November 4, 2020

(Translation)

Dear Sirs or Madams,

Name of Company: SEGA SAMMY HOLDINGS INC.
Name of Representative: Haruki Satomi,
President and Group COO
Representative Director

(Code No. 6460, Tokyo Stock Exchange 1st Section)

Further Inquiry: Yoichi Owaki,
Senior Vice President,
Executive Officer
Managing Director of
Finance & Accounting Division
(TEL: 03-6864-2400)

Notice of Recording of Extraordinary Losses Due to Structural Reform and Transfer of Consolidated Subsidiaries (Transfer of Shares)

SEGA SAMMY HOLDINGS Inc. (the Company) resolved to transfer a portion of the shares of SEGA ENTERTAINMENT CO., LTD. (SE) held by SEGA GROUP CORPORATION (SHQ), a consolidated subsidiary of the Company, to GENDA Inc. (GENDA) at Board of Directors meeting held on November 4, 2020. In addition, we hereby notice that we expect to record extraordinary losses (structural reform expenses) in connection with this transfer.

As a result of the transfer of shares, SHQ's voting rights in SE will be 14.9%, and SE will be excluded from the scope of consolidation.

Description

1. Reasons for recognition of extraordinary losses and transfer of shares

As stated in the "Notice Regarding Full-Year Consolidated Operating Results Forecast" announced on August 5, 2020, in light of the situation that many of our Group's business are significantly affected by COVID-19, we have established a Structural Reform Committee to reform our organization structure to adapt to the external environment and working to 1) review the balance sheet for non business properties, 2) build an organizational structure that can adapt to changes in the market environment, and 3) reduce costs centered on group-wide fixed expenses (reduction target of 15 billion yen).

As Amusement Center Operations area in Entertainment Contents Business is strongly affected by COVID-19, utilization of facilities has declined remarkably, and a significant loss was recorded at 1Q of the fiscal year ending March 2021. In addition, despite the recent recovery trend, the situation remains uncertain.

We have been considering various options in order to adapt to these changes in business aiming for improvement of the profitability and early recovery of sales of Amusement Center Operations area. In this process, we have been discussing the transfer of SE shares to GENDA, a company that has a strong desire to expand Amusement Center Operations business and has decided to conclude the share transfer agreement at Board of Directors meeting held today. Accordingly, we reduce the book value of non-current assets and others held by SE to the

recoverable amount through transfer of shares, and will record this reduced amount and others of 20 billion yen as extraordinary losses (structural reform expenses) at the fiscal year ending March 2021.

2. Overview of the subsidiary to be transferred

(1) Name	SEGA ENTERTAINMENT CO., LTD.	
(2) Location	Omori Park Bldg 7F, 1-6-1 Omorihoncho, Ota-ku, Tokyo	
(3) Job Title/Name of Representative	Satoshi Ueno, President (Representative Director)	
(4) Details of business	Planning and operation of amusement facilities Planning and operation of restaurant facilities Rental business of amusement machines	
(5) Capital stock (As of September 30, 2020)	100 million yen	
(6) Date of establishment	April 1, 2004	
(7) Major shareholders and share ratio	SEGA GROUP CORPORATION, 100%	
(8) Relationship between a listed company and the company concerned	Capital relationship	SHQ, a consolidated subsidiary of the Company, owns 100% of shares of the company concerned.
	Personal relationships	Director of the Board and Audit & Supervisory Board members of the Company also serve as Director of the Board and Audit & Supervisory Board members of the company concerned. Employees of the Company are seconded to the company concerned. The employees of the company concerned are seconded to the Company.
	Business relationship (As of September 30, 2020	SHQ is providing loans to SE. With respect to loans receivable, SHQ will collect part of them by the date of transfer of the shares and waive the remaining amount.
	Relevant status to relevant party	The concerned company is a consolidated subsidiary of the Company and qualifies as a relevant party.

(9) Operating and financial result of the concerned company for the last three years

(Unit: million yen)

Fiscal year end	Fiscal year ended Mar 2018	Fiscal year ended Mar 2019	Fiscal year ended March 2020
Net assets	20,315	20,300	18,822
Total assets	26,603	28,728	31,168
Net Assets per share (JPY)	967,360.05	966,665.91	896,283.91
Sales	37,664	39,392	40,624
Operating income	1,654	1,450	178
Ordinary income	1,629	1,427	23
Net income	804	694	(915)
Earnings per share (JPY)	38,293.95	33,064.97	(43,609.02)

3. Overview of the counterparty to transfer the shares

(1) Name	GENDA Inc.	
(2) Location	Nagatacho Glass Gate 5F, 2-16-9 Hirakawacho, Chiyoda-ku, Tokyo	
(3) Job Title/Name of Representative	Nao Kataoka, Chairman (Representative Director) Mai Shin, President (Representative Director)	
(4) Details of business	Rental business of amusement machines Online crane game business Sales and promotion business China business, U.S. business	
(5) Capital stock (as of September 30, 2020)	340 million yen	
(6) Date of establishment	May 10, 2018	
(7) Net assets (as of end of FY2020/1)	704 million yen (consolidated)	
(8) Total assets (as of end of FY2020/1)	3,185 million yen (consolidated)	
(9) Major shareholders and share ratio (as of September 30, 2020)	Midas 3rd Investment Limited Partnership (63.7%) Nao Kataoka (17.0%) Shinmai LLC (4.2%)	
(10) Relationship between a listed company and the company concerned	Capital relationship	There is no capital relationship between the Company and the company concerned.
	Personal relationships	There is no personal relationship between the Company and the concerned company.
	Business relationship	The concerned company is purchasing amusement machines, prizes for amusement machines and others from SEGA CORPORATION, a consolidated subsidiary of the Company and outsourcing the delivery service of aforementioned purchased goods to SEGA Logistics Service Co., Ltd., another consolidated subsidiary of the Company.
	Relevant status to relevant party	The concerned company is not qualified as a relevant party of the Company.

4. Number of shares to be transferred, transfer value, and the status of the shares owned before and after transfer

(1) Shares owned before the transfer	21,001 shares (Percentage of voting rights holding: 100%)
(2) Number of transfer shares	17,882 shares
(3) Transfer value	Transfer price is not disclosed due to the intention of transferee. Transfer value is determined through negotiations with the equity transferee based on the earning forecast of SE and the result of analysis by a third-party and other, and is recognized as the fair value.
(4) Shares owned after the transfer	3,119 shares (Percentage of voting rights holding: 14.9%)

5. Schedule of transfer

(1) Date of resolution at the Board of Directors meeting	November 4, 2020
(2) Execution date of agreement	November 4, 2020
(3) Implementation date of share transfer	December 30, 2020 (planned)

6. Future Outlook

In conjunction with this transfer, the Company expects to record extraordinary losses of 20 billion yen (structural reform expenses) at the fiscal year ending Mar 2021, but this matter has not been factored into the consolidated operating results forecast for fiscal year ending March 2021 announced on August 5, 2020. Forecast of full-year consolidated operating results for fiscal year ending Mar 2021, including the impact of this matter, is currently under close investigation and will be announced as soon as forecast becomes clear.

We will continue to work on structural reforms to transform our business structure and organizational structure to adapt to the environment, and to realize an early recover of earnings.

(Reference) Consolidated operating results forecast for the fiscal year ending Mach 2021 (Announced on August 5, 2020) and consolidated operating results for the previous fiscal year

(Unit: million yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Profit attributable to owners of parent
Consolidated operating results forecast for the current fiscal year (Fiscal year ending March 2021)	277,000	(15,000)	(20,000)	(17,000)
Consolidated operating results for the previous fiscal year (Fiscal year ended March 2020)	366,594	27,643	25,296	13,775

*The operating results forecasts contained in this document are made based on information available as of the date of publication of this document. Actual results may differ from the projected figures due to various factors going forward.

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