant and equipment	1,328	11,082
		Other intangible assets	32	268
		Land	33	279
Amusement facilities	Yokohama City, Kanagawa and 6 other locations	Buildings and structures	2,859	23,853
		Amusement machines and facilities	691	5,771
		Other property, plant and equipment	92	770
		Other intangible assets	68	570
Assets for business	Shibuya Ward, Tokyo and 10 other locations	Buildings and structures	338	2,822
		Amusement machines and facilities	563	4,703
		Other property, plant and equipment	417	3,478
		Other intangible assets	74	623
Other	Minato Ward, Tokyo	Goodwill	1,151	9,606
		Total	7,881	65,739

Year ended March 31, 2014

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

Recoverable values for assets for business are calculated as memorandum amounts as they are mainly due to be disposed, while recoverable values for amusement facilities are calculated by their useful value mainly with a discount rate of 1.4%.

Details of impairment loss

Use	Location	Impairment loss	
		Type	Millions of yen
Assets for business	Shibuya Ward, Tokyo and 6 other locations	Buildings and structures	¥ 51
		Other property, plant and equipment	91
		Other intangible assets	175
		Land	1
Amusement facilities	Minato Ward, Tokyo and 2 other locations	Buildings and structures	543
		Amusement machines and facilities	799
		Other property, plant and equipment	118
		Other intangible assets	17
Total		1,799	

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

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Valuation difference on available-for-sale securities			
The amount arising during the period	¥ 650	¥ (4,845)	\$ 5,428
Reclassification adjustments	(187)	(11,713)	(1,563)
Before adjustments to tax effects	463	(16,558)	3,865
The amount of tax effects	519	5,978	4,335
Valuation difference on available-for-sale securities	983	(10,580)	8,200
Deferred gains or losses on hedges			
The amount arising during the period	14	3	119
Reclassification adjustments	—	—	—
Before adjustments to tax effects	14	3	119
The amount of tax effects	(5)	(1)	(41)
Deferred gains or losses on hedges	9	2	78
Revaluation reserve for land			
The amount of tax effects	5	—	48
Revaluation reserve for land	5	—	48
Foreign currency translation adjustment			
The amount arising during the period	4,337	4,492	36,182
Reclassification adjustments	—	6,200	—
Before adjustments to tax effects	4,337	10,692	36,182
The amount of tax effects	—	—	—
Foreign currency translation adjustment	4,337	10,692	36,182
Remeasurements of defined benefit plans, net of tax			
The amount arising during the period	507	—	4,235
Reclassification adjustments	(220)	—	(1,839)
Before adjustments to tax effects	287	—	2,396
The amount of tax effects	(525)	—	(4,385)
Remeasurements of defined benefit plans, net of tax	(238)	—	(1,989)
Share of other comprehensive income of associates accounted for using equity method			
The amount arising during the period	1,275	1,878	10,637
Reclassification adjustments	—	—	—
Share of other comprehensive income of associates accounted for using equity method	1,275	1,878	10,637
Total other comprehensive income	6,373	1,993	53,158

NOTE 7

Notes to Consolidated Statements of Changes in Net Assets

(1) Number of outstanding common stock

	2015	Shares 2014
Balance at beginning of the year	266,229,476	266,229,476
Increase	—	—
Decrease	—	—
Balance at end of the year	266,229,476	266,229,476

(2) Number of outstanding treasury stock

	2015	Shares 2014
Balance at beginning of the year	22,627,725	24,169,675
Increase due to purchase in the market by resolution at the Board of Directors' meeting	6,901,600	—
Increase due to purchase of odd stock	9,905	21,851
Decrease due to exercise of stock options	736,300	1,562,900
Decrease due to sale of odd stock	1,141	901
Balance at end of the year	28,801,789	22,627,725

(3) Subscription rights to shares

Year ended March 31, 2015

Company name	Breakdown	Balance at March 31, 2015	
		Millions of yen	Thousands of U.S. dollars (Note 1)
The Company	Subscription rights to shares as stock options	¥832	\$6,945
Total		832	6,945

Year ended March 31, 2014

Company name	Breakdown	Balance at March 31, 2014	
		Millions of yen	
The Company	Subscription rights to shares as stock options	¥1,078	
Total		1,078	

(4) Dividends

Year ended March 31, 2015

1. Dividend

Resolution	Type of stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 9, 2014	Common stock	¥4,872	¥20	March 31, 2014	May 28, 2014
Board of Directors' meeting held on October 31, 2014	Common stock	4,886	20	September 30, 2014	December 1, 2014

Resolution	Type of stock	Total dividend (Thousands of U.S. dollars (Note 1))	Dividend per share (U.S. dollars (Note 1))	Record date	Effective date
Board of Directors' meeting held on May 9, 2014	Common stock	\$40,637	\$0.16	March 31, 2014	May 28, 2014
Board of Directors' meeting held on October 31, 2014	Common stock	40,755	0.16	September 30, 2014	December 1, 2014

2. Of the dividends of which the record date is in the fiscal year ended March 31, 2015, but the effective date is in the following fiscal year 31, 2015

Resolution	Type of stock	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 11, 2015	Common stock	Retained earnings	¥4,748	¥20	March 31, 2015	May 27, 2015

Resolution	Type of stock	Resource of dividend	Total dividend (Thousands of U.S. dollars (Note 1))	Dividend per share (U.S. dollars (Note 1))	Record date	Effective date
Board of Directors' meeting held on May 11, 2015	Common stock	Retained earnings	\$39,607	\$0.16	March 31, 2015	May 27, 2015

Year ended March 31, 2014

1. Dividend

Resolution	Type of stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 10, 2013	Common stock	¥4,841	¥20	March 31, 2013	May 28, 2013
Board of Directors' meeting held on November 1, 2013	Common stock	4,860	20	September 30, 2013	December 2, 2013

2. Of the dividends of which the record date is in the fiscal year ended March 31, 2014, but the effective date is in the following fiscal year

Resolution	Type of stock	Resource of dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 9, 2014	Common stock	Retained earnings	¥4,872	¥20	March 31, 2014	May 28, 2014

NOTE 8

Notes to Consolidated Statements of Cash Flows

(1) Cash and cash equivalents at March 31, 2015 and 2014 consisted of the following:

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Cash and deposits	¥102,260	¥101,220	\$ 852,952
Short-term investment securities	97,210	107,713	810,828
Total	199,470	208,934	1,663,780
Time deposits with maturities of more than three months	(3,432)	(5,690)	(28,633)
Short-term investment securities with period from the acquisition date to the redemption date exceeding three months	(5,200)	(502)	(43,373)
Cash and cash equivalents	190,837	202,741	1,591,773

(2) Assets and liabilities of the company which has become a consolidated subsidiary due to acquisition of shares

Year ended March 31, 2015

Demiurge Studios, Inc.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 168	\$ 1,405
Noncurrent assets	70	591
Goodwill	883	7,369
Current liabilities	(30)	(250)
Foreign currency translation adjustment	(2)	(18)
Acquisition cost of shares	1,090	9,097
Cash and cash equivalents	(106)	(892)
Accounts payable—other, etc.	(498)	(4,158)
Payments for acquisition of shares, net	(485)	(4,046)

(3) Assets and liabilities of the company which has been excluded from consolidated subsidiaries due to sales of shares
Year ended March 31, 2015

Sammy Design Co, Ltd.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 1,892	\$ 15,785
Noncurrent assets	529	4,413
Current liabilities	(1,572)	(13,114)
Noncurrent liabilities	(50)	(417)
Loss on sales of shares, etc.	(319)	(2,663)
Sales price of shares	480	4,003
Cash and cash equivalents	(576)	(4,804)
Payments for sales of shares, net	(96)	(800)

(4) Increase of assets and liabilities resulted from business transfer
Year ended March 31, 2014

Index Corporation

	Millions of yen
Current assets	¥ 2,028
Noncurrent assets	1,783
Goodwill	11,040
Current liabilities	(492)
Payments for transfer of business	14,359

(5) Other

Year ended March 31, 2015

Out of ¥20,000 million (\$166,819 thousand) of contribution for purchase of treasury stock, ¥7,413 million (\$61,838 thousand) of money held in trust as of March 31, 2015 was included in "Other, net."

NOTE 9

Information for Certain Leases

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation, accumulated impairment loss and net book value for the years ended March 31, 2015 and 2014, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

Year ended March 31, 2015

	Millions of yen			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings	¥2,103	¥968	¥1,135	¥—
Total	2,103	968	1,135	—

	Thousands of U.S. dollars (Note 1)			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Buildings	\$17,548	\$8,079	\$9,469	\$—
Total	17,548	8,079	9,469	—

Year ended March 31, 2014

Not applicable

(2) Future lease payments and accumulated impairment loss on leased assets

Future lease payments as of March 31, 2015 and 2014

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Due within one year	¥ 151	¥—	\$ 1,263
Due after one year	1,224	—	10,209
Total	1,375	—	11,472

Accumulated impairment loss on leased assets as of March 31, 2015 and 2014

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Accumulated impairment loss on leased assets	¥1,084	¥—	\$9,042

(3) A summary of assumed amounts of lease payments, reversal of allowance for impairment loss on leased assets, depreciation, interest expenses and impairment loss for the years ended March 31, 2015 and 2014, with respect to the finance leases accounted for in the same manner as operating leases, is as follows:

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Lease payments	¥ 151	¥—	\$1,263
Reversal of allowance for impairment loss on leased assets	—	—	—
Depreciation	124	—	1,042
Interest expenses	30	—	255
Impairment loss	1,084	—	9,042

Finance lease transactions:

Lease assets mainly consist of the following: Buildings and structures, land for office-related facilities and facilities for amusement center operations, such as buildings and structures, and amusement game machines.

The methods of depreciation for lease assets are as follows: Lease assets involving finance lease transactions under which the ownership of

the lease assets is transferred to lessees are the same methods that are applied to property, plant and equipment owned by the Company.

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

Operating lease transactions:

Future lease payments for operating lease transactions which cannot be canceled as of March 31, 2015 and 2014 are as follows:

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Due within one year	¥2,422	¥2,297	\$20,208
Due after one year	2,768	3,377	23,094
Total	5,191	5,675	43,303

NOTE 10**Financial Instruments****1. Outline of financial instruments****(1) Policy for financial instruments**

SEGA SAMMY Group (the "Group") 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 the Cash Management System for purpose of the efficient utilization of the Group's funds. Funds are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described later.

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

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

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

Derivative transactions consist of forward exchange contracts 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 as hedges against interest rate risks on loans payable. For details on hedging instruments, hedged items, hedging policy and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to "(7) Accounting for significant hedge" in "Note 2 – Summary of Significant Accounting Policies."

(3) Risk management for financial instruments**1) Credit risk management (customers' default risk)**

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

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

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

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

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

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

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

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

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

(4) Supplementary explanations concerning fair values of financial instruments

Fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, such fair values may vary depending on the different assumptions. The notional amounts and other information described in "Note 12 – Derivative Transactions" do not indicate the amounts of market risk exposed to derivative transactions.

2. Matters concerning the fair value of financial instruments

The consolidated balance sheet amount and fair value of financial instruments as of March 31, 2015 and 2014 as well as the differences between these values are described below. Financial instruments whose fair values are not readily determinable are not included in the table. (See Note 2 below.)

Year ended March 31, 2015

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Cash and deposits	¥102,260	¥102,260	¥ —
(2) Notes and accounts receivable—trade	39,239	39,239	(0)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	2,373	2,376	2
2) Available-for-sale securities (*1)	138,879	138,879	—
3) Equity securities issued by affiliated companies	886	1,016	130
Total assets	283,639	283,772	132
(1) Notes and accounts payable—trade	26,964	26,964	—
(2) Short-term loans payable	13,842	13,842	—
(3) Long-term loans payable	32,918	32,837	81
(4) Current portion of corporate bonds	1,600	1,600	—
(5) Corporate bonds payable	56,200	55,854	345
Total liabilities	131,525	131,098	426
Derivative transactions (*2)			
1) Derivative transactions to which hedge accounting is not applied	(1)	(1)	—
2) Derivative transactions to which hedge accounting is applied	17	17	—
Total derivative transactions	16	16	—

	Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Cash and deposits	\$ 852,952	\$ 852,952	\$ —
(2) Notes and accounts receivable—trade	327,298	327,298	(0)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	19,794	19,818	24
2) Available-for-sale securities (*1)	1,158,390	1,158,390	—
3) Equity securities issued by affiliated companies	7,932	8,477	1,084
Total assets	2,365,828	2,366,936	1,108
(1) Notes and accounts payable—trade	224,911	224,911	—
(2) Short-term loans payable	115,459	115,459	—
(3) Long-term loans payable	274,572	273,893	678
(4) Current portion of corporate bonds	13,345	13,345	—
(5) Corporate bonds payable	468,763	465,883	2,879
Total liabilities	1,097,052	1,093,493	3,558
Derivative transactions (*2)			
1) Derivative transactions to which hedge accounting is not applied	(9)	(9)	—
2) Derivative transactions to which hedge accounting is applied	149	149	—
Total derivative transactions	140	140	—

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

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

Year ended March 31, 2014

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
(1) Cash and deposits	¥101,220	¥101,220	¥ —
(2) Notes and accounts receivable—trade	48,108	48,092	(16)
(3) Short-term investment securities and investment securities			
1) Held-to-maturity debt securities	2,061	2,048	(13)
2) Available-for-sale securities (* 1)	144,820	144,820	—
3) Equity securities issued by affiliated companies	832	707	(125)
Total assets	297,043	296,888	(155)
(1) Notes and accounts payable—trade	37,292	37,292	—
(2) Short-term loans payable	12,918	12,918	—
(3) Long-term loans payable	35,198	35,115	82
(4) Current portion of corporate bonds	1,700	1,700	—
(5) Corporate bonds payable	37,800	37,922	(122)
Total liabilities	124,909	124,950	(40)
Derivative transactions (*2)			
1) Derivative transactions to which hedge accounting is not applied	(0)	(0)	—
2) Derivative transactions to which hedge accounting is applied	3	3	—
Total derivative transactions	3	3	—

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

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

Note 1: Calculation method of fair values of financial instruments and securities and derivative transactions
Assets

(1) Cash and deposits and (2) Notes and accounts receivable—trade

Of these, items that are settled in the short term (within a year) are recorded using book values, as their fair values approximate book values. In addition, of notes and accounts receivable—trade, those which have more than a year to the payment date from March 31, 2015 are stated at the present values by discounting the amount of claim for each receivable with the interest rate calculated by the payment period and credit risk.

(3) Short-term investment securities and investment securities

The fair values of stocks are determined using the quoted price on the stock exchange, and those of bonds are determined using the quoted price on the exchange or the quoted price obtained from financial institutions. In addition, negotiable certificates of deposit included in available-for-sale securities are recorded using book values, as they are settled in the short term (within a year) and their fair values approximate book values. For notes concerning securities by holding purpose, please see "Note 11 – Investment Securities."

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable and (4) Current portion of corporate bonds

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

(3) Long-term loans payable and (5) Corporate bonds payable

These are stated with the present values calculated by discounting the aggregated values of the principal and interest using an assumed interest rate if loans are newly made. Of the long-term loans payable, fair values of the loans hedged by interest rate swap contracts 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.

Derivative transactions

For notes concerning derivatives, please see "Note 12 – Derivative Transactions."

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

Item	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2015	2015
	Consolidated balance sheet amount	Consolidated balance sheet amount	Consolidated balance sheet amount	Consolidated balance sheet amount
Unlisted equity securities, etc.	¥ 3,542	¥ 1,504	\$ 29,546	
Investment in limited liability investment partnerships, etc.	4,382	2,217	36,554	
Equity securities issued by non-consolidated subsidiaries	436	2,265	3,641	
Equity securities issued by affiliated companies	16,472	14,682	137,400	
Investments in capital of affiliated companies	288	155	2,408	

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

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

Year ended March 31, 2015

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥102,260	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	39,229	9	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities (Corporate bonds)	100	1,500	650	100
Available-for-sale securities with maturities (Negotiable certificates of deposit)	63,600	—	—	—
Available-for-sale securities with maturities (Other)*	20,099	—	200	1,800
Total	225,290	1,509	850	1,900

	Thousands of U.S. dollars (Note 1)			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	\$ 852,952	\$ —	\$ —	\$ —
Notes and accounts receivable-trade	327,215	83	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities (Corporate bonds)	834	12,511	5,421	834
Available-for-sale securities with maturities (Negotiable certificates of deposit)	530,486	—	—	—
Available-for-sale securities with maturities (Other)*	167,653	—	1,668	15,013
Total	1,879,141	12,594	7,089	15,847

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

Year ended March 31, 2014

	Millions of yen			
	Within one year	One to five years	Five to ten years	Over ten years
Cash and deposits	¥101,220	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	47,898	210	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities (Corporate bonds)	400	900	750	—
Available-for-sale securities with maturities (Negotiable certificates of deposit)	88,900	—	—	—
Available-for-sale securities with maturities (Other)*	6,999	—	200	1,800
Total	245,417	1,110	950	1,800

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

Note 4: Redemption schedules of loans payable, corporate bonds payable, lease obligations and other interest-bearing liabilities

Year ended March 31, 2015

Category	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term loans payable	¥13,842	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	14,010	6,372	7,515	5,010	9
Corporate bonds	1,600	14,200	19,500	10,000	12,500	—
Lease obligations	536	1,846	230	120	75	183
Other interest-bearing debt						
Accounts payable-facilities	1,318	1,329	1,079	451	—	—

Category	Thousands of U.S. dollars (Note 1)					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term loans payable	\$115,459	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable	—	116,858	53,154	62,685	41,795	78
Corporate bonds	13,345	118,441	162,649	83,409	104,262	—
Lease obligations	4,478	15,402	1,922	1,004	627	1,528
Other interest-bearing debt						
Accounts payable-facilities	11,000	11,086	9,005	3,767	—	—

Year ended March 31, 2014

Category	Millions of yen					
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Short-term loans payable	¥12,918	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	13,331	13,999	6,361	1,504	1
Corporate bonds	1,700	1,600	14,200	17,000	5,000	—
Lease obligations	818	390	1,633	39	13	4
Other interest-bearing debt						
Accounts payable-facilities	1,307	1,318	1,329	1,079	451	—

NOTE 11**Investment Securities****1. Held-to-maturity debt securities**

Year ended March 31, 2015

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

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	1,554	1,566	11
c. Other	—	—	—
Total	1,554	1,566	11

Category	Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	\$ —	\$ —	\$ —
b. Corporate bonds	12,968	13,066	97
c. Other	—	—	—
Total	12,968	13,066	97

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

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	818	809	(8)
c. Other	—	—	—
Total	818	809	(8)

Category	Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	\$ —	\$ —	\$ —
b. Corporate bonds	6,825	6,751	(73)
c. Other	—	—	—
Total	6,825	6,751	(73)

Year ended March 31, 2014

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

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	803	807	4
c. Other	—	—	—
Total	803	807	4

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

Category	Millions of yen		
	Consolidated balance sheet amount	Fair value	Valuation gains (losses)
a. Government / municipal bonds	¥ —	¥ —	¥ —
b. Corporate bonds	1,257	1,240	(17)
c. Other	—	—	—
Total	1,257	1,240	(17)

2. Available-for-sale securities

Year ended March 31, 2015

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

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥36,328	¥10,605	¥25,722
b. Bonds	1,417	1,400	17
c. Other	3,417	3,400	17
Total	41,163	15,405	25,758

Category	Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	\$303,011	\$88,458	\$214,552
b. Bonds	11,826	11,677	148
c. Other	28,509	28,363	148
Total	343,346	128,498	214,847

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

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥ 7	¥ 8	¥(0)
b. Bonds	5,598	5,600	(1)
c. Other	92,110	92,110	—
Total	97,715	97,718	(2)

Category	Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	\$ 61	\$ 67	\$ (5)
b. Bonds	46,693	46,709	(15)
c. Other	768,289	768,289	—
Total	815,044	815,065	(21)

Year ended March 31, 2014

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

Category	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥35,311	¥9,305	¥26,006
b. Bonds	—	—	—
c. Other	300	300	0
Total	35,612	9,605	26,006

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

Category	Thousands of U.S. dollars (Note 1)		
	Consolidated balance sheet amount	Acquisition cost	Valuation gains (losses)
a. Shares	¥ 85	¥ 100	¥ (15)
b. Bonds	1,811	2,000	(188)
c. Other	107,311	107,311	—
Total	109,208	109,412	(204)

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

Year ended March 31, 2015

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
a. Shares	¥289	¥187	¥—
b. Bonds	—	—	—
c. Other	—	—	—
Total	289	187	—

Category	Thousands of U.S. dollars (Note 1)		
	Amount of proceeds	Total gains on sales	Total losses on sales
a. Shares	\$2,416	\$1,563	\$—
b. Bonds	—	—	—
c. Other	—	—	—
Total	2,416	1,563	—

Year ended March 31, 2014

Category	Millions of yen		
	Amount of proceeds	Total gains on sales	Total losses on sales
a. Shares	¥16,227	¥11,970	¥(29)
b. Bonds	—	—	—
c. Other	—	—	—
Total	16,227	11,970	(29)

4. Impairment loss on securities

Year ended March 31, 2015

During the year ended March 31, 2015, the Group recognized impairment loss on available-for-sale securities in an amount of ¥100 million (\$841 thousand).

Year ended March 31, 2014

During the year ended March 31, 2014, the Group recognized impairment loss on available-for-sale securities in an amount of ¥196 million.

NOTE 12**Derivative Transactions****1. Derivative transactions to which hedge accounting is not applied****(1) Currency-related derivatives**

Year ended March 31, 2015

Category	Contract value	Contract value due after one year	Fair value	Millions of yen
				Unrealized gains (losses)
Transactions other than market transactions	Forward exchange contracts			
	Selling			
	U.S. dollar	¥26	¥—	¥(1)
	Euro	16	—	0
Total		43	—	(1)

Category	Contract value	Contract value due after one year	Fair value	Thousands of U.S. dollars (Note 1)
				Unrealized gains (losses)
Transactions other than market transactions	Forward exchange contracts			
	Selling			
	U.S. dollar	\$224	\$—	\$(16)
	Euro	136	—	6
Total		361	—	(9)

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

Year ended March 31, 2014

		Millions of yen			
	Category	Contract value	Contract value due after one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	¥105	¥—	¥(0)	¥(0)
	Euro	31	—	(0)	(0)
Total		137	—	(0)	(0)

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

(2) Composite financial instruments

With respect to composite financial instruments whose fair values cannot be categorized and measured for each embedded derivative, the entire composite financial instruments are appraised by fair value, and are included in “2. Available-for-sale securities” in “Note 11 – Investment Securities.”

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

Year ended March 31, 2015

			Millions of yen		
Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable–trade	¥585	¥—	¥17
Payables translated using forward exchange contract rates	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable–trade	82	—	Note 2

Thousands of U.S. dollars (Note 1)

			Thousands of U.S. dollars (Note 1)		
Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable–trade	\$4,885	\$—	\$149
Payables translated using forward exchange contract rates	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable–trade	687	—	Note 2

(Notes) 1. Fair values are calculated using prices quoted by financial institutions.

2. With respect to forward exchange contracts whose exchange rates are used for translating foreign currency-denominated accounts payable–trade, fair values of forward exchange contracts are included in the fair values of the relevant accounts payable–trade, since they are used for recording accounts payable–trade as hedged items.

Year ended March 31, 2014

			Millions of yen		
Hedge accounting method	Classification	Major hedged items	Contract value	Contract value due after one year	Fair value
Primary method	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable–trade	¥438	¥—	¥3
Payables translated using forward exchange contract rates	Forward exchange contracts				
	Buying				
	U.S. dollar	Accounts payable–trade	162	—	Note 2

(Notes) 1. Fair values are calculated using prices quoted by financial institutions.

2. With respect to forward exchange contracts whose exchange rates are used for translating foreign currency-denominated accounts payable–trade, fair values of forward exchange contracts are included in the fair values of the relevant accounts payable–trade, since they are used for recording accounts payable–trade as hedged items.

(2) Interest rate-related derivatives

Year ended March 31, 2015

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Contract value	Contract value due after one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps Floating rate into fixed rate	Long-term loans payable	¥ 5,730	¥2,778	Note
Special treatment for interest rate and currency swaps	Interest rate and currency swaps Floating rate into fixed rate	Long-term loans payable	5,988	5,988	Note
Total			11,718	8,766	—

Hedge accounting method	Classification	Major hedged items	Thousands of U.S. dollars (Note 1)		
			Contract value	Contract value due after one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps Floating rate into fixed rate	Long-term loans payable	\$47,793	\$23,171	Note
Special treatment for interest rate and currency swaps	Interest rate and currency swaps Floating rate into fixed rate	Long-term loans payable	49,952	49,952	Note
Total			97,746	73,123	—

(Note) With respect to "interest rate swaps" and "interest rate and currency swaps" which meet certain conditions, fair values of the interest rate swaps and currency swaps are included in the fair values of the relevant long-term loans payable, since they are used for recording long-term loans payable as hedged items.

Year ended March 31, 2014

Hedge accounting method	Classification	Major hedged items	Millions of yen		
			Contract value	Contract value due after one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps Floating rate into fixed rate	Long-term loans payable	¥ 5,730	¥3,700	Note
Special treatment for interest rate and currency swaps	Interest rate and currency swaps Floating rate into fixed rate	Long-term loans payable	5,988	5,988	Note
Total			11,718	9,688	—

(Note) With respect to "interest rate swaps" and "interest rate and currency swaps" which meet certain conditions, fair values of the interest rate swaps and currency swaps are included in the fair values of the relevant long-term loans payable, since they are used for recording long-term loans payable as hedged items.

NOTE 13**Retirement Benefits****Overview of retirement benefits plans**

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

Under the lump-sum retirement benefit plans that the Company and certain domestic consolidated subsidiaries have, net defined benefit liability and severance and retirement benefit expenses are calculated by the simplified method.

Defined benefit pension plan

(1) Reconciliation of the difference between the amounts of projected benefit obligations (excluding pension plan using the simplified method)

	2015	Thousands of U.S. dollars (Note 1)	
		Millions of yen	2015
Projected benefit obligations at the beginning of the period	¥19,777	2014 ¥18,515	\$164,966
Cumulative effects of changes in accounting policies	(812)	—	(6,779)
Balances of projected benefit obligations at the beginning of the period which reflect changes in accounting policies	18,965	18,515	158,187
Service costs—benefits earned during the year	1,618	1,636	13,503
Interest cost on projected benefit obligations	229	198	1,914
Actuarial differences accrued	(317)	167	(2,650)
Retirement benefit paid	(802)	(606)	(6,692)
Other	30	(133)	257
Projected benefit obligations at the end of the period	19,724	19,777	164,521

(2) Reconciliation of the difference between the amounts of plan assets

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Plan assets at the beginning of the period	¥14,328	¥10,848	\$119,513
Expected return on plan assets	263	196	2,198
Actuarial differences accrued	185	1,549	1,544
Contribution of employer	2,326	2,260	19,404
Retirement benefit paid	(467)	(527)	(3,902)
Plan assets at the end of the period	16,635	14,328	138,758

(3) Reconciliation of the difference between the amounts of net defined benefit liability under pension plan using the simplified method

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net defined benefit liability at the beginning of the period	¥603	¥580	\$5,036
Retirement benefit expenses	123	111	1,033
Retirement benefit paid	(76)	(88)	(641)
Other	(22)	—	(189)
Net defined benefit liability at the end of the period	628	603	5,239

(4) Reconciliation of the difference between the amount of projected benefit obligations and plan assets and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Funded projected benefit obligations	¥ 19,724	¥ 19,777	\$ 164,521
Plan assets	(16,635)	(14,328)	(138,758)
	3,088	5,449	25,763
Unfunded projected benefit obligations	628	603	5,239
Net amount of liabilities and assets recorded in the consolidated balance sheet	3,716	6,053	31,003
Net defined benefit liability	3,716	6,053	31,003
Net amount of liabilities and assets recorded in the consolidated balance sheet	3,716	6,053	31,003

(Note) Retirement benefit scheme applying the simplified method is included

(5) Breakdown of retirement benefit expenses

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Service costs—benefits earned during the year	¥1,618	¥1,636	\$13,497
Interest cost on projected benefit obligations	229	198	1,914
Expected return on plan assets	(263)	(196)	(2,198)
Amortization of actuarial difference	(227)	401	(1,899)
Amortization of prior service cost	45	—	375
Retirement benefit expenses using the simplified method	123	133	1,033
Other	41	0	346
Retirement benefit expenses of defined benefit pension plan	1,567	2,173	13,071

(Note) Other than the retirement benefit expenses stated above, early extra retirement payments of ¥1,868 million (\$15,584 thousand) was recorded under other expenses for the year ended March 31, 2015.

Notes to Consolidated Financial Statements

(6) Remeasurements of defined benefit plans, net of tax

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction)

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Actuarial difference	¥287	¥—	\$2,396
Total	287	—	2,396

(7) Remeasurements of defined benefit plans

Items included in the remeasurements of defined benefit plans are as follows (before tax effect deduction)

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Unrecognized actuarial differences	¥3,107	¥2,819	\$25,917
Total	3,107	2,819	25,917

(8) Matters concerning plan assets

a. Breakdown of plan assets

Ratio of main classes of plan assets

	2015	2014
Debt securities	62%	59%
Share of stock	21	21
Cash and deposits	1	4
General account	15	16
Other	0	0
Total	100	100

b. Rate of long-term expected return on plan assets

In determining long-term expected rate of return on plan assets, the Company and its consolidated subsidiaries consider the current and projected asset allocations, as well as current and future long-term rate of returns for the various assets which makes up the plan assets.

(9) Matters concerning basis for the actuarial calculation

Basis for the actuarial calculation

	2015	2014
Discount rate	0.7–1.4%	0.5–1.4%
Rate of long-term expected return on plan assets	1.0–2.0%	1.0–2.0%

Defined contribution pension plans

The amount to be paid by consolidated subsidiaries to the defined contribution pension plans were ¥300 million (\$2,510 thousand) and ¥247 million for the years ended March 31, 2015 and 2014, respectively.

NOTE 14

Stock Option Plan

1. Contents, scale and movement of stock options

Year ended March 31, 2015

(1) The following table summarizes the contents of stock options as of March 31, 2015.

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

Company name	The Company	The Company	Butterfly Corporation
Date of the resolution	July 31, 2012	July 31, 2012	October 29, 2010
Position and number of grantees	The Company's directors: 5	The Company's executive officers: 6 The Company's employees: 11 The Company's subsidiaries' directors: 27 The Company's subsidiaries' executive officers: 17 The Company's subsidiaries' employees: 1,206	Butterfly Corporation's directors: 3 Butterfly Corporation's corporate auditors: 1 Butterfly Corporation's employees: 56
Class and number of stock	Common stock 250,000	Common stock 3,483,000	Common stock 49,000
Date of issue	September 1, 2012	September 1, 2012	November 1, 2010
Condition of settlement of rights	Continue to work from September 1, 2012 to September 1, 2014	Continue to work from September 1, 2012 to September 1, 2014	Continue to work from November 1, 2010 to October 29, 2012
Period grantees provide service in return for stock options	September 1, 2012 to September 1, 2014	September 1, 2012 to September 1, 2014	November 1, 2010 to October 29, 2012
Period subscription rights are to be exercised	September 2, 2014 to September 1, 2016	September 2, 2014 to September 1, 2016	October 30, 2012 to October 28, 2020

Company name	Butterfly Corporation
Date of the resolution	January 19, 2011
Position and number of grantees	Butterfly Corporation's employees: 10
Class and number of stock	Common stock 1,000
Date of issue	February 1, 2011
Condition of settlement of rights	Continue to work from February 1, 2011 to October 29, 2012
Period grantees provide service in return for stock options	February 1, 2011 to October 29, 2012
Period subscription rights are to be exercised	October 30, 2012 to October 28, 2020

(2) The following table summarizes the scale and movement of stock as of March 31, 2015.

Shares					
Company name	The Company	The Company	The Company	The Company	The Company
Date of the resolution	June 30, 2010	June 30, 2010	December 24, 2010	July 31, 2012	July 31, 2012
Not exercisable stock options					
Stock options outstanding at April 1, 2014	—	—	—	250,000	3,432,200
Stock options granted	—	—	—	—	—
Forfeitures	—	—	—	—	9,800
Conversion to exercisable stock options	—	—	—	250,000	3,422,400
Stock options outstanding at March 31, 2015	—	—	—	—	—
Exercisable stock options					
Stock options outstanding at April 1, 2014	47,900	979,400	233,900	—	—
Conversion from not exercisable stock options	—	—	—	250,000	3,422,400
Stock options exercised	44,100	649,600	7,500	—	35,100
Forfeitures	3,800	329,800	226,400	—	32,500
Stock options outstanding at March 31, 2015	—	—	—	250,000	3,354,800

Shares		
Company name	Butterfly Corporation	Butterfly Corporation
Date of the resolution	October 29, 2010	January 19, 2011
Not exercisable stock options		
Stock options outstanding at April 1, 2014	—	—
Stock options granted	—	—
Forfeitures	—	—
Conversion to exercisable stock options	—	—
Stock options outstanding at March 31, 2015	—	—
Exercisable stock options		
Stock options outstanding at April 1, 2014	34,100	300
Conversion from not exercisable stock options	—	—
Stock options exercised	—	—
Forfeitures	2,400	100
Stock options outstanding at March 31, 2015	31,700	200

The following table summarizes the price information of stock options as of March 31, 2015.

Yen					
Company name	The Company	The Company	The Company	The Company	The Company
Date of the resolution	June 30, 2010	June 30, 2010	December 24, 2010	July 31, 2012	July 31, 2012
Exercise price	¥1,312	¥1,312	¥1,753	¥1,686	¥1,686
Average market price of the stock at the time of exercise	1,978	2,010	2,145	—	1,763
Fair value of the stock option at the date of grant	306	306	386	231	231

Yen

Company name	Butterfly Corporation	Butterfly Corporation
Date of the resolution	October 29, 2010	January 19, 2011
Exercise price	¥2,000	¥2,000
Average market price of the stock at the time of exercise	—	—
Fair value of the stock option at the date of grant	—	—

U.S. dollars (Note 1)

Company name	The Company	The Company	The Company	The Company	The Company
Date of the resolution	June 30, 2010	June 30, 2010	December 24, 2010	July 31, 2012	July 31, 2012
Exercise price	\$10.94	\$10.94	\$14.62	\$14.06	\$14.06
Average market price of the stock at the time of exercise	16.49	16.76	17.89	—	14.70
Fair value of the stock option at the date of grant	2.55	2.55	3.21	1.92	1.92

U.S. dollars (Note 1)

Company name	Butterfly Corporation	Butterfly Corporation
Date of the resolution	October 29, 2010	January 19, 2011
Exercise price	\$16.68	\$16.68
Average market price of the stock at the time of exercise	—	—
Fair value of the stock option at the date of grant	—	—

Year ended March 31, 2014

(1) The following table summarizes the contents of stock options as of March 31, 2014.

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

Company name	The Company	The Company	Butterfly Corporation
Date of the resolution	July 31, 2012	July 31, 2012	October 29, 2010
Position and number of grantees	The Company's directors: 5	The Company's executive officers: 6 The Company's employees: 11 The Company's subsidiaries' directors: 27 The Company's subsidiaries' executive officers: 17 The Company's subsidiaries' employees: 1,206	Butterfly Corporation's directors: 3 Butterfly Corporation's corporate auditors: 1 Butterfly Corporation's employees: 56
Class and number of stock	Common stock 250,000	Common stock 3,483,000	Common stock 49,000
Date of issue	September 1, 2012	September 1, 2012	November 1, 2010
Condition of settlement of rights	Continue to work from September 1, 2012 to September 1, 2014	Continue to work from September 1, 2012 to September 1, 2014	Continue to work from November 1, 2010 to October 29, 2012
Period grantees provide service in return for stock options	September 1, 2012 to September 1, 2014	September 1, 2012 to September 1, 2014	November 1, 2010 to October 29, 2012
Period subscription rights are to be exercised	September 2, 2014 to September 1, 2016	September 2, 2014 to September 1, 2016	October 30, 2012 to October 28, 2020

Company name	Butterfly Corporation
Date of the resolution	January 19, 2011
Position and number of grantees	Butterfly Corporation's employees: 10
Class and number of stock	Common stock 1,000
Date of issue	February 1, 2011
Condition of settlement of rights	Continue to work from February 1, 2011 to October 29, 2012
Period grantees provide service in return for stock options	February 1, 2011 to October 29, 2012
Period subscription rights are to be exercised	October 30, 2012 to October 28, 2020

(2) The following table summarizes the scale and movement of stock as of March 31, 2014.

Company name	Shares				
	The Company	The Company	The Company	The Company	The Company
Date of the resolution	June 30, 2010	June 30, 2010	December 24, 2010	July 31, 2012	July 31, 2012
Not exercisable stock options					
Stock options outstanding at April 1, 2013	—	—	—	250,000	3,475,800
Stock options granted	—	—	—	—	—
Forfeitures	—	—	—	—	43,600
Conversion to exercisable stock options	—	—	—	—	—
Stock options outstanding at March 31, 2014	—	—	—	250,000	3,432,200
Exercisable stock options					
Stock options outstanding at April 1, 2013	132,900	2,308,800	383,600	—	—
Conversion from not exercisable stock options	—	—	—	—	—
Stock options exercised	85,000	1,328,400	149,500	—	—
Forfeitures	—	1,000	200	—	—
Stock options outstanding at March 31, 2014	47,900	979,400	233,900	—	—

Shares

Company name	Butterfly Corporation	Butterfly Corporation
Date of the resolution	October 29, 2010	January 19, 2011
Not exercisable stock options		
Stock options outstanding at April 1, 2013	—	—
Stock options granted	—	—
Forfeitures	—	—
Conversion to exercisable stock options	—	—
Stock options outstanding at March 31, 2014	—	—
Exercisable stock options		
Stock options outstanding at April 1, 2013	39,800	800
Conversion from not exercisable stock options	—	—
Stock options exercised	—	—
Forfeitures	5,700	500
Stock options outstanding at March 31, 2014	34,100	300

The following table summarizes the price information of stock options as of March 31, 2014

Yen

Company name	The Company	The Company	The Company	The Company	The Company
Date of the resolution	June 30, 2010	June 30, 2010	December 24, 2010	July 31, 2012	July 31, 2012
Exercise price	¥1,312	¥1,312	¥1,753	¥1,686	¥1,686
Average market price of the stock at the time of exercise	2,749	2,483	2,546	—	—
Fair value of the stock option at the date of grant	306	306	386	231	231

Yen

Company name	Butterfly Corporation	Butterfly Corporation
Date of the resolution	October 29, 2010	January 19, 2011
Exercise price	¥2,000	¥2,000
Average market price of the stock at the time of exercise	—	—
Fair value of the stock option at the date of grant	—	—

2. Estimation of fair value of the stock options

Year ended March 31, 2015

Not applicable

Year ended March 31, 2014

Not applicable

3. Estimation of number of exercisable stock options

Only the actual forfeitures are reflected because it is difficult to estimate future forfeitures reasonably.

NOTE 15**Income Taxes****(1) Significant components of deferred tax assets and liabilities**

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Deferred tax assets:			
Allowance for doubtful accounts	¥ 831	¥ 1,516	\$ 6,933
Loss on valuation of inventories	2,294	2,386	19,134
Provision for bonuses	1,586	1,571	13,230
Net defined benefit liability	1,718	2,863	14,333
Depreciation expense	12,300	12,852	102,596
Loss on valuation of investment securities	485	466	4,050
Impairment loss	3,185	2,804	26,569
Other	20,597	22,171	171,805
Tax loss carry forward	74,405	77,838	620,614
Total	118,623	124,471	989,438
Valuation allowance	(106,232)	(105,070)	(886,081)
Offset against deferred tax liabilities	(5,681)	(5,898)	(47,388)
Net deferred tax assets	6,710	13,502	55,968
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(8,860)	(9,387)	(73,907)
Other	(1,846)	(1,556)	(15,399)
Subtotal of deferred tax liabilities	(10,706)	(10,944)	(89,306)
Offset against deferred tax assets	5,681	5,898	47,388
Total	(5,025)	(5,045)	(41,917)
Recorded deferred tax assets	1,684	8,457	14,050

(2) Breakdown of major causes of the significant difference between the statutory tax rate and the effective tax rate for financial statement purposes, if any, by item, for the years ended March 31, 2015 and 2014

	2015	2014
Statutory tax rate	35.6%	38.0%
(Reconciliation)		
Changes in valuation allowance	(217.2)	(8.9)
Permanently non-deductible expenses including entertainment expenses	65.5	2.0
Amortization of goodwill	49.3	2.1
Difference of tax rates for consolidated subsidiaries	(1.8)	(1.3)
Tax credit for experiment and research expenses	(31.1)	—
Tax loss carry forward	528.1	(2.0)
Effect of adjustment for consolidation	135.5	2.6
Adjustments of deferred tax assets for enacted changes in tax laws and rates	31.1	3.1
Other	(0.3)	(1.6)
Effective tax rate for financial statement purposes	594.8	34.1

(3) Amendments to deferred tax assets and deferred tax liabilities due to changes in income tax rate

The "Partial Revision on the Income Tax Act" (Act No. 9 of 2015) was officially announced on March 31, 2015, and the corporate tax rate will be decreased from consolidated fiscal years beginning on or after April 1, 2015.

As a result of the changes, net deferred tax assets at the end of the fiscal year ended March 31, 2015, income taxes-deferred, valuation difference on available-for-sale securities, revaluation reserve for land and remeasurements of defined benefit plans have increased by ¥165 million (\$1,377 thousand), ¥648 million (\$5,407 thousand), ¥788 million (\$6,579 thousand), ¥5 million (\$48 thousand) and ¥18 million (\$157 thousand), respectively.

NOTE 16

Business Combination

(Acquisition of shares of Demiurge Studios, Inc.)

1. Outline of business combination

(1) Name and business of acquired company

Name	Description of business
Demiurge Studios, Inc.	Planning and development of mobile games, social games and console games

(2) Reason for business combination

In order to strengthen the ability to develop and provide content for the North American and European markets in the Consumer Business Segment, SEGA Networks, Co., Ltd., which is a consolidated subsidiary of the Company, acquired all of the issued and outstanding shares of Demiurge Studios, Inc.

(3) Date of business combination

February 2, 2015

(4) Legal structure

Purchase of shares with cash

(5) Name of company after the combination

Unchanged

(6) Share of voting rights acquired

100%

(7) Main grounds for determining acquiring company

SEGA Networks, Co., Ltd. acquired the shares of Demiurge Studios, Inc. with cash consideration.

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

Although the financial closing date of the acquired company is different from the consolidated financial closing date, the difference does not exceed three months and thus, consolidated financial statements are prepared based on the financial statements of the subsidiary in question.

As the acquisition was assumed to have taken place on December 31, 2014, financial results of the acquired company are not included in consolidated financial statements for the fiscal year ended March 31, 2015.

3. Acquisition costs

		Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration of the acquisition	Cash	¥ 591	\$4,934
	Accounts payable—other, etc.	472	3,944
Direct costs for the acquisitions	Advisory costs, etc.	26	218
Total acquisition costs		1,090	9,097

4. Goodwill recognized, reason for recognition and amortization method and period

(1) Goodwill recognized

¥883 million (\$7,369 thousand)

The amount of goodwill is calculated on a tentative basis, because the allocation of acquisition cost has not been completed.

(2) Reason for recognition

As the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was recognized as goodwill.

(3) Amortization method and period

Goodwill will be amortized using the straight-line method over an estimated period in which the investment effects will be revealed. Furthermore, the estimated period is currently under calculation.

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

(1) Amount of assets

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥168	\$1,405
Noncurrent assets	70	591
Total	239	1,997

(2) Amount of liabilities

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥30	\$250
Noncurrent assets	—	—
Total	30	250

6. Details of contingent consideration of the acquisition stipulated in the business combination contract and accounting treatment for the year ended March 31, 2015 and after.

Under the contract, part of the outstanding consideration of the acquisition above shall deduct, in case that certain directors and employees retire by February 2, 2016 or February 2, 2017.

In the case where the reduction of consideration is occurred, the amount of the acquisition cost, goodwill and amortization of goodwill shall be amended.

7. Estimated impact on the consolidated statement of income and comprehensive income for the fiscal year ended March 31, 2015 if the business combination had been completed as of the beginning of the fiscal year ended March 31, 2015 as well as the calculation method of the estimated amount

This disclosure is omitted due to the immateriality of the effect. Additionally, calculation of the estimated amount is unaudited.

NOTE 17

Segment Information

1. Outline of reporting segments

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

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

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

Line of business at each reporting segment is as follows:

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

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

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

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

Year ended March 31, 2015

	Millions of yen						
	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (Note)	Total
Net sales							
Sales to third parties	¥149,160	¥39,641	¥41,416	¥111,025	¥341,243	¥13,677	¥354,921
Inter-segment sales and transfers	64	5,838	16	732	6,652	770	7,423
Total	149,224	45,480	41,432	111,757	347,896	14,447	362,344
Segment income (loss)	25,796	(2,536)	(946)	4,033	26,347	(2,098)	24,249
Segment assets	89,342	29,156	38,787	123,197	280,483	28,705	309,189
Other items							
Depreciation	6,363	1,953	5,232	7,097	20,646	592	21,239
Increase in property, plant and equipment and intangible assets	6,709	3,528	6,534	10,107	26,879	1,814	28,694

	Thousands of U.S. dollars (Note 1)						
	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Subtotal	Other (Note)	Total
Net sales							
Sales to third parties	\$1,244,140	\$330,651	\$345,457	\$ 926,058	\$2,846,308	\$114,081	\$2,960,389
Inter-segment sales and transfers	540	48,702	133	6,112	55,489	6,427	61,916
Total	1,244,681	379,354	345,590	932,171	2,901,797	120,508	3,022,306
Segment income (loss)	215,169	(21,156)	(7,897)	33,646	219,762	(17,502)	202,260
Segment assets	745,205	243,190	323,523	1,027,588	2,339,507	239,433	2,578,940
Other items							
Depreciation	53,076	16,293	43,643	59,201	172,213	4,942	177,156
Increase in property, plant and equipment and intangible assets	55,965	29,433	54,503	84,302	224,204	15,132	239,337

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

Year ended March 31, 2014

	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
Increase 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 the resort complex business and information provider services, etc.

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

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Net sales			
Total net sales in the reporting segments	¥347,896	¥369,609	\$2,901,797
Segment net sales in Other	14,447	15,225	120,508
Elimination of inter-segment transactions	(7,423)	(6,823)	(61,916)
Net sales in the consolidated financial statements	354,921	378,011	2,960,389

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Income (loss)			
Total income in the reporting segments	¥26,347	¥46,178	\$219,762
Segment loss in Other	(2,098)	(1,200)	(17,502)
Elimination of inter-segment transactions	5	120	43
General corporate expenses (Note)	(6,644)	(6,565)	(55,425)
Operating income in the consolidated financial statements	17,609	38,533	146,878

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

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Assets			
Total assets in the reporting segments	¥280,483	¥291,951	\$2,339,507
Segment assets in Other	28,705	23,417	239,433
General corporate assets (Note)	239,474	246,878	1,997,455
Other adjustments	(19,765)	(19,311)	(164,866)
Total assets in the consolidated financial statements	528,898	542,936	4,411,529

(Note) General corporate assets are mainly assets of the Company.

	Millions of yen			Amount in consolidated financial statements
	Subtotal	Other	Adjustment	2015
Other				
Depreciation	¥20,646	¥ 592	¥508	¥21,747
Increase in property, plant and equipment and intangible assets	26,879	1,814	86	28,780

	Thousands of U.S. dollars (Note 1)			Amount in consolidated financial statements
	Subtotal	Other	Adjustment	2015
Other				
Depreciation	\$172,213	\$ 4,942	\$4,237	\$181,394
Increase in property, plant and equipment and intangible assets	224,204	15,132	723	240,060

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

	Millions of yen			Amount in consolidated financial statements
	Subtotal	Other	Adjustment	
Other				2014
Depreciation	¥18,832	¥ 529	¥381	¥19,743
Increase in property, plant and equipment and intangible assets	26,061	12,052	67	38,182

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

[Related information]

Year ended March 31, 2015

1. Information by each product and service

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

2. Geographical segment information

(1) Net sales

Millions of yen				
Japan	North America	Europe	Other	Total
¥315,139	¥18,665	¥13,060	¥8,058	¥354,921

Thousands of U.S. dollars (Note 1)				
Japan	North America	Europe	Other	Total
\$2,628,569	\$155,686	\$108,938	\$67,218	\$2,960,389

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

(2) Property, plant and equipment

Millions of yen			
Japan	Korea	Other	Total
¥83,968	¥13,532	¥2,771	¥100,272

Thousands of U.S. dollars (Note 1)			
Japan	Korea	Other	Total
\$700,381	\$112,875	\$23,116	\$836,373

(Note) Property, plant and equipment are geographically classified by country or region in which customers are located.

3. Information by each major customer

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

Year ended March 31, 2014

1. Information by each product and service

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

2. Geographical segment information

(1) Net sales

Millions of yen				
Japan	North America	Europe	Other	Total
¥351,290	¥10,951	¥10,305	¥5,464	¥378,011

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

(2) Property, plant and equipment

				Millions of yen
Japan	Korea	Other	Total	
¥88,061	¥11,710	¥2,391	¥102,162	

(Note) Property, plant and equipment are geographically classified by country or region in which customers are located.

3. Information by each major customer

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

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

Year ended March 31, 2015

						Millions of yen
	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Impairment loss	¥1,623	¥516	¥3,760	¥1,686	¥294	¥7,881

Thousands of U.S. dollars (Note 1)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Impairment loss	\$13,538	\$4,305	\$31,364	\$14,069	\$2,460	\$65,739

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

Year ended March 31, 2014

						Millions of yen
	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Impairment loss	¥12	¥1	¥1,478	¥222	¥86	¥1,799

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

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

Year ended March 31, 2015

						Millions of yen
	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Amortization	¥212	¥ 46	¥—	¥3,337	¥ 28	¥ 3,625
Balance as of March 31, 2015	—	142	—	14,261	264	14,668

Thousands of U.S. dollars (Note 1)

	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Amortization	\$1,771	\$ 387	\$—	\$ 27,836	\$ 241	\$ 30,236
Balance as of March 31, 2015	—	1,192	—	118,953	2,202	122,349

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

Year ended March 31, 2014

						Millions of yen
	Pachislot Pachinko	Amusement Machine Sales	Amusement Center Operations	Consumer Business	Other (Note)	Total
Amortization	¥283	¥ —	¥—	¥ 2,688	¥25	¥ 2,997
Balance as of March 31, 2014	212	178	—	18,431	92	18,915

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

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

Year ended March 31, 2015

Not applicable

Year ended March 31, 2014

Not applicable

NOTE 18

Related Party Transactions

Information on related party transactions for the years ended March 31, 2015 and 2014 and the related amounts as of those dates is summarized as follows.

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

Year ended March 31, 2015

Name of related individual or company		Position and principal business	Description of the Company's transactions	Transactions	Account	End of period account balance
FSC Co., Ltd. ^{(*)1}		Non-life insurance agent	Payment of insurance ^{(*)2}	¥8	Prepaid expenses	¥2
			Payment of outsourcing fee ^{(*)2}	9	—	—
			Rental income from real estate and equipment ^{(*)2}	3	Current liabilities – other	0
						Millions of yen
FSC Co., Ltd. ^{(*)1}		Non-life insurance agent	Payment of insurance ^{(*)2}	\$72	Prepaid expenses	\$24
			Payment of outsourcing fee ^{(*)2}	76	—	—
			Rental income from real estate and equipment ^{(*)2}	25	Current liabilities – other	4
						Thousands of U.S. dollars (Note 1)

(*)1: Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% of the shares in FSC Co., Ltd.

2. Transaction prices are determined in the same way as for general transactions and with reference to market prices.

3. Consumption taxes are not included in transaction amounts.

Year ended March 31, 2014

Name of related individual or company		Position and principal business	Description of the Company's transactions	Transactions	Account	End of period account balance
FSC Co., Ltd. ^{(*)1}		Non-life insurance agent	Payment of insurance ^{(*)2}	¥ 8	Prepaid expenses	¥ 4
			Payment of outsourcing fee ^{(*)2}	10	—	—

(*)1: Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% of the shares in FSC Co., Ltd.

2. Transaction prices are determined in the same way as for general transactions and with reference to market prices.

3. Consumption taxes are not included in transaction amounts.

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

Year ended March 31, 2015

Name of related individual or company		Position and principal business	Description of the Company's transactions	Transactions	Account	End of period account balance
FSC Co., Ltd. ^{(*)1}		Non-life insurance agent	Payment of insurance ^{(*)2}	¥42	Prepaid expenses	¥24
					Accrued expenses	0
			Receipt and remittance of insurance	1	—	—
			Payment of welfare expenses ^{(*)2}	2	—	—
						Millions of yen
FSC Co., Ltd. ^{(*)1}		Non-life insurance agent	Payment of insurance ^{(*)2}	\$357	Prepaid expenses	\$200
					Accrued expenses	0
			Receipt and remittance of insurance	12	—	—
			Payment of welfare expenses ^{(*)2}	17	—	—
						Thousands of U.S. dollars (Note 1)

(*)1: Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% of the shares in FSC Co., Ltd.

2. Transaction prices are determined in the same way as for general transactions and with reference to market prices.

3. Consumption taxes are not included in transaction amounts.

Notes to Consolidated Financial Statements

Year ended March 31, 2014

				Millions of yen	
Name of related individual or company	Position and principal business	Description of the Company's transactions	Transactions	Account	End of period account balance
FSC Co., Ltd. ^{(*)1}	Non-life insurance agent	Payment of insurance ^{(*)2}	¥41	Prepaid expenses	¥28
				Accrued expenses	0
		Receipt and remittance of insurance	0	—	—
		Payment of welfare expenses ^{(*)2}	2	—	—

(*)1: Hajime Satomi, Chairman of the Board and Chief Executive Officer, directly holds 53% of the shares in FSC Co., Ltd.

2. Transaction prices are determined in the same way as for general transactions and with reference to market prices.

3. Consumption taxes are not included in transaction amounts.

NOTE 19**Per Share Data**

Per share data is as follows:

	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Net assets per share	¥1,337.46	¥1,409.27	\$11.15
Net income (loss) per share	(46.22)	126.42	(0.38)
Net income per share (diluted)	—	125.39	—

(Notes) 1. Dilutive shares existed but amount for diluted net income per share has been omitted because the Company recorded a net loss per share for the year ended March 31, 2015

2. Net income (loss) per share and Diluted net income per share

Item	2015	2014
Net income (loss) per share		
Net income (loss)	(¥11,258) million ((\$93,907) thousand)	¥30,721 million
Amount not attributable to common stockholders	¥— million (\$— thousand)	¥— million
Net income (loss) for common stock	(¥11,258) million ((\$93,907) thousand)	¥30,721 million
Average number of common stocks	243,611 thousand shares	243,017 thousand shares
Diluted net income per share		
Net income adjustment	¥— million (\$— thousand)	¥— million
Increase of common stock	— thousand shares	1,990 thousand shares
(Stock options)	— thousand shares	1,990 thousand shares

NOTE 20

Significant Subsequent Events

Year ended March 31, 2015

1. Corporate divestiture and merger in consolidated subsidiaries, and the change of trade names of some subsidiaries

The Company established the Group Structure Reform Division, and has held discussions to review the earnings structure of the entire Group from a medium- to long-term perspective, and implemented organizational restructuring within the Group as well as the change of trade names of some subsidiaries on April 1, 2015, based on resolutions of the Board of Directors' meetings held on January 30, 2015 and February 12, 2015.

(1) Purpose of the corporate divestiture and merger

As part of the measures for restructuring into three business groups, the Company implemented the organizational restructuring within the Group on April 1, 2015 as a policy to clarify the responsible business field of each Group company and thereby continuously review businesses owned by the Group to promote further business reorganization.

(2) Overview of the corporate divestiture

a. Legal form of the business combination

An incorporation-type demerger, designating SEGA CORPORATION as a transferor company and establishing new companies (SEGA Holdings Co., Ltd., SEGA Interactive Co., Ltd., and SEGA LIVE CREATION Inc.)

b. Overview of newly established companies

Name	SEGA Holdings Co., Ltd.	SEGA Interactive Co., Ltd.	SEGA LIVE CREATION Inc.
Business description	Management of its Group as the holding company of SEGA Group and all businesses appertaining	Development, manufacture and sales of amusement machines	Planning, development and operation of entertainment theme park in Resort Business
Head office	1-39-9, Higashi-Shinagawa, Shinagawa Ward, Tokyo	1-2-12, Haneda, Ota Ward, Tokyo	1-39-9, Higashi-Shinagawa, Shinagawa Ward, Tokyo
Capital stock	¥100 million (\$834 thousand)	¥100 million (\$834 thousand)	¥100 million (\$834 thousand)
Principal shareholder and Shareholding ratios	SEGA SAMMY HOLDINGS INC.: 100%	SEGA Holdings Co., Ltd.: 100%	SEGA SAMMY HOLDINGS INC.: 100%

(3) Overview of the merger

a. Legal form of the business combination

An absorption-type merger, designating SEGA CORPORATION as the surviving company and dissolving SEGA Networks Co., Ltd. as the absorbed company

b. Overview of merging companies (As of March 31, 2015)

Name	SEGA CORPORATION (Surviving Company)	SEGA Networks Co., Ltd. (Absorbed Company)
Business description	Development, production and sales of amusement machines; Development and sales of game software	Business involved in the planning, development, design, sales, delivery and management and operation of products and services that utilize the Internet and other means of communication
Head office	1-2-12, Haneda, Ota Ward, Tokyo	1-6-1, Roppongi, Minato Ward, Tokyo
Capital stock	¥100 million (\$834 thousand)	¥10 million (\$83 thousand)

* SEGA CORPORATION changed its trade name to SEGA Games Co., Ltd. on April 1, 2015

(4) Overview of the accounting procedures applied

Based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013), the Company applied an accounting procedure as a transaction under common control.

2. Changes in segment classifications

The reporting segments of the Group for the fiscal year ended March 31, 2015 was comprised of "Pachislot and Pachinko Machines Business," "Amusement Machine Sales Business," "Amusement Center Operations Business" and "Consumer Business." However, in connection with the organizational restructuring, the Company changed the classification into "Pachislot and Pachinko Machines Business," "Entertainment Contents Business" and "Resort Business" from the fiscal year ending March 31, 2016.

Information regarding the amounts of net sales and income (loss) by reporting segment for the year ended March 31, 2015, assuming the segment categories after the changes in segment classifications is as follows.

	Millions of yen					Amount in consolidated financial statements (Note 2)
	Pachislot Pachinko	Entertainment Contents Business	Resort Business	Subtotal	Adjustment (Note 1)	
Net sales						
Sales to third parties	¥152,657	¥187,289	¥14,974	¥354,921	¥ —	¥354,921
Inter-segment sales and transfers	589	1,047	80	1,716	(1,716)	—
Total	153,246	188,337	15,054	356,637	(1,716)	354,921
Segment income (loss)	25,932	25	(2,336)	23,621	(6,012)	17,609

	Thousands of U.S. dollars (Note 1)					Amount in consolidated financial statements (Note 2)
	Pachislot Pachinko	Entertainment Contents Business	Resort Business	Subtotal	Adjustment (Note 1)	
Net sales						
Sales to third parties	\$1,273,310	\$1,562,176	\$124,902	\$2,960,389	\$ —	\$2,960,389
Inter-segment sales and transfers	4,912	8,739	667	14,319	(14,319)	—
Total	1,278,223	1,570,915	125,570	2,974,709	(14,319)	2,960,389
Segment income (loss)	216,304	210	(19,488)	197,026	(50,147)	146,878

(Notes) 1. Elimination of inter-segment transactions of ¥41 million (\$343 thousand) and general corporate expenses of ¥6,053 million (\$50,490 thousand) which are not allocated to the reporting segment are included in the adjustment to segment income (loss) of ¥6,012 million (\$50,147 thousand). General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.
2. Adjustment has been made to segment income (loss) and operating income in the consolidated financial statements.

3. Issuance of unsecured bonds

The Company issued the following straight corporate bonds

Name of bond	SEGA SAMMY HOLDINGS INC. Fourth unsecured straight bonds (with inter-bond pari passu clause)
Issuing amount	¥10,000 million (\$83,409 thousand)
Date of issuance	June 15, 2015
Issue price	¥100 for ¥100 par value of each bond
Interest rate	0.567% per annum
Date of maturity	June 15, 2020
Redemption	Redeemed in full upon maturity
Use of proceeds	Repayment of loans payable

4. Pledged shares of subsidiaries and associates

At the Board of Directors' meeting held on May 28, 2015, the Company resolved to approve the loan agreement with a financial instrument by PARADISE SEGASAMMY Co., Ltd., which is an affiliated company accounted for by the equity method.

As of June 15, 2015, in accordance with the resolution, the Company offered all shares of PARADISE SEGASAMMY Co., Ltd. (¥15,234 million (\$127,068 thousand) of shares of subsidiaries and associates on a consolidated basis) as collateral for ¥700,000 million of total loans payable to the financial instrument.

NOTE 21

Supplemental Information

Supplemental schedule of corporate bonds

Company	Name of bond	Issuance date	Balance as of April 1, 2014 (Millions of yen)	Balance as of March 31, 2015 (Millions of yen)	Balance as of March 31, 2015 (Thousands of U.S. dollars (Note 1))	Interest rate (%)	Type	Date of maturity
The Company	1st unsecured bonds (Private placement bond)	March 29, 2013	¥8,000	¥8,000	\$66,727	0.44	Unsecured	March 29, 2018
	2nd unsecured bonds (Private placement bond)	March 29, 2013	6,400	4,800 (1,600)	40,036 (13,345)	0.42	Unsecured	March 29, 2018
	1st unsecured bonds (Publicly offered bonds)	July 25, 2013	5,000	5,000	41,704	0.73	Unsecured	July 25, 2018
	2nd unsecured bonds (Publicly offered bonds)	July 25, 2013	5,000	5,000	41,704	0.49	Unsecured	July 25, 2016
	3rd unsecured bonds (Publicly offered bonds)	June 17, 2014	—	10,000	83,409	0.52	Unsecured	June 17, 2019
	3rd unsecured bonds (Private offered bonds)	September 26, 2014	—	10,000	83,409	0.44	Unsecured	September 26, 2019
SEGA CORPORATION	13th unsecured bonds	June 30, 2011	5,000	5,000	41,704	0.72	Unsecured	June 30, 2016
	14th unsecured bonds	December 20, 2011	2,600	2,600	21,686	0.66	Unsecured	December 20, 2016
	15th unsecured bonds	June 29, 2012	5,000	5,000	41,704	0.58	Unsecured	June 30, 2017
	16th unsecured bonds	September 28, 2012	2,400	2,400	20,018	0.51	Unsecured	September 29, 2017
SEGA TOYS CO., LTD.	8th unsecured bonds	March 31, 2010	100	—	—	0.74	Unsecured	March 31, 2015
Total	—	—	39,500	57,800 (1,600)	482,108 (13,345)	—	—	—

(Notes) 1. The figures in parentheses of the "Balance as of March 31, 2015" represent the current portion of corporate bonds.

2. Total amount of scheduled redemption for each fiscal year within five years after March 31, 2015 is as follows:

Millions of yen					
Within one year	One to two years	Two to three years	Three to four years	Four to five years	
¥1,600	¥14,200	¥19,500	¥10,000	¥12,500	

Thousands of U.S. dollars (Note 1)					
Within one year	One to two years	Two to three years	Three to four years	Four to five years	
\$13,345	\$118,441	\$162,649	\$83,409	\$104,262	

Supplemental schedule of borrowings

Category	Balance as of April 1, 2014 (Millions of yen)	Balance as of March 31, 2015 (Millions of yen)	Balance as of March 31, 2015 (Thousands of U.S. dollars (Note 1))	Average interest rate (%)	Repayment terms
Short-term loans payable	¥ 500	¥ 500	\$ 4,170	0.7	—
Current portion of long-term loans payable due within one year	12,418	13,342	111,288	1.0	—
Current portion of lease obligations	818	536	4,478	Note 2	—
Long-term loans payable (Excluding current portion)	35,198	32,918	274,572	0.9	2016~2023
Lease obligations (Excluding current portion)	2,081	2,455	20,485	Note 2	2016~2024
Other interest-bearing debt					
Accounts payable—facilities	1,307	1,318	11,000	—	—
Accounts payable—facilities (Excluding current portion)	4,179	2,860	23,858	—	2016~2018
Total	56,504	53,933	449,855	—	—

(Notes) 1. The "Average interest rate" represents weighted-average interest rate over the year-end balance of loans.

2. The average interest rate on lease obligations is not listed because lease obligations is posted in the consolidated balance sheets mainly as the amount before deduction of the amount of interest included in the total lease amount.

3. The redemption schedule of long-term loans payable, lease obligations and interest-bearing debt (excluding current portion) after March 31, 2015 is summarized as follows:

Category	Millions of yen				
	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Long-term loans payable	¥14,010	¥6,372	¥7,515	¥5,010	¥ 9
Lease obligations	1,846	230	120	75	183
Other interest-bearing debt					
Accounts payable—facilities	1,329	1,079	451	—	—

Category	Thousands of U.S. dollars (Note 1)				
	One to two years	Two to three years	Three to four years	Four to five years	Over five years
Long-term loans payable	\$116,858	\$53,154	\$62,685	\$41,795	\$ 78
Lease obligations	15,402	1,922	1,004	627	1,528
Other interest-bearing debt					
Accounts payable—facilities	11,086	9,005	3,767	—	—

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of SEGA SAMMY HOLDINGS INC. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SEGA SAMMY HOLDINGS INC. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 30, 2015
Tokyo, Japan