

(Translation)

September 30, 2015

Dear Sirs,

Name of Company: SEGA SAMMY HOLDINGS INC.
Name of Representative: Hajime Satomi
Chairman of the Board and
Chief Executive Officer
(Code No. 6460, Tokyo Stock Exchange 1st Section)
Further Inquiry: Seiichiro Kikuchi
Executive Officer
Division Manager,
Group Executive Office
(TEL: 03-6215-9955)

Notice of Extraordinary Loss and Adjustment to the Forecast of Operating Results

It is hereby notified that SEGA SAMMY HOLDINGS INC. (the “Company”) has made adjustments to the forecast of its consolidated operating results publicized on May 11, 2015 in consideration of the recent development of its business performance. Furthermore, the Company expects to record extraordinary loss in the year ending March 2016 as described below, in accordance with its determination at the meeting of the Board of Directors held on September 30, 2015 concerning the structural reform of TAIYO ELEC Co., Ltd. (sub-subsidiary of the Company).

Description

● Forecast of Operating Results

Adjustment to the forecast of first-half consolidated operating results for the year ending March 31, 2016 (from April 1, 2015 to September 30, 2015) (Unit: million yen unless otherwise indicated)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share (yen)
Previously publicized forecast (A)	200,000	14,000	14,000	11,000	46.33
Adjusted forecast (B)	156,000	6,000	6,500	3,000	12.79
Amount of increase or decrease (B-A)	(44,000)	(8,000)	(7,500)	(8,000)	—
Rate of increase or decrease (%)	(22.0)	(57.1)	(53.6)	(72.7)	—
(For reference) Operating results for the first-half of the previous year (from April 1, 2014 to September 30, 2014)	158,180	2,731	2,621	(2,805)	—

*As accounting policies were changed starting from the year ending March 2016, operating results for the first half of the previous year reflects retrospective treatment.

[Reasons for adjustment]

As a result of policy review to move the sales schedule of part of the pachislot and pachinko titles in the Pachislot and Pachinko Machines business to the second half of the fiscal year, for pachislot machines we launched titles such as “Pachislot Hokuto No Ken Tomo” and “Pachislot BAYONETTA”, the unit sales are expected to be around 70 thousand units (previous forecast: 165 thousand units) for the first half of the current fiscal year. For pachinko machines we launched titles such as “Pachinko CR Shin-Juoh 2” and “Pachinko CR TOMORROW'S JOE”, the unit sales are expected to be around 79 thousand units (previous forecast: 110 thousand units) for the first half of the current fiscal year. In the Entertainment Contents Business, although operating expenses are expected to fall below the initial forecast as initially planned R&D costs and advertising costs and such are to be recorded in the second half of the fiscal year, such was not sufficient to offset the impact of the sales schedule review in the Pachislot and Pachinko Machine business.

The Company has been putting forth efforts to fundamentally improve profitability of particularly the Entertainment Contents Business since the establishment of the Group Structure Reform Division on May 9, 2014. However, in order to realize further improvement of profitability, the Company has decided to implement structure reform including solicitation of voluntary retirement at TAIYO ELEC Co., Ltd., in the Pachislot and Pachinko Machines business. The number of retirees scheduled for this measure is around 200, and extraordinary loss of around 1.8 billion yen is expected in the second quarter of the current fiscal year due mainly to the early retirement benefit. On the other hand, reduction of fixed expenses of around 2.0 billion yen per year starting from next fiscal year is expected as labor cost reduction and enhancement of efficiency in production/development structures will be progressed.

As a result of the above, the Company forecasts consolidated net sales of 156.0 billion yen (a decrease of 44.0 billion yen from the previously announced forecast), operating income of 6.0 billion yen (a decrease of 8.0 billion yen from the previously announced forecast) and ordinary income of 6.5 billion yen (a decrease of 7.5 billion yen from the previously announced forecast) in the first half of the current fiscal year. Quarterly net income attributable to owners of parent is forecast to be 3.0 billion yen (a decrease of 8.0 billion yen from the previously announced forecast).

As explained above, the adjustment to the forecast of first-half consolidated operating results for the year ending March 31, 2016 is mainly due to the review of the sales schedule of part of products during the fiscal year. Therefore, there is no adjustment to the forecast of full-year consolidated operating results as of the present. In the Pachislot and Pachinko Machines business, several pachislot titles including “Pachislot Onimusha3 Jikuu Tenshou” and “Pachislot Ryu ga Gotoku OF THE END” will be launched in sequence in the third quarter. In addition, several pachinko titles including “CR Hokuto No Ken 6 Tenshou Hyakuretsu” are scheduled to be launched. Furthermore, in the digital game software field in the Entertainment Contents Business, titles such as “Hortensia SAGA,” “MONSTER GEAR” and “Sen-no-kaizoku” whose services started in the current fiscal year got off to a good start, in addition to continued strong performance of existing mainstay titles. Therefore, continuous profit contribution is expected in the third quarter and onward. The forecast of full-year consolidated operating results for the year ending March 31, 2016 will be promptly

announced when the outlook becomes clear after assessing the sales status of these products and services, and the operational status.

Concerning the dividend forecasts, there is no change in the forecast of interim cash dividends at 20 yen per share, year-end cash dividends at 20 yen per share and annual dividends at 40 yen per share.

*The above figures and forecasts of operating results are 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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