

(Translation)

**Consolidated Financial Results  
for the Six Months Ended September 30, 2022 (Japanese GAAP)**

Name of Company : SEGA SAMMY HOLDINGS INC.  
Listing : Tokyo Stock Exchange Prime  
Code number : 6460  
URL : <https://www.segasammy.co.jp/english>  
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Scheduled date to file quarterly report : November 11, 2022 (plan)  
Scheduled date to commence dividend payments : December 1, 2022 (plan)  
Preparation of supplementary material on quarterly financial results : Yes  
Holding of quarterly financial results briefing : Yes (for institutional investors)  
(Amounts below one million yen are rounded down)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2022**

(April 1, 2022 - September 30, 2022)

## (1) Consolidated Operating Results

(Percentage represents changes from the prior period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2022	150,095	11.3	9,574	(34.8)	12,300	(16.6)	9,619	(19.9)
September 30, 2021	134,893	22.4	14,678	-	14,752	-	12,012	-

(Note) Comprehensive income

Six months ended September 30, 2022 : ¥15,924 million (18.9%)  
Six months ended September 30, 2021 : ¥13,391 million (-%)

	Net income per share	Net income per share (diluted)
Six months ended	Yen	Yen
September 30, 2022	43.56	43.34
September 30, 2021	51.08	50.93

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	437,438	299,535	68.4
March 31, 2022	435,492	292,637	67.1

(Reference) Shareholders' equity

September 30, 2022 : ¥299,148 million  
March 31, 2022 : ¥292,411 million

## 2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	-	20.00	-	20.00	40.00
Year ending March 31, 2023	-	20.00			
Year ending March 31, 2023 (plan)			-	21.00	41.00

(Note) Revision to the forecast of cash dividends most recently announced: No

## 3. Forecast of Consolidated Financial Results for the Year ending March 31, 2023

(April 1, 2022 - March 31, 2023)

(Percentage represents changes from the prior year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	375,000	16.8	40,000	24.8	40,000	20.0	28,000	(24.4)	126.83

(Note) Revision to the forecast of operating results most recently announced: No

## 4. Other

(1) Changes in significant subsidiaries during the period: No

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatements

1. Changes in accounting policies due to revisions to accounting standards and other regulations.: Yes

2. Changes in accounting policies due to other reasons: No

3. Changes in accounting estimates: No

4. Restatements: No

(4) Number of issued shares (common stock)

1. Number of issued shares at the end of the period (including treasury stock)

September 30, 2022 : 241,229,476

March 31, 2022 : 266,229,476

2. Number of treasury stock at the end of the period

September 30, 2022 : 20,473,289

March 31, 2022 : 43,307,930

3. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022 : 220,825,119

Six months ended September 30, 2021 : 235,191,643

(Note)

- This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

- This report is not required the auditing procedures by certified public accountants or accounting auditors.

- The forward-looking statements, such as results forecasts, included in this document are based on information available to the SEGA SAMMY HOLDINGS INC. (the Company) at the time of the announcement and assumptions considered reasonable, and do not purport to be a promise by the Company to achieve such results. Actual results could differ materially, depending on a range of factors. For the assumptions prerequisite to the results forecasts and the points to be noted in the use of the forecasts, please see "Forecast of Consolidated Operating Results" on page 5.

- The Company plans to hold a briefing on financial results for institutional investors on October 31, 2022. The contents and explanations of the meeting (video and audio) will be posted on the Company's website.

## **Operating Results and Financial Position**

### **(1) Overview**

Regarding the environment of the Entertainment Contents Business, in the consumer area, the market environment for the game market on a global scale continues major changes as platforms expand and diversify with the digitization of game contents and services including diversifying revenue opportunities through packaged sales, download content sales, free-to-play games (F2P), subscription services, etc., as well as prolonged sales period. Although the recent market trends seem to be cooling down due to the impact of changes in consumer behavior following the normalization of social and economic activities, there has been a growing expectation of the continued revitalization and growth of the game market on a global scale in the future. As for amusement machines market, although the prize category has been strongly performing and driving the overall market, the impacts of supply chain disruptions and raw material price hikes have appeared as of late.

With regard to the pachislot and pachinko industry, for pachinko machines, strong utilization has been maintained, driven by multiple popular titles. For pachislot machines, the introduction of No. 6.5 models as a new regulation responding to the revision of regulation, has been progressing since June 2022, and titles supported by users have appeared one after another with the recovery of utilization level after their introduction. Also, smart pachislot from November 2022, and smart pachinko from around spring 2023, which will offer an expanding range of gameplay, are scheduled to be introduced, leading to expectations for further demand expansion.

In the resort industry, international visitors to Japan continue to be affected by travel restrictions. In Japan, during the second quarter ended September 30, 2022, the travel demand recovered centered on individual customers, because there were no state of emergency, etc. put in place by the government or local municipalities despite the re-spread of COVID-19.

In this business environment, net sales for the six months ended September 30, 2022 amounted to ¥150,095 million (an increase of 11.3% for the same period in the previous fiscal year). The Group posted an operating income of ¥9,574 million (a decrease of 34.8% for the same period in the previous fiscal year), ordinary income of ¥12,300 million (a decrease of 16.6% for the same period in the previous fiscal year), and profit attributable to owners of parent of ¥9,619 million (a decrease of 19.9% for the same period in the previous fiscal year).

Result of each segment is as follows.

Net sales in each segment here do not include inter-segment sales between segments.

« **Entertainment Contents** »

In the consumer area, for Full Game, the Group released "Soul Hackers 2", "Two Point Campus", etc. as new titles, leading to sales of 10,140 thousand copies (14,040 thousand copies for the same period in the previous fiscal year). For F2P, "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku" continued to strongly perform.

In the amusement machine area, the Group mainly sold UFO Catcher® series and prizes, etc.

In the animation and toy area, for animation, the Group recorded allocated revenue of "Detective Conan: The Bride of Halloween", etc., and for toy, new products such as "With a front camera! Fun to change mouse covers! Sumikkogurashi Personal Computer Premium Design by yourself", etc., and regular products were sold.

As a result, net sales in this segment were ¥116,629 million (an increase of 8.5% for the same period in the previous fiscal year) and ordinary income was ¥17,246 million (a decrease of 24.1% for the same period in the previous fiscal year).

« **Pachislot and Pachinko Machines** »

For pachislot machines, the Group recorded overall sales of 34 thousand units (31 thousand units for the same period in the previous fiscal year). "Pachislot Kabaneri of the Iron Fortress", the Group's first No. 6.5 models released in July 2022, is strongly performed both sales and utilization. For pachinko machines, the Group sold "P Monster Hunter Double Cross Renzoku Shuryou ver.", etc., leading to overall sales of 23 thousand units (23 thousand units for the same period in the previous fiscal year). With regard to titles sold, all of the titles were sold more units than planned and progressed steadily overall.

As a result, net sales in this segment were ¥27,534 million (an increase of 18.0% for the same period in the previous fiscal year) and ordinary income was ¥2,011 million (ordinary loss of ¥1,324 million for the same period in the previous fiscal year).

« **Resort** »

In the resort business, at "Phoenix Seagaia Resort", due to the contribution of the government and unique measures to stimulate tourism demand, the number of facility users for the second quarter ended September 30, 2022, exceeded that for the second quarter ended September 30, 2019 before the spread of COVID-19, and the demand centered on individual customers was high.

Overseas, "PARADISE CITY", operated by PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method), from January to June 2022, the drop amount (purchased amount of chips by customers) was 29.0%, and the number of casino users was 47.5% compared with the same period of 2020, respectively, remained sluggish due to the travel restriction in each country caused by the spread of COVID-19, etc. Meanwhile, signs of recovery in the number of Japanese VIP have been seen due to partially relaxed travel restrictions from June 2022.

\*PARADISE SEGASAMMY Co., Ltd. is posted three months delay due to the fiscal year ended in December.

As a result, net sales in this segment were ¥5,649 million (an increase of 47.4% for the same period in the previous fiscal year) and ordinary loss was ¥2,392 million (ordinary loss of ¥3,955 million for the same period in the previous fiscal year).

## **(2) Forecast of Consolidated Operating Results**

No changes will be made to the forecast of consolidated financial results for the fiscal year ending March 31, 2023, announced on May 13, 2022.

The future plans for business segments in the fiscal year ending March 31, 2023, are as follows.

### **« Entertainment Contents »**

In the consumer area, for Full Game, the Group will launch new titles in earnest from the third quarter of the fiscal year. The Group will work on expanding sales of a new major title "Sonic Frontiers", and plans to release multiple new titles such as remastered versions of Persona series "Persona 5 Royal (Remaster)", "Persona 3 Portable (Remaster)", "Persona 4 Golden (Remaster)", including "Football Manager 2023", "Like a Dragon: Ishin!", "Company of Heroes 3", "Endless Dungeon", etc. For F2P, the Group will continue to enhance the operation of existing titles and schedules to release one new title. In the amusement machine area, the Group will continue to strengthen sales of UFO Catcher® series and prizes, etc. In the animation and toy area, the Group plans to record revenue from various video production and distribution, etc., and to sell new products and regular products for toy.

As for the business environment, in the consumer area, there is no meaningful impact at this time although higher development costs and longer development time, associated with the impact of growing inflation and increasing human resource mobility, require monitoring. In the amusement machine area, while the demand for prize category has been continued, impacts of supply chain disruptions, exchange rate fluctuations, and raw material price hikes require monitoring.

### **« Pachislot and Pachinko Machines »**

In the Pachislot and Pachinko Machines Business, the Group will launch mainstay titles in earnest from the third quarter of the fiscal year. For pachislot machines, the Group will continue the launch of No. 6.5 models which are strong utilization, such as "Pachislot Hard Boiled", "Pachislot Saga of Tanya the Evil", etc. For pachinko machines, the Group will launch multiple titles such as "P The Seven deadly Sins 2", "P TIGER & BUNNY ~Kanzen Muketsu WILD Spec~", etc. The Group will also launch smart pachislot and smart pachinko machines actively, and strive to increase "Share in utilization, in installation, and in sales". Of note, while parts procurement still requires monitoring, the Group will proceed to respond as appropriate.

### **« Resort »**

In the Resort Business, the Group expects earnings to recover based on the assumption that the behavioral restrictions associated with COVID-19 will be relaxed. At "Phoenix Seagaia Resort" in Japan, the Group will also engage in unique measures such as strengthening CRM, and strive to strengthen further acquisition of individual and group customers.

Overseas, for "PARADISE CITY", the drop amount of Japanese VIP from August to September 2022 has recovered sharply due to partially relaxed travel restrictions from June 2022. Since high demand is also expected in the future, the Group will continue to strengthen the acquisition of customers such as enhancing marketing, etc.

## QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.  
 QUARTERLY CONSOLIDATED BALANCE SHEETS  
 AS OF MARCH 31, 2022 AND SEPTEMBER 30, 2022

(Unit: Millions of yen)

	Prior year (As of March 31, 2022)	Current period (As of September 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	152,459	135,392
Notes and accounts receivable - trade and contract assets	38,952	33,596
Merchandise and finished goods	9,336	16,469
Work in process	42,145	52,767
Raw materials and supplies	16,044	21,001
Other	29,174	32,661
Allowance for doubtful accounts	(323)	(325)
Total current assets	287,789	291,563
Noncurrent assets		
Property, plant and equipment		
Land	18,522	18,529
Other, net	41,836	41,909
Total property, plant and equipment	60,358	60,439
Intangible assets		
Goodwill	3,460	3,190
Other	9,722	9,669
Total intangible assets	13,183	12,860
Investments and other assets		
Investment securities	40,699	39,052
Other	33,850	33,906
Allowance for doubtful accounts	(387)	(384)
Total investments and other assets	74,161	72,574
Total noncurrent assets	147,703	145,874
Total assets	435,492	437,438

SEGA SAMMY HOLDINGS INC.  
 QUARTERLY CONSOLIDATED BALANCE SHEETS  
 AS OF MARCH 31, 2022 AND SEPTEMBER 30, 2022

(Unit: Millions of yen)

	Prior year (As of March 31, 2022)	Current period (As of September 30, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	24,455	25,565
Short-term borrowings	10,000	10,029
Income taxes payable	2,069	1,141
Provision for bonuses	8,383	5,464
Other provisions	1,305	672
Asset retirement obligations	199	-
Other	40,572	38,197
<b>Total current liabilities</b>	<b>86,986</b>	<b>81,069</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term borrowings	32,000	32,159
Net defined benefit liability	4,395	4,440
Asset retirement obligations	2,560	2,606
Provision for dismantling of fixed assets	420	420
Other	6,492	7,206
<b>Total noncurrent liabilities</b>	<b>55,869</b>	<b>56,833</b>
<b>Total liabilities</b>	<b>142,855</b>	<b>137,903</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	29,953	29,953
Capital surplus	117,689	72,240
Retained earnings	224,684	229,936
Treasury stock	(77,886)	(37,245)
<b>Total shareholders' equity</b>	<b>294,440</b>	<b>294,884</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,270	1,793
Deferred gains or losses on hedges	(33)	538
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	41	6,245
Remeasurements of defined benefit plans	(3,199)	(3,204)
<b>Total accumulated other comprehensive income</b>	<b>(2,028)</b>	<b>4,263</b>
Share acquisition rights	176	324
Non-controlling interests	49	61
<b>Total net assets</b>	<b>292,637</b>	<b>299,535</b>
<b>Total liabilities and net assets</b>	<b>435,492</b>	<b>437,438</b>

SEGA SAMMY HOLDINGS INC.  
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2021 AND 2022

(Unit: Millions of yen)

	Prior period From April 1, 2021 To September 30, 2021	Current period From April 1, 2022 To September 30, 2022
Net sales	134,893	150,095
Cost of sales	77,475	91,283
Gross profit	57,417	58,812
Selling, general and administrative expenses	42,739	49,237
Operating income	14,678	9,574
Non-operating income		
Interest income	58	89
Dividends income	77	481
Gain on investments in partnership	1,883	1,098
Foreign exchange gains	400	2,942
Other	273	330
Total non-operating income	2,693	4,942
Non-operating expenses		
Interest expenses	142	152
Equity in losses of affiliates	1,895	1,360
Commission fee	52	55
Loss on investments in partnership	365	458
Other	164	188
Total non-operating expenses	2,619	2,216
Ordinary income	14,752	12,300
Extraordinary income		
Gain on sales of noncurrent assets	2	0
Gain on sales of investment securities	16	-
Gain on sales of shares of subsidiaries and affiliates	698	-
Subsidy income	36	-
Other	2	-
Total extraordinary income	756	0
Extraordinary losses		
Loss on sales of noncurrent assets	1	0
Impairment loss	203	96
Loss on sales of shares of subsidiaries and affiliates	-	96
Loss on COVID-19	108	-
Loss on fire	-	80
Other	38	7
Total extraordinary losses	352	281
Income before income taxes	15,155	12,019
Income taxes - current	3,527	2,258
Income taxes - deferred	(386)	133
Total income taxes	3,141	2,391
Profit	12,014	9,627
(Breakdown)		
Profit attributable to owners of parent	12,012	9,619
Profit attributable to non-controlling interests	1	7



SEGA SAMMY HOLDINGS INC.  
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2021 AND 2022

(Unit: Millions of yen)

	Prior period From April 1, 2021 To September 30, 2021	Current period From April 1, 2022 To September 30, 2022
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	220	(487)
Deferred gains or losses on hedges	(7)	7
Foreign currency translation adjustment	(131)	4,769
Remeasurements of defined benefit plans, net of tax	200	(15)
Share of other comprehensive income of entities accounted for using equity method	1,095	2,023
<b>Total other comprehensive income</b>	<b>1,376</b>	<b>6,297</b>
<b>Comprehensive income</b>	<b>13,391</b>	<b>15,924</b>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of parent	13,389	15,912
Comprehensive income attributable to non-controlling interests	1	12

## [Notes]

(Notes on assumptions for going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

At Board of Directors meeting held on May 13, 2022, the Company resolved to cancel treasury stock pursuant to the provisions of Article 178 of the Companies Act, and 25,000,000 shares were canceled on May 24, 2022.

As a result, in the six months ended September 30, 2022, capital surplus and treasury stock decreased by ¥45,480 million, respectively.

(Special accounting treatment applied in preparing quarterly consolidated financial statements)

(Tax expense calculation)

Taxes are calculated by reasonably estimating the effective tax rate after application of tax effect accounting to income before income taxes for the fiscal year, and multiplying the quarterly income before income taxes by such estimated effective tax rate. However, a legally designated effective tax rate will be applied if such tax expenses are found to be very unreasonable after calculation based on the relevant estimated effective tax rate.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter ended June 30, 2022, the Group applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, issued by the Accounting Standards Board of Japan on June 17, 2021). In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to adopt the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively from the date of the change. There is no impact for the quarterly consolidated financial statements.

(Application of Leases (U.S. GAAP Topic 842))

Certain subsidiaries which apply U.S. GAAP adopted "Leases" (Topic 842) from the beginning of the first quarter ended June 30, 2022. Herewith, lessees, in principle, record all leases as assets and liabilities on the balance sheets. The application of U.S. GAAP Topic 842 is in accordance with the transitional treatment, and the cumulative effects of the change in accounting policy are recognized on the adoption date. The impact of this change on the quarterly consolidated financial statements is immaterial.

(Additional information)

(Application of Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System)

The Company and certain domestic consolidated subsidiaries have shifted from the consolidated taxation system to the group tax sharing system from the first quarter ended June 30, 2022. Herewith, the Group applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No.42, August 12, 2021) in which the procedures for accounting and disclosure of corporation income tax, local corporation income tax, and tax effect accounting. In accordance with Paragraph 32 (1) of PITF No.42, the Company has assumed that there is no impact from the change in accounting policy resulting from the application of PITF No.42.

## SEGMENT INFORMATION

### 1. Prior period (From April 1, 2021 to September 30, 2021)

Information on the amounts of net sales, income (loss) by each reporting segment

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Notes)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort			
Net sales						
(1) Sales to third parties	107,474	23,335	3,832	134,642	251	134,893
(2) Inter-segment sales and transfers	399	168	93	661	(661)	-
Total	107,874	23,504	3,925	135,303	(410)	134,893
Segment income (loss)	22,709	(1,324)	(3,955)	17,429	(2,677)	14,752

(Notes) 1. Adjustment to segment income (loss) of ¥(2,677) million includes elimination of inter-segment transactions of ¥0 million and general corporate expenses of ¥(2,677) million which are not allocated to each reporting segment. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustment has been made to segment income (loss) and ordinary income of the quarterly consolidated statements of income and comprehensive income.

### 2. Current period (From April 1, 2022 to September 30, 2022)

Information on the amounts of net sales, income (loss) by each reporting segment

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Notes)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort			
Net sales						
(1) Sales to third parties	116,629	27,534	5,649	149,812	282	150,095
(2) Inter-segment sales and transfers	149	201	50	402	(402)	-
Total	116,779	27,735	5,700	150,214	(119)	150,095
Segment income (loss)	17,246	2,011	(2,392)	16,865	(4,564)	12,300

(Notes) 1. Adjustment to segment income (loss) of ¥(4,564) million includes elimination of inter-segment transactions of ¥1 million and general corporate expenses of ¥(4,565) million which are not allocated to each reporting segment. General corporate expenses are mainly consisted of the expenses of the Group management incurred by the Company.

2. Adjustment has been made to segment income (loss) and ordinary income of the quarterly consolidated statements of income and comprehensive income.