

September 28, 2023

(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 Reforms in the Consumer Area (Entertainment Contents Business)

SEGA SAMMY HOLDINGS INC. (the Company) hereby notifies that it has resolved to implement structural reforms in the Consumer area, mainly at its European bases at the Board of Directors meeting held on September 28, 2023 and in accordance with this decision, the Company expects to record a loss for the fiscal year ending March 31, 2024.

Description

1. Background of implementation of structural reforms

The Company group has set the Consumer area as one of its growth areas and has achieved rapid earnings growth in recent years by promoting the global branding of its existing IPs and other measures. On the other hand, the business environment surrounding the Consumer area has been rapidly changing, including reactionary decline from the stay-at-home demand in COVID-19 and the economic downturn due to inflation in European region, and profitability has been lowered mainly in European bases.

To promptly adapt to these changes in the environment and improve profitability, we have decided to implement structural reforms aimed at increasing efficiency, mainly at our European bases and reviewed the title portfolio in those bases. Then we have made the difficult decision to cancel some titles under the development as well as to reduce the fixed expenses.

2. Details of implementation

The Company will implement the following items regarding structural reform in our European bases which are determined at this time.

(1) Cancellation of titles under development

In response to the lower profitability of the European region, we have reviewed the title portfolio of each development base in Europe and the resulting action will be to cancel "HYENAS" and some unannounced titles under development. Accordingly, we will implement a write-down of work-in-progress for titles under development.

(2) Reduction of fixed expenses

We will implement reduction of various fixed expenses at several group companies in relevant region, centered on the Creative Assembly Ltd. We expect to incur one-time expenses related to reduction of fixed expenses.

We will continue to consider measures to improve profitability in European bases apart from above. We will announce the specific details and impact from them as soon as we make decision.

3. Future outlook

As a result of implementation of the structural reform described above in Consumer area, we expect to record losses of approximately 14.3 billion yen for the fiscal year ending March 31, 2024, but there are no changes to the full-year consolidated operating results forecast for the fiscal year ending March 31, 2024 at this time. In the Consumer area, several new titles, including mainstay IPs, will be released from the third quarter onwards and the Amusement Machine Sales area, where the prize category is performing well, and the Animation and Toy area are performing solidly. In addition, the Pachislot and Pachinko Machines Business continues to perform well, centered on the pachislot machines, and in the Resort Business, occupancy at various facilities is also continuing to be solid. The full-year consolidated operating results forecast for the fiscal year ending March 31, 2024 will be revised as necessary, after closely observing these conditions as well.

(Reference) Consolidated operating results forecast for this fiscal year (announced on April 28, 2023) and consolidated operating results for the previous fiscal year

(Unit: million yen)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent
Consolidated operating results forecast for this fiscal year (Fiscal year ending March, 2024)	433,000	55,000	58,000	40,000
Consolidated operating results for the previous fiscal year (Fiscal year ended March, 2023)	389,635	46,789	49,473	45,938

*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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