

(Translation)

October 31, 2014

Dear Sirs,

Name of Company: SEGA SAMMY HOLDINGS INC.

Name of Representative: Hajime Satomi,
Chairman, President and
Representative Director (CEO)

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

Further Inquiry: Seiichiro Kikuchi,
Executive Officer
Division Manager,
Group Executive Office
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Notice of First-Half Consolidated Operating Results Forecast Differences
with its Results, Full-Year Consolidated Operating Results Forecast Adjustment
and Status of the Group Structure Reform activities

SEGA SAMMY HOLDINGS INC. (the “Company”), hereby announce the difference between the forecast of its first-half consolidated operating results for the year ending March 31, 2015 publicized on August 29, 2014 and actual results for the same period announced today.

Also, adjustment has made to the forecast of its full-year consolidated operating results for the year ending March 31, 2015 publicized on May 9, 2014 in consolidation of the recent development of its business performance.

Description

1. Difference between the forecast of first-half consolidated operating results and actual results for the year ending March 31, 2015 (from April 1, 2014 to September 30, 2014)

(Unit: million yen unless otherwise indicated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previously publicized forecast (A)	157,000	3,000	3,000	(1,500)	(6.15)
Actual results (B)	154,245	3,452	3,342	(2,079)	(8.52)
Amount of increase or decrease (B-A)	(2,754)	452	342	(579)	
Rate of increase or decrease (%)	(1.8)	15.1	11.4	(38.6)	
(For reference) Operating results for the first-half of the previous year (from April 1, 2013 to September 30, 2013)	162,209	12,398	14,266	11,348	46.76

[Reasons for variance]

Net sales decreased mainly due to the pachinko unit sales in the Pachislot and Pachinko Machines Business falling below the previously announced forecast. However, operating income and ordinary income surpassed the previously announced forecast mainly due to R&D expenses in the Amusement Machine Sales Business not being posted until the third quarter or later. On the other hand, quarterly net income fell below the previously announced forecast due to the increase in tax expenses affected by the increased operating income and ordinary income.

2. Adjustment to the forecast of full-year consolidated operating results for the year ending March 31, 2015 (from April 1, 2014 to March 31, 2015).

(Unit: million yen unless otherwise indicated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previously publicized forecast (A)	450,000	35,000	35,000	21,000	86.21
Adjusted forecast (B)	370,000	18,000	17,000	4,000	16.40
Amount of increase or decrease (B-A)	(80,000)	(17,000)	(18,000)	(17,000)	
Rate of increase or decrease (%)	(17.8)	(48.6)	(51.4)	(81.0)	
(For reference) Operating results for the previous year (from April 1, 2013 to March 31, 2014)	378,011	38,533	40,531	30,721	126.42

[Reasons for the adjustment]

In accordance with the “Act on Control and Improvement of Amusement Business, etc.,” related laws and regulations and rules, the Pachislot and Pachinko Machines Business, the primary source of revenue of the Group, is required to undergo multiple approval processes when launching a product for sale. Recently, the Company received notification from the Japan Pachislot Machine Industry Association (“Nichidenkyo”) and the Japan Pachinko Machine Industry Association (“Nikkoso”), to which Sammy Corporation, the Company’s subsidiary, the subsidiaries of Sammy Corporation and other companies belong, to the effect that operational changes will be made to the method of type tests of pachislot machines conducted by the Security Communications Association (“Hotsukyo”), which handles type tests of machine models as a part of the approval processes.

Impacted by the operational changes in examination methods which have been applied since September 16, 2014, we reviewed specifications, sales schedule, etc. of some pachislot titles which were planned to be launched in the second half of the current fiscal year.

As a result, pachislot unit sales are expected to underperform compared to initial forecasts and we revise the annual unit sales projection for the period under review to 222,000 units from 374,000 units. On the other hand, we revise the annual unit sales projection for pachinko machines from 250,000 units to 267,000 units as the order receiving situation for “CR Hokuto No Ken 6 Ken-ou,” which is scheduled to be launched in the third quarter of the current fiscal year, are going strong, etc.

In addition to the above, business performance is expected to fall below the previously announced full-year forecast in the Amusement Machine Sales Business, the Amusement Operation Business, and Packaged Games field and Toy field of the Consumer Business, due to the harsh market environment.

As a result of the above, consolidated net sales of 370,000 million yen (down 80,000 million yen from the previously publicized forecast), operating income of 18,000 million yen (down 17,000 million yen from the previously publicized forecast), ordinary income of 17,000 million yen (down 18,000 million yen from the previously publicized forecast) and net income of 4,000 million yen (down 17,000 million yen from the previously publicized forecast) are projected for the year ending

March 31, 2015.

3. Status of the Group Structure Reform activities

On May 9, 2014, the Group announced the establishment of the Group Structure Reform Division. Since then various measures have been deliberated, and the policy relating to the following measures have been determined to date.

■ Reorganization into three business groups

The Group companies will be reorganized into three business groups by around April 2015.

- 1) Pachislot and pachinko machines business centering on Sammy Corporation
- 2) Entertainment contents business with SEGA CORPORATION's network game business at its core
- 3) Resort business engaged in the development of hotels, golf courses, facility business and other businesses

Each business group will accelerate the decision-making process, streamline overlapping functions, build a system that will allow the appropriate injection of management resources, and enhance management efficiency by adapting to the changes in the business environment.

■ Efforts to fundamentally improve profitability

In order to put the Group back on its track as an entity capable of generating sustainable profits, the Group has decided that it must use any and all means possible to turn around its existing businesses, and accordingly intends to reduce group-wide fixed expenses, including personnel expenses, mainly of unprofitable businesses by 6 billion yen in and after the fiscal year ending March 31, 2016.

■ Personnel changes relating to the officer in charge of structural reforms in SEGA CORPORATION

Of the measures mentioned above, as part of a new management system to accelerate the execution of structure reforms at SEGA CORPORATION, Haruki Satomi, Director of SEGA CORPORATION, will assume the office of Executive Vice President and Representative Director (officer in charge of structural reforms). For details, please see "Notice of Personnel Change by Our Subsidiary (SEGA CORPORATION)", announced on October 31, 2014.

4. Future outlook

The Group will continue to deliberate measures to implement structural reforms in addition to the measures mentioned above. Newly decided measures, costs entailed in the implementation of the structural reforms, and their impact on operating results will be announced at the time they are determined.

(Note) The above forecasts of operating results are made based on information available to management as of the date hereof. In the future, actual results may differ from the projected figures due to various factors.

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