

May 10, 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 of Transfer of Consolidated Subsidiaries (Transfer of Shares) and
Recording of Extra Ordinary Income
-Strategic partnership agreement with Fortress for Phoenix Resort operations-

SEGA SAMMY HOLDINGS Inc. ("the Company") hereby notifies that it has resolved to transfer shares of PHOENIX RESORT CO., LTD. ("Phoenix") to Yugao GK an affiliated company of Fortress Investment Group LLC (collectively with its affiliates. "Fortress") at Board of Directors meeting on May 10, 2024. In addition, we hereby notify that we expect to record extraordinary income in connection with this transfer.

Description

1. Reasons for transfer of shares and recording of extra ordinary income

In 2012, we made Phoenix our wholly owned subsidiary in order to acquire know-how in the operation of large-scale facilities to utilize in the development and operation of integrated resort facilities, which we were aiming to enter at that time. Since becoming a subsidiary, we have worked closely with Phoenix to enhance its corporate value. As a result, starting with the fiscal year ended March 2023, Phoenix achieved the largest sales and operating income turnaround since joining our group for two consecutive fiscal years, establishing its presence as one of Japan's leading resort complexes, while also realizing a recovery in profitability.

Even after the Phoenix's achievement to profitability, we have been considering various measures to further increase its corporate value, and have decided that the best way to maximize corporate value of Phoenix is to bring in Fortress, who has extensive experience and knowledge in the hotel and resort business, as a strategic partner, transfer our Phoenix shares to them, and have Fortress take the lead in Phoenix's operations.

Fortress has acquired 176 hotels with 27,457 rooms in Japan since 2011, and manages various hotels, including the Kanpo no Yado portfolio in 2021 and Hotel New Akao in Atami in 2022, with are long-established roots in their local communities. MYSTAYS HOTEL MANAGEMENT Co., Ltd. ("MYSTAYS"), which is the core of Fortress's hotel business in Japan, has a track record of successfully leading the business reforms of numerous hotels and leisure facilities.

Through the execution of this transfer, we will work with MYSTAYS in Phoenix's facilities operations, as well as develop the necessary strategic renovation plans for each building and facility in order to improve the utilization rates and expand the target audience. We believe that with Fortress's support, we can continue to make Phoenix's current employees involved in the operation of Phoenix, and work with local companies and residents to maximize the potential of the "Sheraton Grande Ocean Resort" and "Phoenix Country Club" brands to enhance the overall corporate value of Phoenix.

We will continue to support Phoenix's further growth and increase its corporate value based on the strategic partnership agreement.

In accordance with this stock transfer, we expect to record a gain on stock transfer as an extraordinary gain in the fiscal year ending March 2025.

2. Method of transfer

We will transfer all of the common shares of Phoenix to Fortress and Phoenix will be our affiliated company which are not accounted for under the equity method. After the transfer of all shares, we will acquire newly issued class shares and will hold 20% of Phoenix's voting rights. The share transfer value and the acquisition value are not disclosed due to the request of Fortress.

3. Overview of the subsidiary to be transferred

(1) Name	PHOENIX RESORT CO., LTD.		
(2) Location	415-97, Hamayama Yamasaki-cho, Miyazaki City, Miyazaki Prefecture		
(3) Name/Job Title of Representative	Koichi Katagiri, President and Representative Director		
(4) Details of business	Development and Operation of resort facilities, including hotels, golf courses and international conference halls		
(5) Capital stock	93.38 million yen		
(6) Date of establishment	December 27, 1988		
(7) Major shareholders and share ratio	SEGA SAMMY HOLDINGS INC., 100%		
(8) Relationship between a listed company and the company concerned	Capital relationship	The Company owns 100% of shares of the company concerned.	
	Personal relationships	Director of the Board 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)	The Company is providing loans to the company concerned. With respect to loans receivable, the company will collect all of them after the transfer of the shares.	
	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: thousand yen unless otherwise indicated))			
Fiscal year end	Fiscal year ended Mar 2022	Fiscal year ended March 2023	Fiscal year ended March 2024
Net assets	2,672,502	2,752,585	3,753,814
Total assets	11,570,889	12,015,076	11,416,646
Net Assets per share (yen)	8,695.16	8,955.72	11,858.33

Sales	8,290,435	10,926,663	11,563,529
Operating income	(916,787)	82,261	61,942
Ordinary income	(949,763)	68,038	71,310
Net income	(413,963)	79,566	80,550
Earnings per share (yen)	(1,351.48)	258.87	255.71

4. Overview of the counterparty to transfer the shares

(1) Name	Yugao GK	
(2) Location	c/o EP Consulting Services, 1-1-1 Nishi-Shimbashi, Minato-ku, Tokyo	
(3) Name/Job Title of Representative	Masayuki Meguro Representative Member, Yugao Ippan Shadan Houjin, Executive Officer	
(4) Details of business	Acquisition of Corporate Equity, Asset Management, Disposition	
(5) Capital stock	0.1 million yen	
(6) Date of establishment	July 26, 2023	
(7) Net assets (as of the end of fiscal year ended March, 2024)	53,400 yen	
(8) Total assets (as of the end of fiscal year ended March, 2024)	0.1 million yen	
(9) Major shareholders and share ratio (as of April 19, 2024)	Yugao Holdings I LLC: 99.99% Yugao Ippan Shadan Houjin: 0.01%	
(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	There is no business relationship between the Company and the concerned company.
	Relevant status to relevant party	The concerned company is not qualified as a relevant party of the Company.

5. 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	316,555 shares (Percentage of voting rights holding: 100%)
(2) Number of transfer shares	316,555 shares
(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 Phoenix 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 *

*After the completion of the transfer of common shares, we will acquire newly issued class shares of Phoenix. The acquisition value is not disclosed due to the request of Fortress.

6. Schedule of transfer

(1) Date of resolution at the Board of Directors meeting	May 10, 2024
(2) Execution date of share transfer agreement	May 10, 2024 (plan)
(3) Implementation date of share transfer	May 31, 2024 (plan)
(4) Execution date of class share acquisition agreement	May 31, 2024 (plan)
(5) Implementation date of class share acquisition	May 31, 2024 (plan)

*In order to complete the transfer, the preconditions for closing set forth in the share transfer agreement must be fulfilled, and the dates with (plan) are subject to change.

7. Recording of Extraordinary Income

The impact of this matter on the fiscal year ended March, 2024 is expected to be minimal, and a gain of approximately 8.5 billion yen from the transfer of shares is expected to be recorded as extraordinary income in the fiscal year ending March, 2025. Please refer to the Company's financial results released today for the consolidated operating results forecast for the fiscal year ending March, 2025, including the impact of this matter.

8. Future Outlook

Even after the transfer of all common shares to Fortress, we will continue to support Phoenix 's further growth and increase its corporate value by acquiring newly issued class shares and holding 20% of Phoenix's voting rights.

(Reference) Consolidated operating results forecast for the fiscal year ending March 2025 and consolidated operating results for the fiscal year ended March 2024

(Unit: million yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Profit attributable to owners of parent
Consolidated operating results forecast for this fiscal year (Fiscal year ending March 2025)	445,000	45,000	48,000	39,000
Consolidated operating results for the previous fiscal years before (Fiscal year ended March 2024)	467,896	56,836	59,778	33,055

*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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