

Fiscal Year Ending March 2023 Q1 Results Presentation

2022/8/4

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Speaker: Makoto Takahashi (Executive Vice President, Executive Officer, Managing Director of Corporate Planning Division)

Thank you for accessing our Q1 financial results presentation today.

I would like to explain Q1 results for FY23/3, as well as the outlook for the full year. The document we will use today is the financial results presentation uploaded on our website, so please take a look.

01

FY2023/3 Q1 Results / Forecast

Results Highlights

(Billion yen)	2022/3		2023/3	
	Q1	Full Year Results	Q1	Full Year Forecast
Sales	59.4	320.9	66.1	375.0
Entertainment Contents	47.4	235.9	52.7	277.0
Pachislot and Pachinko Machines	10.3	75.8	10.5	86.0
Resort	1.5	8.6	2.6	11.5
Other / Elimination	0.2	0.6	0.3	0.5
Operating Income	3.8	32.0	2.7	40.0
Entertainment Contents	8.4	33.9	6.5	39.0
Pachislot and Pachinko Machines	-1.6	9.3	-0.9	11.5
Resort	-1.1	-2.5	-0.3	-1.2
Other / Elimination	-1.9	-8.7	-2.6	-9.3
Non-operating income	0.7	5.9	2.5	2.0
Non-operating expenses	1.1	4.6	1.0	2.0
Ordinary Income	3.4	33.3	4.2	40.0
Entertainment Contents	8.5	36.8	8.1	40.0
Pachislot and Pachinko Machines	-1.4	10.2	-0.6	12.0
Resort	-1.9	-6.7	-1.1	-3.0
Other / Elimination	-1.8	-7.0	-2.2	-9.0
Ordinary Income Margin	5.7%	10.4%	6.4%	10.7%
Extraordinary income	0.0	5.2	-	-
Extraordinary losses	0.2	0.6	0.1	-
Income before income taxes	3.2	37.9	4.1	40.0
Profit attributable to owners of parent	2.9	37.0	3.1	28.0
ROE	-	12.7%	-	-
Dividends per share (JPY)	-	40.00	-	41.00

FY2023/3 Q1 Results

➤ Overall results were generally in line with expectations

- Steady performance overall, despite repeat sales slightly went below expectations (CS*)
- Went in line with expectation (Pachislot & Pachinko)
- Domestic was in recovery trend centered on individual customers (Resort)

Forecast

➤ New title launches will proceed in each business

- Full-scale sales of mainstay new titles start from Q2 onward (CS)
- Start the launch of models responding to the revision of regulation from July (Pachislot & Pachinko)
- Loss margin is expected to narrow under the assumption of relaxation of behavioral restrictions (Resort)

*CS = Consumer Area

-3-

As for the overall progress, Q1 of the current fiscal year has generally started out as we expected at the beginning of the fiscal year.

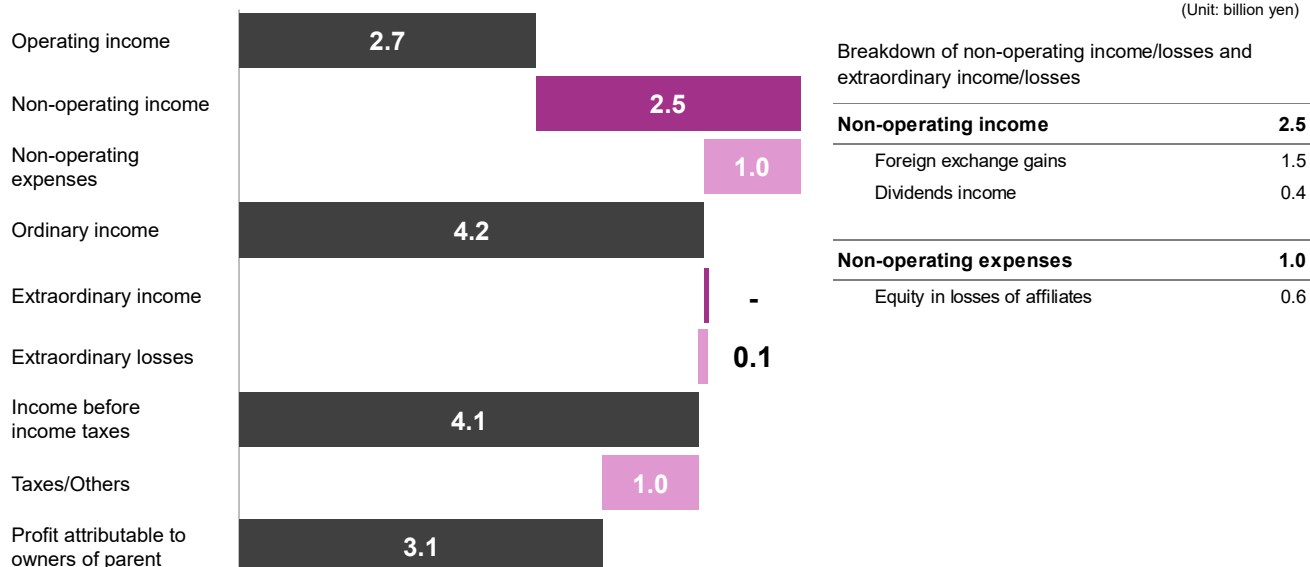
As I will explain in more detail later in this presentation, in the Entertainment Contents business, repeat titles were slightly below expectations, but the Pachislot and Pachinko Machines business and the Resort business progressed steadily. In the future, new titles are expected to be introduced in each business segment.

In the Consumer area of the Entertainment Contents business, sales of mainstay new titles will begin in earnest from Q2, and in the Pachislot and Pachinko Machines business, we have already started to introduce machines responding to the revision of regulation since July. In addition, we expect losses in the Resort business to narrow in the future, assuming that restrictions on activities will be eased.

Breakdown of Income (FY2023/3 Q1 results)



(Unit: billion yen)



-4-

Here is the breakdown of income.

Non-operating income includes foreign exchange gains resulting from the revaluation of assets denominated in foreign currencies, and others.

Non-operating expenses mainly include the results of PARADISE SEGASAMMY from January to March, which are three-month gap, taken into account as equity in losses of affiliates.

Impact of Exchange Rate Fluctuations

[Impact of foreign exchange on Q1 results]

CS*

➤ **Positive impact of approx. 1.5 billion yen for sales and approx. 0.8 billion yen for operating income (vs. forecast)**

- 1 USD: Forecast 114 yen → AR128 yen (Mainly affected sales increase)
- 1 GBP: Forecast 157 yen → AR162 yen (Mainly affected cost increase)
- 1 Euro: Forecast 130 yen → AR138 yen (Mainly affected sales increase)

*The above foreign exchange differences are included in "Others" in CS.

*Reference: Recorded with exchange rate of 1 USD = ¥105 for FY2020/3 to FY2022/3 and 1 USD = ¥114 for FY2023/3

Non-operating
income

➤ **Recorded foreign exchange gains of 1.5 billion yen due to the exchange of assets and liabilities denominated in foreign currencies**

- Entertainment Contents: 0.9 billion yen
- Pachislot & Pachinko: 0.3 billion yen
- Consolidation / Elimination: 0.2 billion yen

*CS = Consumer Area

-5-

Here is an explanation of the impact of exchange rate fluctuations.

In Q1 of the current fiscal year, the exchange rate boosted sales by approximately 1.5 billion yen and operating income by approximately 0.8 billion yen in the Consumer area, where sales in US dollars are large.

As for non-operating income, 1.5 billion yen was recorded as foreign exchange gains as mentioned on the previous page. The breakdown by business segment is shown on this slide.

Costs and Expenses, etc.

■Entertainment Contents

(Billion yen)	2021/3				2022/3				2023/3	2023/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Full Year Forecast
R&D / Content production expenses	9.2	9.8	11.8	14.7	9.9	13.5	12.7	18.3	11.9	66.6
Advertising expenses	1.7	2.8	3.3	3.7	2.2	3.9	3.7	4.4	2.7	19.0
Depreciation	2.2	2.3	0.7	1.5	0.8	0.9	0.9	1.1	0.9	3.5
Cap-ex	2.2	2.8	3.5	1.9	1.5	1.4	1.6	2.8	1.1	7.5

■Pachislot & Pachinko

(Billion yen)	2021/3				2022/3				2023/3	2023/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Full Year Forecast
R&D / Content production expenses	5.4	3.9	3.3	3.7	3.4	3.2	3.4	4.4	3.0	14.3
Advertising expenses	0.1	0.6	0.3	0.2	0.2	0.6	0.5	0.3	0.3	3.3
Depreciation	0.8	0.9	0.9	0.8	0.5	0.7	0.7	0.8	0.6	2.1
Cap-ex	1.1	0.7	0.7	0.8	1.2	1.1	0.8	1.0	1.0	4.0

-6-

Here are the cost and expenses, etc.

In the Entertainment Contents business, R&D expenses, advertising expenses, and other expenses increased compared with the same period of the previous fiscal year, mainly in the Consumer area. These expenses are expected to increase due to the launch of new titles in Q2 and beyond.

In the Pachislot and Pachinko Machines business, both R&D and advertising expenses were at low level in Q1.

Costs and Expenses, etc.

■Resort

(Billion yen)	2021/3				2022/3				2023/3	2023/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Full Year Forecast
R&D / Content production expenses	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Advertising expenses	0.0	0.1	0.1	0.0	0.0	0.2	0.1	0.0	0.0	0.4
Depreciation	0.2	0.2	0.3	0.2	0.1	0.2	0.2	0.1	0.1	0.8
Cap-ex	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.5	1.3

■Other / Elimination

(Billion yen)	2021/3				2022/3				2023/3	2023/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Full Year Forecast
R&D / Content production expenses	0.1	-0.1	0.0	-0.1	0.1	-0.1	0.1	-0.1	0.0	0.0
Advertising expenses	0.2	0.1	0.2	0.2	0.4	0.4	0.2	0.3	0.3	1.2
Depreciation	0.4	0.3	0.3	0.1	0.4	0.1	0.3	0.2	0.5	0.9
Cap-ex	0.3	0.1	-0.1	0.4	0.3	0.0	0.3	0.6	0.2	0.5

-7-

Here are costs and expenses, etc. for Resort business and others.

In the Resort business, Cap-ex increased due to facilities repairs.

Consolidated Balance Sheet Summary



[Assets]				[Liabilities and Net Assets]			
Account	As of end of March 2022	As of end of June 2022	Increase /Decrease	Account	As of end of March 2022	As of end of June 2022	Increase /Decrease
Cash and Deposits	152.4	111.5	-40.9	Accounts Payable	24.4	21.5	-2.9
Accounts Receivable	38.9	36.0	-2.9	Short Term Borrowings	10.0	10.0	-
Short term investment securities	-	12.0	+12.0	Other	52.5	39.7	-12.8
Inventories	67.5	77.3	+9.8	Total Current Liabilities	86.9	71.2	-15.7
Other	28.9	32.7	+3.8	Corporate Bonds	10.0	10.0	-
Total Current Assets	287.7	269.5	-18.2	Long Term Borrowings	32.0	32.0	-
Tangible Fixed Assets	60.3	61.1	+0.8	Other	13.8	14.7	+0.9
Intangible Fixed Assets	13.1	12.8	-0.3	Total Noncurrent Liabilities	55.8	56.7	+0.9
Investment Securities	40.6	38.9	-1.7	Total Liabilities	142.8	127.9	-14.9
Other	33.7	36.8	+3.1	Shareholders Equity	294.4	288.2	-6.2
Total Noncurrent Assets	147.7	149.6	+1.9	Total accumulated other comprehensive income	-2.0	2.6	+4.6
Total Assets	435.4	419.1	-16.3	Share acquisition rights	0.1	0.2	+0.1
				Non-controlling interests	0.0	0.0	+0.0
				Total Net Assets	292.6	291.1	-1.5
				Total Liabilities and Net Assets	435.4	419.1	-16.3

	As of end of March 2022	As of end of June 2022	Increase /Decrease		Main factors for increase / decrease
Cash, deposits and cash equivalents	152.4	123.5	-28.9	(Current Assets)	Cash and deposits decreased while securities and inventories increased
Interest bearing debt	52.0	52.0	-	(Liabilities)	Decrease in allowance for bonuses and accrued expenses
Net cash	100.4	71.5	-28.9	(Net assets)	Shareholders' equity decreased due to dividend payments and share buybacks while profit attributable to owners of parent was recorded
Equity ratio	67.1%	69.4%	+2.3p		

-8-

Here is the balance sheet.

Cash and deposits decreased from the end of the previous fiscal year, mainly due to the payment of year-end dividends and the purchase of money trust for the purpose of managing surplus funds, which were transferred to investment securities.

Inventories increased due to the recording of content work in progress and other items. The equity ratio increased by 2.3 points from the end of the previous fiscal year to 69.4%

Net cash at the end of June for FY2023/3 was 71.5 billion yen, decrease of 28.9 billion yen from the end of the previous fiscal year.

Although the cash flow has not been audited, we would like to inform you of the estimated cash flow for your reference.

Operating cash flow is expected to be minus 17.3 billion yen,
investing cash flow minus 4.1 billion yen,
and financing cash flow minus 9.7 billion yen.

02

Per Segments Results / Forecast

(Billion yen)	2022/3		2023/3	
	Q1	Full Year Results	Q1	Full Year Forecast
Sales	47.4	235.9	52.7	277.0
Consumer	29.5	158.3	34.7	192.0
Amusement Machine Sales	11.4	49.7	13.1	55.8
Animation / Toy	5.5	25.6	4.7	28.7
Other / Elimination	1.0	2.3	0.2	0.5
Operating Income	8.4	33.9	6.5	39.0
Consumer	6.5	29.3	5.3	34.5
Amusement Machine Sales	1.6	2.5	0.5	3.3
Animation / Toy	0.5	3.0	0.2	3.0
Other / Elimination	-0.2	-0.9	0.5	-1.8
Non-operating income	0.1	3.3	1.6	1.0
Non-operating expenses	0.1	0.5	0.0	0.0
Ordinary Income	8.5	36.8	8.1	40.0
Ordinary Income Margin	17.9%	15.6%	15.4%	14.4%

*CS = Consumer Area, AM = Amusement Machine Area

FY2023/3 Q1 Results

➤ Overall results were generally in line with expectations

- Despite repeat sales slightly went below expectations, F2P performed strongly and remained steady overall (CS*)
- While sales of UFO Catcher® series went strong, the impact of raw material price hikes became apparent (AM*)
- Recorded non-operating income (foreign exchange gains on assets denominated in foreign currencies, dividends income, etc.)

Forecast

➤ New title launches will proceed in each area

- Full-scale sales of mainstay new titles start from Q2 onward (CS)
- Strengthen sales in the prize category while closely monitoring the impact of supply chain disruptions, exchange rate fluctuations, and raw material price hikes (AM)

-10-

Now, I would like to explain the details by segment.

First, I will talk about the Entertainment Contents business. In Q1 of the current fiscal year, we sold 3 new titles in the Consumer area, and sales were generally in line with our expectations.

Repeat titles were slightly below expectations due to the impact of the overall slowdown in the Europe and US markets, as well as lower-than-expected sales of titles sold in the previous fiscal year. On the other hand, F2P went strong, and the Consumer area as a whole got off to a solid start.

We will launch new titles in earnest from Q2 to Q3 and make improvements to recover repeat sales of titles released in the previous fiscal year to increase our business performance.

In the Amusement Machine Sales area, strong demand for the prize category continues, as evidenced by strong sales of UFO Catcher® series. However, the effects of supply chain disruptions due to the lockdown in Shanghai, and soaring raw material prices are becoming apparent and will require close monitoring.

Entertainment Contents Business: Per Subsegments



		FY2023/3 Q1 Results	Forecast
Consumer	Full Game	<ul style="list-style-type: none"> Released three new titles Repeat sales slightly went below expectations 	<ul style="list-style-type: none"> Full-scale sales of mainstay new titles start from Q2 onward; "SONIC FRONTIERS", Persona Series (Remaster), etc.
	F2P	<ul style="list-style-type: none"> Strong performance of "HATSUNE MIKU: COLORFUL STAGE!" 	<ul style="list-style-type: none"> Enhance the operation of existing titles Scheduled to release one new title
	Other	<ul style="list-style-type: none"> Strong sales of titles developed by other companies Recorded foreign exchange differences 	<ul style="list-style-type: none"> Plan to sell titles developed by other companies and expect licensing revenues, etc.
Amusement Machine		<ul style="list-style-type: none"> Sold centered on UFO Catcher® series and prizes Impact of raw material price hikes became apparent 	<ul style="list-style-type: none"> Strengthen sales of UFO Catcher® series, prizes, etc. Closely monitor supply chain disruptions, exchange rate fluctuations, and the impact of raw material price hikes
Animation / Toy	Animation	<ul style="list-style-type: none"> Released the theatrical version of "Detective Conan: The Bride of Halloween" 	<ul style="list-style-type: none"> Expect the revenue from animation production and distribution, etc.
	Toy	<ul style="list-style-type: none"> Sold new products and regular products, etc. 	<ul style="list-style-type: none"> Plan to sell new product, "With a front camera! Fun to change mouse covers! Sumikkogurashi Personal Computer Premium Design by yourself", and regular products, etc.

-11-

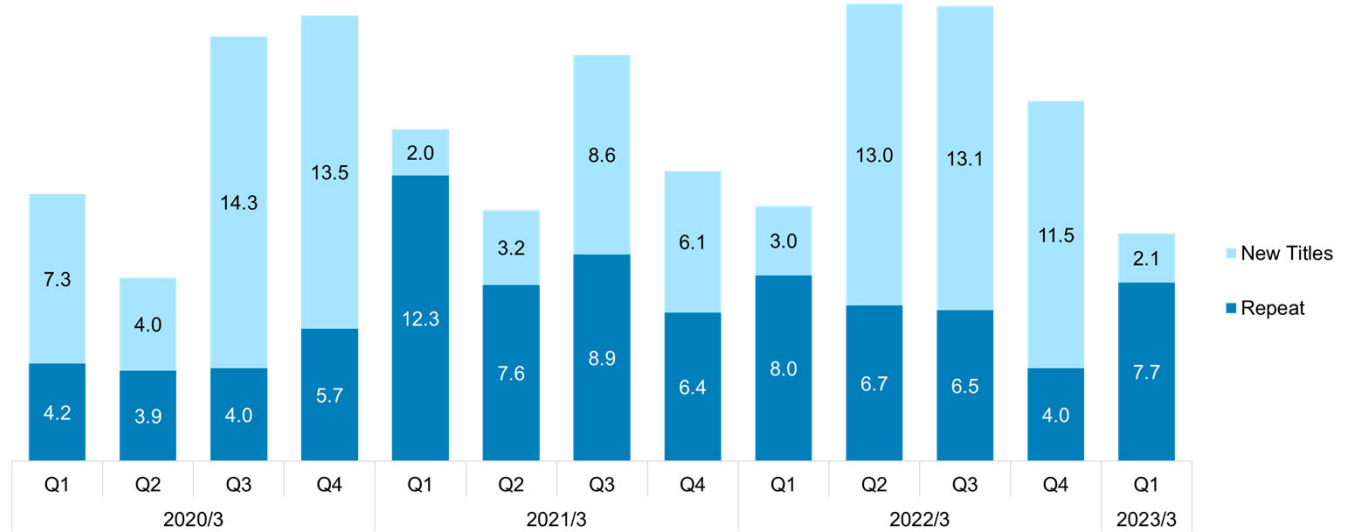
The Consumer and Amusement Machine Sales are as explained earlier.

Regarding Animation / Toy area, in Animation, we released the theatrical version of "Detective Conan: The Bride of Halloween". This distribution income will be recorded in Q2.

In Toy, we will strengthen sales of new products and regular products mainly in Q3, the year-end sales season.

Consumer Area / Full Game: Sales Trend

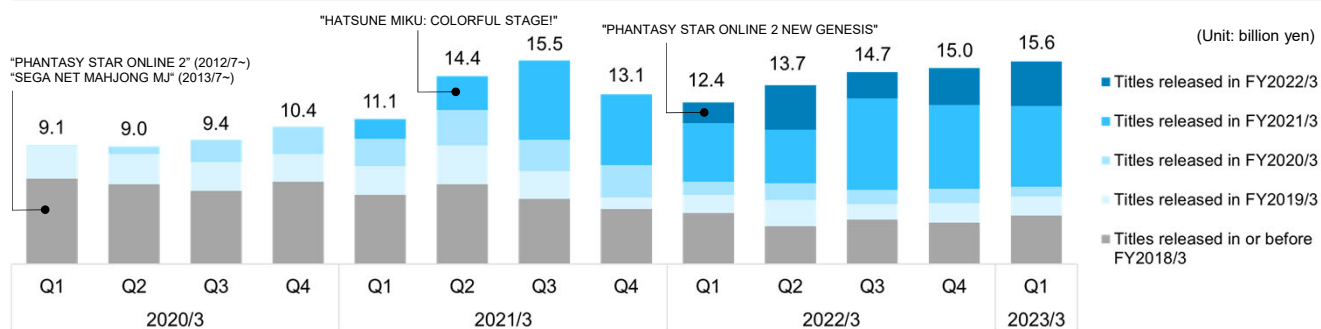
(Unit: billion yen)






-12-

Here is the sales trend of full by game quarter for your reference.

Consumer Area / F2P: Sales Trend



Top 3 titles in sales from Apr. - Jun. 2022

<p>(No. 1)</p>  <p>"HATSUNE MIKU: COLORFUL STAGE!" © SEGA/© CP/© CFM Release: Sep. 2020</p>	<p>(No. 2)</p>  <p>"PHANTASY STAR ONLINE 2 NEW GENESIS" ©SEGA Release: Jun. 2021</p>	<p>(No. 3)</p>  <p>"SEGA NET MAHJONG MJ" ©SEGA Release: Jul. 2013</p>
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-13-

Here is the F2P sales trend.

"HATSUNE MIKU: COLORFUL STAGE!" continues to perform well, and "PHANTASY STAR ONLINE 2 NEW GENESIS" is also performing steadily.

(Reference) Consumer Area: Sales Trend

(Billion yen)	2022/3				2023/3	
	Q1	Through Q2	Through Q3	Through Q4	Q1	Full Year Forecast
Sales	29.5	71.2	119.6	158.3	34.7	192.0
Domestic	13.0	30.9	50.3	66.6	15.7	66.1
Overseas	16.7	40.3	69.4	92.0	19.2	126.1
Overseas sales ratio	56.6%	56.6%	58.0%	58.1%	55.3%	65.7%
Other / Elimination	-0.2	0.0	-0.1	-0.3	-0.2	-0.2
Full Game	11.0	30.7	50.3	65.8	9.9	98.4
New titles	3.0	16.0	29.1	40.6	2.1	62.2
Japan	0.2	2.4	5.4	5.7	0.5	5.1
Asia	0.1	0.9	2.0	3.0	0.5	4.9
North America / Europe	2.7	12.7	21.7	31.9	1.0	52.3
Repeat titles	8.0	14.7	21.2	25.2	7.7	36.2
Japan	0.8	2.0	2.8	3.4	0.8	3.3
Asia	0.7	1.4	1.8	2.3	0.8	4.5
North America / Europe	6.4	11.3	16.6	19.5	6.1	28.3
Download sales ratio	61.6%	65.3%	63.8%	69.5%	74.9%	79.4%
F2P	12.4	26.1	40.8	55.8	15.6	56.8
Japan	10.9	23.2	36.6	50.1	13.0	50.6
Asia	0.0	0.0	0.3	0.5	0.5	0.5
North America / Europe	1.4	2.9	3.9	5.2	2.0	5.7
Other	6.2	14.5	28.6	37.0	9.2	37.0

• Full Game = Mainly physical sales and download sales of full game for home video game consoles and PCs. (Additional download content sales are not included.)

• F2P = Mainly sales of contents offering free basic play and microtransaction for smartphones and PCs.

• Other = Sales of additional download contents, consignment sales of 3rd party titles, revenue from consignment development, transfer of titles, offering of titles in batches to 1st parties, sales of products other than game software, etc.

-14-

Here is the detail of sales in the Consumer area for your reference.

(Reference) Consumer Area / Full Game: Unit Sales Trend



	2022/3				2023/3	
	Q1	Through Q2	Through Q3	Through Q4	Q1	Full Year Forecast
Full Game: Number of Titles						
Japan	0 title	3 titles	5 titles	6 titles	3 titles	15 titles
Asia	1 title	4 titles	7 titles	9 titles	3 titles	15 titles
North America / Europe	3 titles	6 titles	11 titles	13 titles	3 titles	16 titles
Full Game: Unit sales (Thousands)	6,580	14,040	21,970	27,200	5,140	34,250
Total New titles	1,060	3,500	6,630	8,770	440	13,950
Japan	50	410	780	850	90	1,040
Asia	50	250	500	760	110	1,570
North America / Europe	960	2,840	5,350	7,160	230	11,330
Total Repeat titles	5,520	10,540	15,340	18,430	4,700	20,300
Japan	290	660	950	1,140	260	1,240
Asia	340	680	880	1,170	410	2,110
North America / Europe	4,890	9,200	13,500	16,130	4,030	16,960

*Unit sales don't include the figure for free download

*As for Numbers of Titles above, for the same title released in multiple regions, the title number is counted 1 per each sales region (Japan, Asia and NA/EU)

[Unit sales of major IPs]

(Thousands units)	2022/3				2023/3
	Q1	Through Q2	Through Q3	Through Q4	Q1
Sonic series	1,000	2,900	4,900	5,800	1,460
Total War series	600	1,000	1,300	2,600	420
Persona series	400	700	1,000	1,300	270
Yakuza series	700	1,800	2,500	2,900	470

*Yakuza series includes the JUDGMENT series.

-15-

Here is the detail of unit sales in the Consumer area for your reference.

[FY2023/3 Q1 New titles]



“13 Sentinels: Aegis Rim”
(for Nintendo Switch™)

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“Hatsune Miku: Project DIVA Mega Mix+”
(for PC)

© SEGA / © Crypton Future Media, INC. www.piapro.net **piapro**



“Sonic Origins”

©SEGA

Here are the major new titles of Full Game.

[FY2023/3 New titles (plan)]

*Only announced titles are listed



“Soul Hackers 2”

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“Two Point Campus”

©Two Point Studios 2022. Published by SEGA.



“SONIC FRONTIERS”

©SEGA



“Persona 5 Royal”
(Remaster)

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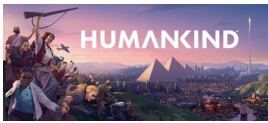
“Persona 3 Portable”
(Remaster)

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“Persona 4 Golden”
(Remaster)

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“Humankind™” (for Console)

© 2021 Amplitude Studios SAS. © SEGA.



“Endless Dungeon”

©Amplitude Studios SAS. ©SEGA

(Reference) Entertainment Contents Business: Sales Schedule



~FY2023/3 Q1		In or after FY2023/3 Q2 (plan)			
Consumer	Full Game	New titles	13 Sentinels: Aegis Rim (for Nintendo Switch™)	Soul Hackers 2	Persona 5 Royal (Remaster)
			Sonic Origins	Two Point Campus	Persona 3 Portable (Remaster)
			Hatsune Miku: Project DIVA Mega Mix+ (for PC)	SONIC FRONTIERS	Persona 4 Golden (Remaster)
	Repeat		Humankind™ (for Console)	Endless Dungeon	
		Sonic Series/Persona Series/Total War Series/Football Manager Series/YAKUZA Series, etc.			
	F2P	In or before FY2018/3	PHANTASY STAR ONLINE 2 / Puyo Puyo!! Quest / CHAIN CHRONICLE		
		FY2019/3~	SHIN MEGAMI TENSEI Liberation D×2 / SEGA Pocket Club Manager		
		FY2020/3~	FIST OF THE NORTH STAR LEGENDS ReVIVE		
		FY2021/3~	Re:ZERO -Starting Life in Another World- Lost in Memories / Project SEKAI COLORFUL STAGE! feat. Hatsune Miku		
		FY2022/3~	PHANTASY STAR ONLINE 2 NEW GENESIS / Sin Chronicle		
FY2023/3~					

*Only announced titles are listed for "In or after FY2023/3 Q2 (plan)"

-18-

Here are the sales schedule for each title in the Entertainment Contents business.

(Reference) Entertainment Contents Business: Sales Schedule



	~FY2023/3 Q1	In or after FY2023/3 Q2 (plan)
Amusement Machine	<p><Major titles in operation> StarHorse4 / EIKETSU TAISEN / maimai DX / CHUNITHM / O.N.G.E.K.I. / INITIAL D THE ARCADE / KanColle Arcade / Fate Grand Order Arcade / Ialamee</p> <p><Major regular sales titles> UFO Catcher® series / Prizes for prize machines</p>	<p>ROMAPI</p> <p>HORI A TALE</p>
	<p>Detective Conan: The Bride of Halloween</p> <p>ANPANMAN: Dororin and the Transformation Carnival</p>	<p>Battle with medals! Dinosaur PC Ω</p> <p>With a front camera! Fun to change mouse covers! Sumikkogurashi Personal Computer Premium Design by yourself</p>

*Only announced titles are listed for "In or after FY2023/3 Q2 (plan)"

-19-

Pachislot and Pachinko Machines Business



(Billion yen)	2022/3		2023/3	
	Q1	Full Year Results	Q1	Full Year Forecast
Sales	10.3	75.8	10.5	86.0
Pachislot	3.4	30.6	3.3	32.7
Pachinko	4.7	37.1	5.1	44.5
Other / Elimination	2.2	8.1	2.1	8.8
Operating Income	-1.6	9.3	-0.9	11.5
Non-operating income	0.2	1.0	0.3	0.5
Non-operating expenses	0.0	0.1	0.0	0.0
Ordinary Income	-1.4	10.2	-0.6	12.0
Ordinary Income Margin	-	13.5%	-	14.0%

Pachislot				
Number of Titles	2 titles	10 titles	2 titles	9 titles
Unit Sales (units)	9,554	77,870	8,724	84,000

Pachinko				
Number of Titles	2 titles	5 titles	1 title	6 titles
Unit Sales (units)	15,038	97,027	14,018	114,000
Board + Frame	3,437	56,728	3,598	46,900
Board	11,601	40,299	10,420	67,100

*New series is counted as one title (Machines which delivery started from previous fiscal year /specification changed titles, etc. aren't included)

FY2023/3 Q1 Results

➤ Went in line with expectation

- Major titles sold:
 - "P Initial D"
 - "Pachislot Konosuba: God's Blessing on This Wonderful World!", etc.

Forecast

➤ Start the launch of models responding to the revision of regulation from Q2 onward

- ✓ No. 6.5 models: Start the launch from July
- ✓ Smart Pachislot: From November onward
- ✓ Smart Pachinko: From April 2023 onward
- Continue to closely monitor parts procurement risks

-20-

Next is Pachislot and Pachinko Machines business.

In Q1 of the current fiscal year, both sales volume and fixed costs were generally in line with expectations, and the business got off to a solid start. From Q2 onward, we will launch new titles in earnest responding to the revision of regulation.

Utilization, etc. of Pachinko is already approaching the pre-COVID-19 levels. In addition, for Pachislot, we are working to respond to the revision of regulations from July.

As a first step, we have launched "Kabaneri of the Iron Fortress", our first No. 6.5 model, and have already received orders for more than 10,000 units. We are also seeing strong utilization results, and although it depends on the procurement of components, we can expect additional sales, etc. in the future.

As I will explain in detail later, Smart Pachislot, which will offer a wider range of gameplay, will be introduced from November 2022, and Smart Pachinko will also be introduced from April 2023. Although the procurement of components continues to require close monitoring, there is no major impact at this time.

Started the launch of No. 6.5 models from July 2022



"Pachislot Kabaneri of the Iron Fortress"

©Kabaneri Committee ©Sammy

- **"Pachislot Kabaneri of the Iron Fortress"**
(Delivery: July 2022)
 - Strong start in both sales and utilization
- **Continue to launch more No. 6.5 models**
 - "Pachislot Persona 5" (Delivery: September 2022)
 - "Pachislot Hard Boiled" (Delivery: October 2022)

-21-

Here is about our No. 6.5 models.

As I mentioned earlier, in addition to "Pachislot Kabaneri of the Iron Fortress", we will continue to launch No. 6.5 models such as "Pachislot Persona 5", and "Pachislot Hard Boiled".

Future revision of the regulation will further expand the range of gameplay

No. 6.5 model (from June 2022)

- **Extension of upper limit in advantageous section (extension of upper limit of number of games)**
(Changed from 3,000G limit to 4,000G limit)
- **Revision of medal pay-out regulation**
(Changed from 2,400 medals from start of jackpot to +2,400 medals from ± 0 medals can be obtained)

Smart Pachislot (from November 2022)

- **Abolishment of upper limit in advantageous section (abolishment of upper limit of number of games)**

Smart Pachinko (from April 2023)

- **Relaxation of the jackpot probability**
(Changed from 1/320 limit to 1/350 limit)
- **Further game play improvement is under consideration**
(Consideration of new specification Time Reduction c)

-22-

Here is about future revision of regulation.

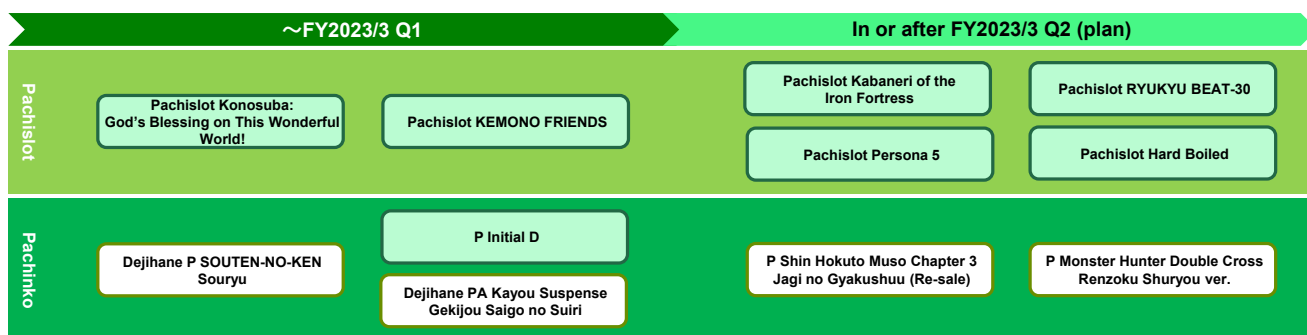
As I explained in the financial results in May, Smart Pachislot, which is scheduled to be introduced from November 2022, will have a wider range of gameplay due to the abolishment of upper limit in advantageous section, in addition to the revised regulation in No. 6.5 model, which has already been introduced since June.

In addition, it was recently announced, but in Smart Pachinko, which will be introduced from April 2023, the jackpot probability will be relaxed, and further gameplay improvement is under consideration. We intend to aggressively launch new machines that comply with these revision of regulation, and aim to further revitalize the market as a whole.

(Reference) Pachislot & Pachinko Machines Business: Sales Schedule

New series
Specification changed title

SEGA Sammy



(Major titles sold in Q1)		Delivery	Unit Sales
Pachislot	Pachislot Konosuba: God's Blessing on This Wonderful World!	Apr.	3,293 units
	Pachislot KEMONO FRIENDS	May.	2,483 units
Pachinko	P Initial D	May.	10,700 units

(Titles to be launched in or after Q2)		Delivery
Pachislot	Pachislot Kabaneri of the Iron Fortress	Jul.
	Pachislot Persona 5	Sep.
	Pachislot Aladdin A Classic (Re-sale)	Sep.
	Pachislot RYUKYU BEAT-30	Oct.
	Pachislot Hard Boiled	Oct.
Pachinko	P Shin Hokuto Muso Chapter 3 Jagi no Gyakushuu (Re-sale)	Jul.
	P Monster Hunter Double Cross Renzoku Shuryou ver.	Aug.

-23-

Here is the sales schedule for the Pachislot and Pachinko Machines business.

Resort Business



(Billion yen)	2022/3		2023/3	
	Q1	Full Year Results	Q1	Full Year Forecast
Sales	1.5	8.6	2.6	11.5
Operating Income	-1.1	-2.5	-0.3	-1.2
Non-operating income	0.0	0.0	0.0	0.0
Non-operating expenses	0.8	4.1	0.8	1.8
Ordinary Income	-1.9	-6.7	-1.1	-3.0
Ordinary Income Margin	-	-	-	-

<PHOENIX RESORT>

No. of facility users (Thousands)	140	760	234	868
3 accommodation facilities	48	308	94	363
2 golf courses	22	94	26	98
Other facilities	70	358	114	407

*Expect the recovery in revenue, assuming the relaxation of behavioral restriction associated with COVID-19
 *Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay as its settlement of accounts is December

FY2023/3 Q1 Results

- **PHOENIX RESORT: Recovery trend centered on individual customers**
 - Measures to stimulate tourism demand by the government and facility itself contributed
- **PARADISE SEGASAMMY: Continued to be affected by the restriction of foreign visitors**

Forecast

- **PHOENIX RESORT: Expect the recovery of individuals and group customers**
 - Continue to anticipate contributions from the government's measures to stimulate tourism demand, and facility itself also engages in unique measures such as strengthening CRM
- **PARADISE SEGASAMMY: Loss margin expect to narrow**
 - Travel restrictions partially relaxed from June onward and VIP visits from Japan resumed

-24-

Finally, Resort business.

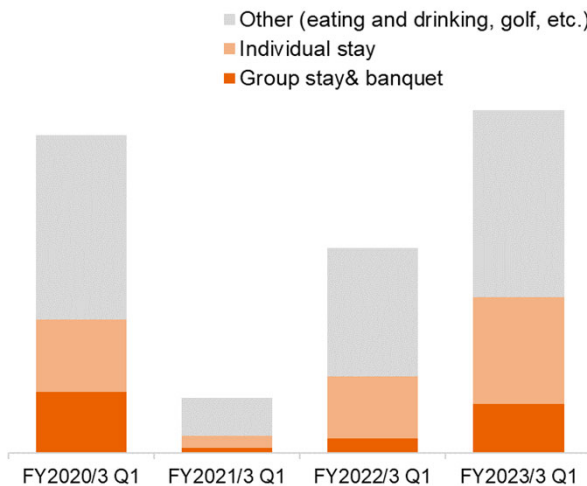
As for PARADISE SEGASAMMY overseas, results are recorded with three months delay, so Q1 of the current fiscal year includes the results of PARADISE SEGASAMMY for the period from January to March. The number of casino visitors remained sluggish as the impact of travel restrictions continued.

On the other hand, since there was no declaration of state of emergency, etc. by the government or local governments, and from contribution of measures to stimulate tourism demand by the government and facility itself, the Phoenix Resort in Japan saw exceeded number of visitors in Q1 which surpass the number of visitors before the pandemic, centered on demand from individual customers. We expect earnings to recover in the future, assuming the relaxation of behavioral restrictions associated with COVID-19.

As for the forecast, at PHOENIX RESORT, we expect a recovery not only in the number of individual customers but also in the number of group customers. At PARADISE SEGASAMMY, VIP visitors from Japan have resumed coming since June, as travel restrictions have been partially eased.

(Reference) Status of Each Facility: PHOENIX RESORT

■ PHOENIX RESORT: Sales by type of facility users



- Due to the strong performance of individual customers, sales and the number of facility users have been higher than before COVID-19
- Group customers are also expected to recover in the future

-25-

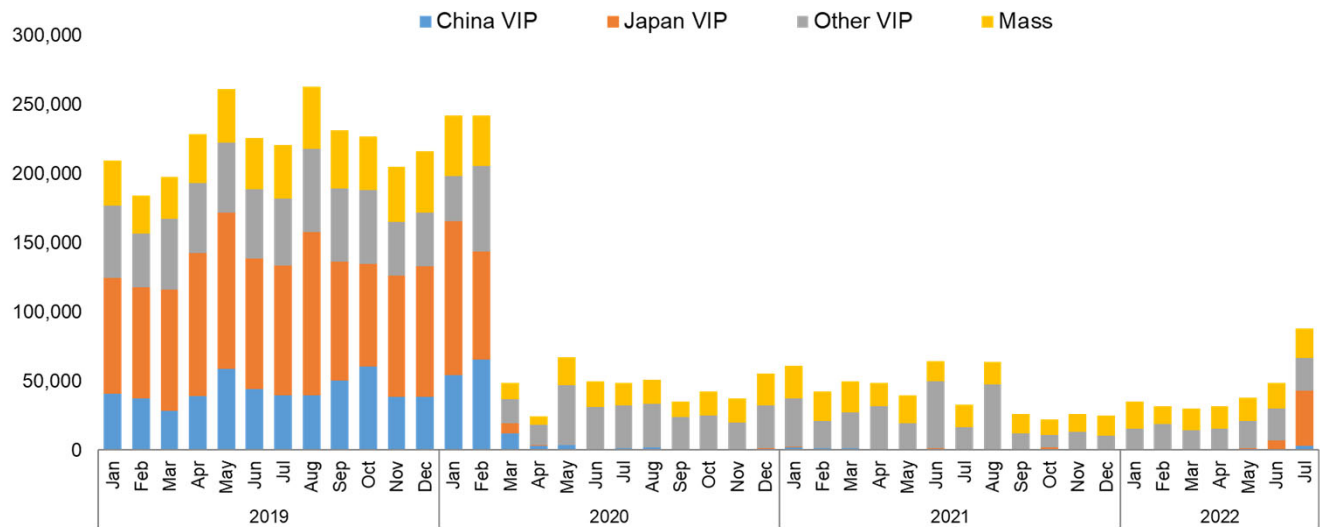
Here is the sales by type of facility users at PHOENIX RESORT.

As I mentioned earlier, currently there has been a recovery, especially among individual customers. Both sales and the number of facility users in Q1 of the current fiscal year exceeded the pre-COVID-19 level, and we also expect to see group customers to recover in the future.

(Reference) Status of Each Facility: PARADISE SEGASAMMY

■ Trend of Drop amounts* at PARADISE CITY

(Unit: KRW million)



*Drop amounts: Purchased amount of chips by customers at the table

-26-

Here is the trend of drop amount at PARADISE CITY.

As I mentioned earlier, VIP visitors have resumed coming since June, as travel restrictions have been partially eased.

This is the end of presentation. Thank you for your attention.

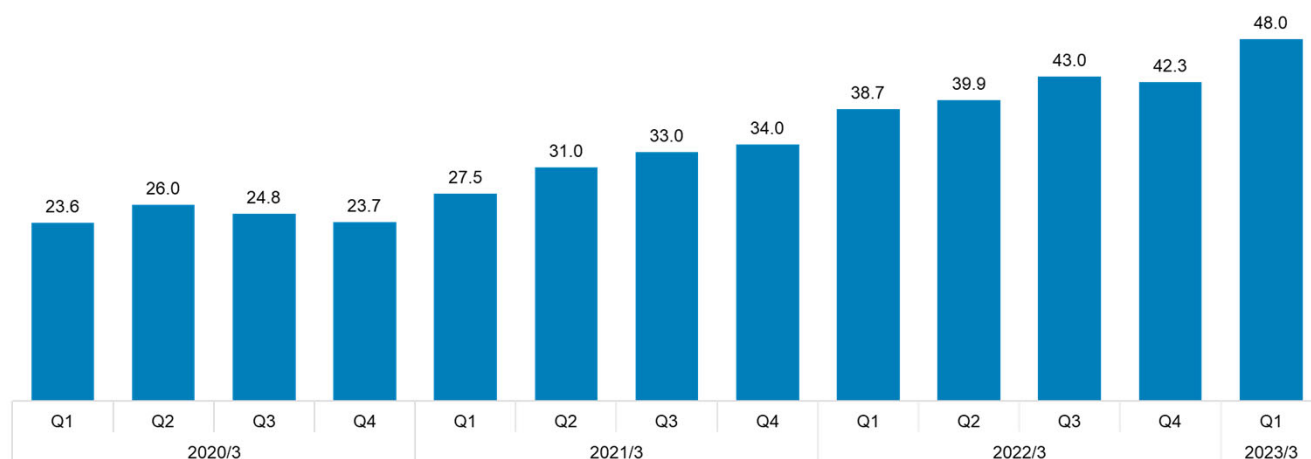
03

Appendix

Trend of Balance of Content Production Expenses in B/S (Consumer area)



(Unit: billion yen)



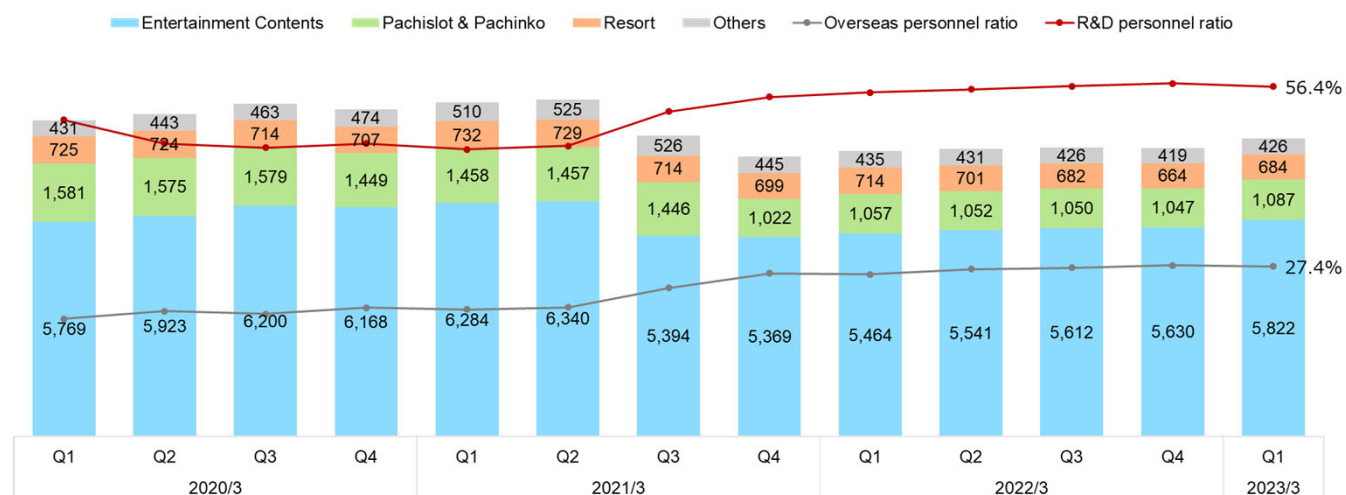
*Balance of work in progress R&D expenses of titles before release + Balance of unamortized R&D expenses of released titles

-28-

Trend of No. of Employees by Segment



(Unit: employees)



*No. of employees are the No. of full-time employees and permanent contract employees. Excludes the No. of temporary employees.

Resort Business (PARADISE SEGASAMMY)



(KRW Billion)		2022/3		2023/3
		Q1	Full year Results	Q1
Sales		42.4	161.5	45.6
	Casino	30.2	86.6	22.7
	Hotel	11.4	67.7	20.0
	Other	0.7	7.0	2.8
Cost of sales		42.7	178.2	45.7
	Casino	17.4	63.7	15.8
	Hotel	18.5	81.9	20.6
	Other	6.7	32.4	9.3
Gross profit		-0.3	-16.7	-0.1
	SG&A	7.1	25.4	5.6
Operating profit		-7.5	-42.2	-5.8
EBITDA		6.8	14.9	8.2
Net profit		-17.4	-87.9	-17.6
Number of casino visitors (Thousands)		34.0	99.0	21.0
Source: Paradise IR				
SEGASAMMY Equity method acquisition amount (Billion yen)		-0.8	-4.1	-0.8

FY2023/3 Q1 Results

- **Casino visitors remained low due to travel restrictions**
 - Compared to FY2021/3 Q1: 31.8%
- **EBITDA remained positive due to cost reduction**

Forecast

- **Loss margin expect to narrow**
 - Travel restrictions partially relaxed from June onward and VIP visits from Japan resumed

*Expect the recovery in revenue, assuming the relaxation of behavioral restriction associated with COVID-19

*PARADISE SEGASAMMY Co., Ltd. is an equity method affiliate of SEGA SAMMY HOLDINGS INC.
 *Figures for PARADISE SEGASAMMY Co., Ltd. are recorded with three months delay as its settlement of accounts is December
 *Local accounting standard

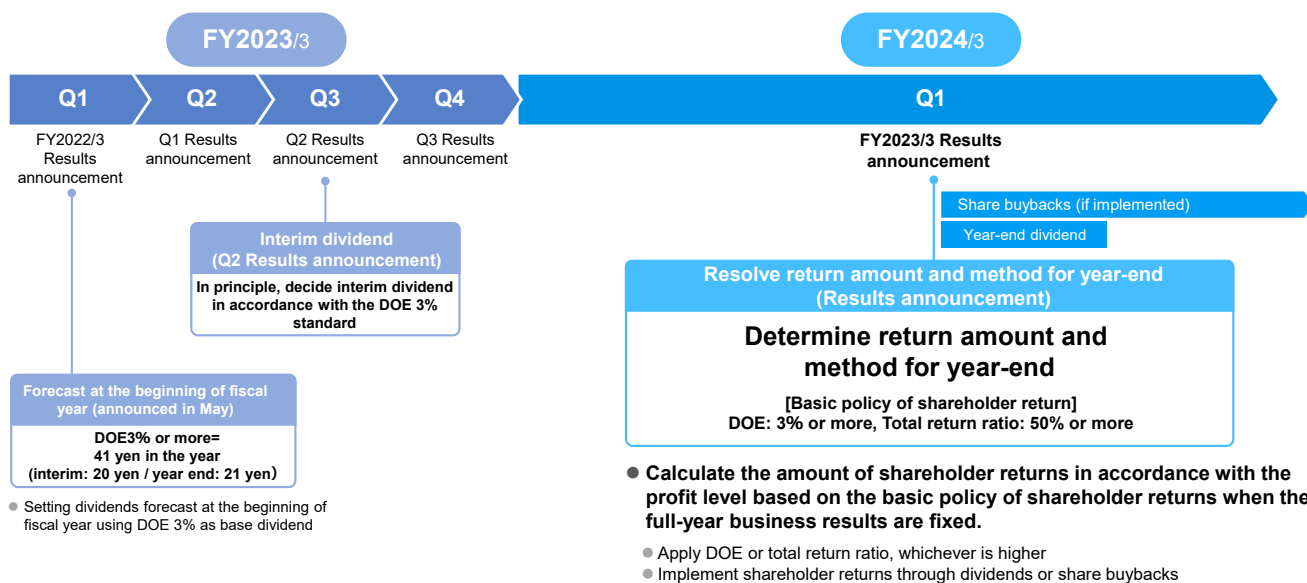
Continue to consider investing in the following growth areas

Consumer Area Approx. 100.0 billion yen	Strengthen development resources	Area of consideration for investment <ul style="list-style-type: none"> Expansion of organic development pipeline Strengthen global mobile and online games
	Investment in new ecosystem	Area of consideration for investment <ul style="list-style-type: none"> Strengthen CRM functions to revitalize user communities Investment in newly emerging business areas
Gaming Area Approx. 100.0 billion yen	Careful assessment of investment opportunities in the gaming area	Area of consideration for investment <ul style="list-style-type: none"> Both domestic and overseas IR Online casino and sports betting overseas Land-based casinos overseas
Other Approx. 50.0 billion yen	Expand CVC investment limit (Total limit: 15.0 billion yen)	<ul style="list-style-type: none"> Strengthen open innovation activities, including investment in start-up companies
	Creation of new business, acquisition of IPs, etc.	

Total 250.0 billion yen

Shareholder Returns

(Process of Determining Return Amount and Method)





<https://www.segasammy.co.jp/english/>

Cautionary Statement for Investors and Shareholders with Respect to Nevada Gaming Statutes and Regulations

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<https://www.segasammy.co.jp/english/ir/stock/regulation/>

Please visit below website for more information of products and services of SEGASAMMY.

<https://www.segasammy.co.jp/english/pr/corp/group/list.html>
(Sega Sammy Group Website list)

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