

December 22, 2016

(Translation)

Dear Sirs,

Name of Company: SEGA SAMMY HOLDINGS INC.

Name of Representative: Hajime Satomi
Chairman of the Board
and CEO and COO

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

Further Inquiry: Yoichi Owaki,
Executive Officer
Division Manager,
Finance & Accounting Division
(TEL: 03-6215-9955)

Notice of Discontinuance of Development of Complex in Busan Metropolitan City, South Korea and
Recording of Extraordinary Loss

It is hereby notified that SEGA SAMMY HOLDINGS INC. (the “Company”) has determined at its Board of Directors meeting held on December 22, 2016, to discontinue the complex development project in Busan Metropolitan City, South Korea, which is expected to be recorded as an extraordinary loss, as described below.

Description

1. Reasons for the discontinuance of the development

Positioning IR (integrated resort) business as its growth business, the Company made PHOENIX RESORT CO., LTD., which manages one of Japan’s major resort facilities, “Phoenix Seagaia Resort,” a subsidiary, and launched development of an IR facility (“Paradise City”) in Incheon International Airport International Business Center in South Korea jointly with South Korea’s Paradise Group in 2012 in order to accumulate expertise in facility development and operation that will be necessary for full-fledged entry to the IR business. Also, in 2013, the Company decided to enter into a complex development project in Busan Metropolitan City, South Korea (the “Project”) for the purpose of further accumulating expertise in facility development/operation.

On the other hand, the Company started implementing Group Structure Reform in May 2014 aiming to “improve profitability” and “improve capital efficiency” by drastically reviewing positioning of all businesses, including not only existing businesses but also business fields in which the Company had been promoting prior investment, and then classifying them into “growth,” “stable revenue/maintain” and “withdraw/downsize.”

As a result of discussions carried out on Group Structure Reform, the Company has decided to withdraw from the Project in order to concentrate management resources on Paradise City, the IR business positioned as a growth business, and to further improve investment efficiency. Although the Company had already acquired land in Busan Metropolitan City in June 2013, as a result of the discontinuance of the Project, we have proposed to negotiate with Busan Metropolitan City, South Korea regarding the return of the acquired land.

The Company will continue to advance the development of Paradise City toward its opening in April 2017, and continue preparing for a full-fledged entry into IR business.

2. Overview of Complex Development Plan at Centum City, Busan Metropolitan City, South Korea (details released on January 4, 2013)

Name of developer	SEGA SAMMY BUSAN INC.
Site (planned)	1502 U-dong, Haeundae-gu, Busan Metropolitan City, South Korea
Business description	Development of a complex comprised of hotel, entertainment facilities, commercial facilities, etc.
Site area	9,911.20 m ²
Total floor space	148,879.34 m ²
Investment amount	391.5 billion KRW (amount for land acquisition: 119.3 billion KRW, assumed investment amount for buildings: 272.2 billion KRW)

3. Future outlook

Due to our decision of discontinuing the Project, we expect to record an extraordinary loss of approximate 3.4 billion yen for the year ending March 31, 2017, which include impairment loss. In addition, information regarding this matter has not been reflected to the forecast of full-year consolidated operating results for the year ending March 31, 2017, released on November 2, 2016. In the event that adjustments to operating results forecast are deemed necessary, the Company will disclose the changes promptly.

(For reference)

Forecast of consolidated operating results for the current period (announced on November 2, 2016) and actual consolidated results of the previous period are as follows.

(Unit: million yen unless otherwise indicated)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Forecasts for the current year (FY ending March, 2017)	373,000	28,000	27,000	30,000
Results for the previous year (FY ended March, 2016)	347,981	17,617	16,409	5,369

(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 owing to various factors.

- END -