



March 28, 2024

(Translation)

Dear all,

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

(Code No. 6460, Tokyo Stock Exchange Prime)

Further Inquiry: Makoto Takahashi,
Executive Vice President,
Executive Officer,
Managing Director of
Corporate Planning Division
(TEL: 03-6864-2400)

Notice regarding Implementation of Structural Reform in European Region and Recording of Losses

As announced in the "Notice regarding Implementation of Structural Reforms in the Consumer Area (Entertainment Contents Business)" dated September 28, 2023, SEGA SAMMY HOLDINGS INC. (the Company) is proceeding with structural reform mainly in the European region (the "Structural Reform"). The Company hereby notifies that it has resolved the measures for Structural Reform at the Board of Directors meeting held today. It also notifies that it expects to record a loss as a result of the implementation of structural reform.

Description

1. Background of implementation of structural reform

The business environment surrounding the Consumer area, especially in European region, has been rapidly changing, including reactionary decline from the stay-at-home demand in COVID-19 and the economic downturn due to inflation, etc., and profitability has been lowered.

To promptly adapt to these changes in the environment and improve profitability, we have decided to implement Structural Reform at our European bases and have been considering a review of the medium-term lineup, optimization of fixed expenses and improvement of investment efficiency, and review of development/sales structure and management system, and have now decided to implement the following three measures.

- (1) Transfer of shares of Relic Entertainment, Inc. (Relic)
- (2) Review of the medium-term lineup
- (3) Optimization of fixed expenses

2. Details of structural reform measures

(1) Transfer of shares of Relic

The company decided to transfer all shares of Relic, a consolidated subsidiary of the Company. As a result, a loss on business restructuring of approximately 4.7 billion yen is expected to be recorded as extraordinary losses. As a result of the transfer of shares, Relic will be excluded from the scope of

consolidation.

I. Overview of the subsidiary to be transferred

(1) Name	Relic Entertainment, Inc.		
(2) Location	Suite 500 285 West 5th Ave Vancouver, BC, V5Y 1J3, Canada		
(3) Job Title/Name of Representative	Justin Dowdeswell, Studio Director		
(4) Details of business	Development of consumer software		
(5) Capital stock	CAD 0.4		
(6) Year of establishment	1997		
(7) Major shareholders and share ratio	Sega Europe Limited (100%)		
(8) Relationship between a listed company and the company concerned	Capital relationship	Sega Europe Limited, a consolidated subsidiary of the Company, owns 100% of shares of the company concerned.	
	Personal relationships	Directors and employees of SEGA CORPORATION, a consolidated subsidiary of the Company, also serve as directors of the company concerned.	
	Business relationship	There is no business relationship between the Company and the concerned company.	
	Relevant Status to Relevant Party	The company concerned 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: thousand CAD)			
Fiscal year end	FY2021/3	FY2022/3	FY2023/3
Net assets	33,619	43,918	52,204
Total assets	53,156	65,367	71,553
Net assets per share	53,156	65,367	71,553
Sales	52,722	55,692	62,284
Operating income	15,187	12,762	8,642
Net income	11,970	10,298	8,286
Earnings per share	11,970	10,298	8,286

II. Overview of the counterparty to transfer the shares

The transferee is a holding company to be newly established by the UK investment company Emona Capital LLP, but details will not be disclosed due to the request of the transferee.

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

(1) Shares owned prior to the transfer	1 share (Percentage of voting rights holding: 100%)
(2) Number of shares to be transferred	1 share
(3) Transfer value	Transfer value is not disclosed due to the request of the transferee. Transfer value is determined through negotiations with the equity transferee based on the earning forecast of Relic and the result of analysis by a third-party and other, and is recognized as a fair value.

(4) Shares owned after the transfer	0 share (Percentage of voting rights holding: 0%)
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IV. Schedule of transfer of shares

(1) Date of resolution at the Board of Directors meeting	March 28, 2024
(2) Execution date of agreement	March 28, 2024 (Plan)
(3) Implementation date of share transfer	March 28, 2024 (Plan)

(2) Review of the medium-term lineup

As a result of a review of the medium-term lineup in the European studios, we decided to implement write-downs of work-in-progress of some titles in development. As a result, we expect to record loss of approximately 5.6 billion yen as cost of sales.

(3) Optimization of fixed expenses

At the same time as we review the development structure and medium-term lineup, we decided to reduce headcount by approximately 240 roles at several bases in the European region with the aim of optimizing fixed expenses. As a result, a loss on business restructuring of approximately 1.5 billion yen is expected to be recorded as extraordinary losses. In addition, in September 2023, following the cancellation of some projects from our European bases, headcount was reduced by approximately 250 roles.

3. Future outlook

As a result of implementation of the structural reform measures described above, we expect to newly record loss of approximately 5.6 billion yen as cost of sales and extraordinary losses of approximately 6.2 billion yen for the fiscal year ending March 2024. Also, as the effect of the implementation of structural reform combined with those announced at September 28, 2023, annual cash outflow is expected to be curbed by approximately 10.0 billion yen. The consolidated operating results forecast for the fiscal year ending March 2024 is currently under close investigation including other factors, and we will promptly announce if there is need for revisions to our operating results forecast in the future.

*The operating results forecast and other figures 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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