

Q2 for the Fiscal Year Ending March 2023 Results Presentation

2022/10/31

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Speaker: Koichi Fukazawa (Senior Executive Vice President and Group CFO, Director of the Board of SEGA SAMMY HOLDINGS INC.)

Thank you for accessing our Q2 financial results presentation today. First, I would like to explain the Q2 results for FY2023 and the outlook for the full year.

Please see “Results Presentation” material uploaded on our website.

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FY2023/3 Q2 Results / Forecast

Results Highlights



(Billion yen)	FY2022/3		FY2023/3	
	Through Q2	Full Year Results	Through Q2	Full Year Forecast
Sales	134.8	320.9	150.0	375.0
Entertainment Contents	107.4	235.9	116.6	277.0
Pachislot and Pachinko Machines	23.3	75.8	27.5	86.0
Resort	3.8	8.6	5.6	11.5
Other / Elimination	0.3	0.6	0.3	0.5
Operating Income	14.6	32.0	9.5	40.0
Entertainment Contents	22.2	33.9	13.8	39.0
Pachislot and Pachinko Machines	-1.7	9.3	1.3	11.5
Resort	-1.8	-2.5	-0.4	-1.2
Other / Elimination	-4.1	-8.7	-5.2	-9.3
Non-operating income	2.6	5.9	4.9	2.0
Non-operating expenses	2.6	4.6	2.2	2.0
Ordinary Income	14.7	33.3	12.3	40.0
Entertainment Contents	22.7	36.8	17.2	40.0
Pachislot and Pachinko Machines	-1.3	10.2	2.0	12.0
Resort	-3.9	-6.7	-2.3	-3.0
Other / Elimination	-2.8	-7.0	-4.6	-9.0
Ordinary Income Margin	10.9%	10.4%	8.2%	10.7%
Extraordinary income	0.7	5.2	0.0	-
Extraordinary losses	0.3	0.6	0.2	-
Income before income taxes	15.1	37.9	12.0	40.0
Profit attributable to owners of parent	12.0	37.0	9.6	28.0
ROE	-	12.7%	-	-
Dividends per share (JPY)	20.00	40.00	20.00	41.00

FY2023/3 Q2 Results

➤ Progressed generally in line with expectations

- Performed steadily as a whole (Entertainment Contents)
- Strong sales of No. 6.5 models responding to the revision of regulation (Pachislot and Pachinko Machines)
- Domestically in recovery trend centered on individual customers (Resort)

Forecast

➤ New title launches will proceed in each business

- Full-scale sales of mainstay new titles (CS*, Pachislot and Pachinko Machines)
- Loss margin is expected to narrow under the assumption of relaxation of behavioral restrictions (Resort)

*CS = Consumer area

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In cumulative period of Q2 in the fiscal year ending March 2023, performance was generally in line with our initial forecast.

As I will explain in detail later, in the Entertainment Contents business, Full Game performed slightly below expectations in the Consumer area, and the Amusement Machine area was also affected by raw material price hikes. On the other hand, the Pachislot and Pachinko Machines business and the Resort business performed steadily. In addition, there was a certain degree of positive effect to the performance from exchange rate fluctuations.

Looking ahead, we will continue to introduce new titles in each of our businesses.

Breakdown of Income (FY2023/3 Q2 Results)



(Unit: billion yen)



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Here is the breakdown of each stage of income.

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

Non-operating expenses include approximately 1.9 billion yen of equity in losses of affiliates in the PARADISE SEGASAMMY results from January to June.

Impact of Exchange Rate Fluctuations

[Impact of foreign exchange on Q2 results]

CS*

➤ **Positive impact of approx. 4.3 billion yen for sales and approx. 2.3 billion yen for operating income (vs. forecast)**

- 1 USD: Forecast 114 yen → AR133 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

Non-operating
income

➤ **Recorded foreign exchange gains of 2.9 billion yen due to the exchange of assets and liabilities denominated in foreign currencies**

- Entertainment Contents: 2.1 billion yen
- Pachislot and Pachinko: 0.5 billion yen
- Consolidation / Elimination: 0.3 billion yen

*CS = Consumer Area

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

In Q2 of the current fiscal year, in the Consumer area, where sales in US dollars are large, the exchange rate boosted net sales by approximately 4.3 billion yen and operating income by approximately 2.3 billion yen.

As for non-operating income, as mentioned on the previous page, 2.9 billion yen was recorded as foreign exchange gains. The breakdown of which by business segment is shown on this slide.

Costs and Expenses, etc.

■ Entertainment Contents

(Billion yen)	FY2021/3				FY2022/3				FY2023/3		FY2023/3 Full Year Forecast
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
R&D / Content production expenses	9.2	9.8	11.8	14.7	9.9	13.5	12.7	18.3	11.9	14.8	66.6
Advertising expenses	1.7	2.8	3.3	3.7	2.2	3.9	3.7	4.4	2.7	5.0	19.0
Depreciation	2.2	2.3	0.7	1.5	0.8	0.9	0.9	1.1	0.9	1.0	3.5
Cap-ex	2.2	2.8	3.5	1.9	1.5	1.4	1.6	2.8	1.1	1.1	7.5

■ Pachislot & Pachinko

(Billion yen)	FY2021/3				FY2022/3				FY2023/3		FY2023/3 Full Year Forecast
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
R&D / Content production expenses	5.4	3.9	3.3	3.7	3.4	3.2	3.4	4.4	3.0	3.5	14.3
Advertising expenses	0.1	0.6	0.3	0.2	0.2	0.6	0.5	0.3	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	0.7	2.1
Cap-ex	1.1	0.7	0.7	0.8	1.2	1.1	0.8	1.0	1.0	1.0	4.0

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This slide shows various costs and expenses.

In the Entertainment Contents business, in the Consumer area, R&D and advertising expenses, etc. increased YoY due to the launch of new titles, expansion of development personnel resources, and an increase in basic research expenses, etc. for the development of future titles. These expenses are expected to increase from Q3 onward.

In the Pachislot & Pachinko Machines business, both R&D and advertising expenses remained low in Q2.

Costs and Expenses, etc.



■ Resort

(Billion yen)	FY2021/3				FY2022/3				FY2023/3		FY2023/3 Full Year Forecast
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
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	0.0
Advertising expenses	0.0	0.1	0.1	0.0	0.0	0.2	0.1	0.0	0.0	0.1	0.4
Depreciation	0.2	0.2	0.3	0.2	0.1	0.2	0.2	0.1	0.1	0.2	0.8
Cap-ex	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.5	0.1	1.3

■ Other / Elimination

(Billion yen)	FY2021/3				FY2022/3				FY2023/3		FY2023/3 Full Year Forecast
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
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	0.0
Advertising expenses	0.2	0.1	0.2	0.2	0.4	0.4	0.2	0.3	0.3	0.7	1.2
Depreciation	0.4	0.3	0.3	0.1	0.4	0.1	0.3	0.2	0.5	0.1	0.9
Cap-ex	0.3	0.1	-0.1	0.4	0.3	0.0	0.3	0.6	0.2	0.0	0.5

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In the Resort business and other, Q2 was on par with the previous fiscal year.

Consolidated Balance Sheet Summary



[Assets]				[Liabilities and Net Assets]			
Account	As of end of March 2022	As of end of Sep 2022	Increase /Decrease	Account	As of end of March 2022	As of end of Sep 2022	Increase /Decrease
Cash and Deposits	152.4	135.3	-17.1	Accounts Payable	24.4	25.5	+1.1
Accounts Receivable	38.9	33.5	-5.4	Short Term Borrowings	10.0	10.0	-
Inventories	67.5	90.2	+22.7	Other	52.5	45.5	-7.0
Other	28.9	32.5	+3.6	Total Current Liabilities	86.9	81.0	-5.9
Total Current Assets	287.7	291.5	+3.8	Corporate Bonds	10.0	10.0	-
Tangible Fixed Assets	60.3	60.4	+0.1	Long Term Borrowings	32.0	32.1	+0.1
Intangible Fixed Assets	13.1	12.8	-0.3	Other	13.8	14.7	+0.9
Investment Securities	40.6	39.0	-1.6	Total Noncurrent Liabilities	55.8	56.8	+1.0
Other	33.7	33.6	-0.1	Total Liabilities	142.8	137.9	-4.9
				Shareholders Equity	294.4	294.8	+0.4
				Total accumulated other comprehensive income	-2.0	4.2	+6.2
				Share acquisition rights	0.1	0.3	+0.2
				Non-controlling interests	0.0	0.0	+0.0
Total Noncurrent Assets	147.7	145.8	-1.9	Total Net Assets	292.6	299.5	+6.9
Total Assets	435.4	437.4	+2.0	Total Liabilities and Net Assets	435.4	437.4	+2.0

	As of end of March 2022	As of end of Sep 2022	Increase /Decrease		Main factors for increase / decrease
Cash, deposits and cash equivalents	152.4	135.3	-17.1	(Current Assets)	Cash and deposits decreased while inventories increased
Interest bearing debt	52.0	52.1	+0.1	(Liabilities)	Decrease in allowance for bonuses and accrued expenses
Net cash	100.4	83.2	-17.2	(Net assets)	Shareholders' equity increased due to recording of profit attributable to owners of parent while dividend payments and share buybacks are executed
Equity ratio	67.1%	68.4%	+1.3p		

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Here shows the balance sheet.

Cash and deposits decreased from the end of March 2022, mainly due to the payment of year-end dividends and the purchase of treasury stock. In addition, inventories increased due to an increase in contents work in process, mainly in the Consumer area.

The equity ratio increased by 1.3 percentage points from the end of March 2022 to 68.4%.

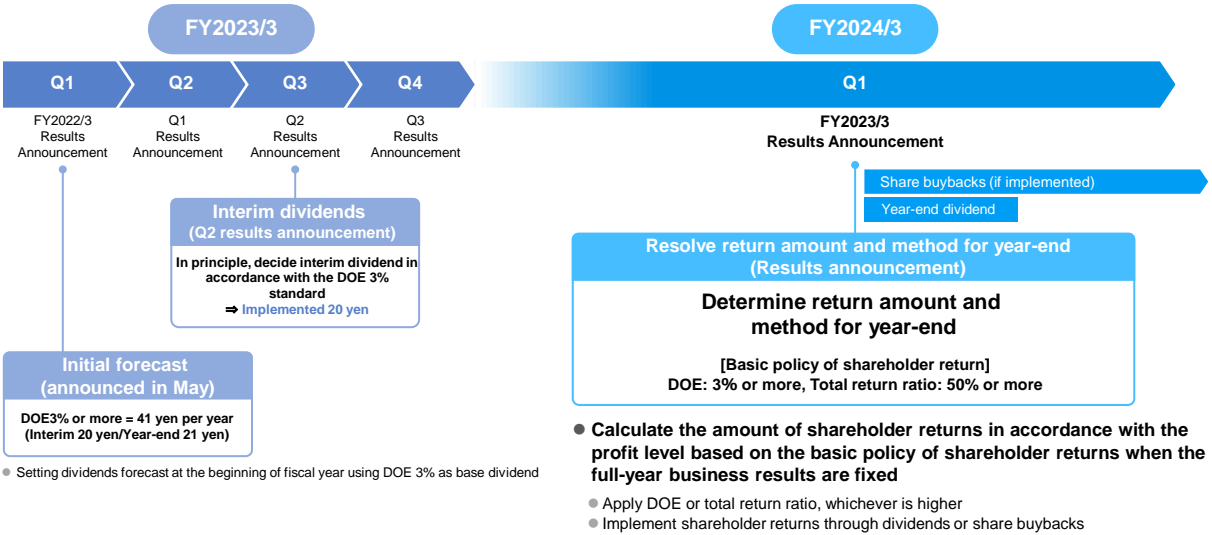
Net cash as of the end of September 2022 was 83.2 billion yen, decrease of 17.2 billion yen from the end of March 2022.

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 negative 6.4 billion yen,
investing cash flow negative 2.3 billion yen,
and financing cash flow negative 10.1 billion yen.

Shareholder Returns

(Process of Determining the Amount of Return and Methods)



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This slide is about shareholder returns.

The process of determining the amount and method of shareholder returns is as we have already announced, and we will pay an interim dividend of 20 yen, the same as we forecasted at the beginning of the fiscal year.

We would like to determine the amount of year-end return by adopting the higher of DOE 3% or total return ratio of 50%, which are the basic policy of shareholder returns, when the full-year financial results for fiscal year ending March 2023 are finalized.

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Per Segments Results / Forecast

(Billion yen)	FY2022/3		FY2023/3	
	Through Q2	Full Year Results	Through Q2	Full Year Forecast
Sales	107.4	235.9	116.6	277.0
Consumer	71.2	158.3	75.0	192.0
Amusement Machine	23.2	49.7	28.4	55.8
Animation / Toy	11.5	25.6	12.9	28.7
Other / Elimination	1.5	2.3	0.3	0.5
Operating Income	22.2	33.9	13.8	39.0
Consumer	18.4	29.3	10.6	34.5
Amusement Machine	2.3	2.5	0.9	3.3
Animation / Toy	1.7	3.0	2.3	3.0
Other / Elimination	-0.2	-0.9	0.0	-1.8
Non-operating income	0.6	3.3	3.5	1.0
Non-operating expenses	0.1	0.5	0.1	0.0
Ordinary Income	22.7	36.8	17.2	40.0
Ordinary Income Margin	21.1%	15.6%	14.8%	14.4%

*CS = Consumer area, AM = Amusement Machine area

FY2023/3 Q2 Results

➤ Performed generally in line with expectations

- Although Full Game were slightly lower than expected, F2P were strong and exchange rate boosts had a positive impact so the overall performance was steady (CS*)
- While sales of UFO Catcher ® series went strong, the impact of raw material price hikes became apparent (AM*)
- Strong performance in Animation and Toy area
- 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

- Planning to sell multiple mainstay new titles (CS)
- Although demand for prize category continues, closely monitor the impact of raw material price hikes continuously (AM)

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I would like to explain the details of each segment, start by talking about the Entertainment Contents business.

In Q2 of this fiscal year, in the Consumer area, both new and repeat titles of the Full Game were slightly below expectations, but the free-to-play (F2P) business remained strong, and the foreign exchange fluctuations mentioned earlier had a positive impact, resulting in overall results in the Consumer area that were generally in line with the plan. Looking ahead, we plan to sell several new titles in Q3 and beyond, including “Persona 5 Royal” and “Sonic Frontiers”. In addition, centered on “Project SEKAI COLORFUL STAGE! Feat. Hatsune Miku”, mainstay F2P titles are expected to remain strong.

In the Amusement Machine area, sales of UFO Catchers were strong, but profits were squeezed by the weak yen and raw material price hikes. Looking ahead, we will continue to promote sales of UFO Catchers and review sales prices to secure profits.

In the Animation/Toy area, sales were strong, with the release of “Detective Conan: The Bride of Halloween” on schedule and steady sales of regular products in Toy.

Entertainment Contents Business: Per Subsegments



FY2023/3 Q2 Results			Forecast	
Consumer	Full Game	<ul style="list-style-type: none">• New titles and repeat sales were slightly below expectations• Repeat sales remained at the same level as the same period of the previous fiscal year	<ul style="list-style-type: none">• Increase the launch of mainstay new titles• Work on expanding the sales of "Sonic Frontiers"	
	F2P	<ul style="list-style-type: none">• Strong sales of existing mainstay titles, centered on "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku"	<ul style="list-style-type: none">• Enhance the operation of existing titles• Schedule to release one new title	
	Other	<ul style="list-style-type: none">• Sold titles developed by other companies• Recorded foreign exchange gains	<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">• Review sales prices and expand sales of UFO Catcher® series• Continue to closely monitor the impact of raw material price hikes	
Animation / Toy	Animation	<ul style="list-style-type: none">• Recorded allocated revenue of "Detective Conan: The Bride of Halloween", etc.	<ul style="list-style-type: none">• Expect the revenue from animation production and licensing revenue from animation distribution, etc.	
	Toy	<ul style="list-style-type: none">• Sold new products and regular products, etc.	<ul style="list-style-type: none">• Strengthen sales of new products such as "Sumikko gurashi Phone" and regular products for holiday shopping season	

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Here is the explanation of per subsegments.

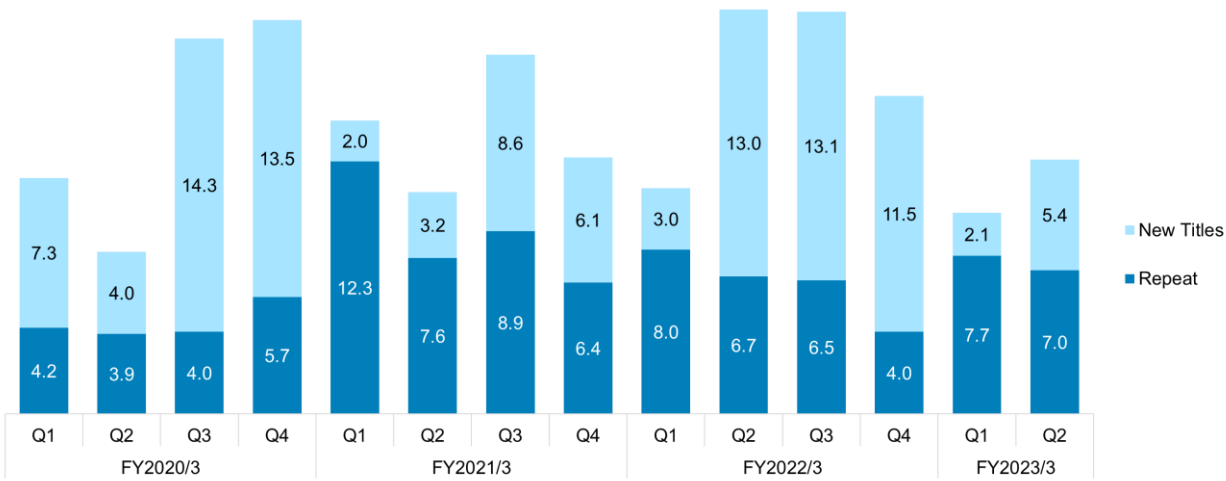
The Consumer and Amusement Machine area are as explained earlier.

In the Animation/Toy area, firstly, in the Animation area, allocated revenue from “Detective Conan: The Bride of Halloween” was recorded in Q2. Looking ahead, we expect to continue to receive revenue from animation production and licensing revenue from animation distribution, etc. In the Toy area, we will strengthen sales of new products and regular products mainly in Q3, the holiday shopping season.

Consumer Area / Full Game: Sales Trend



(Unit: billion yen)

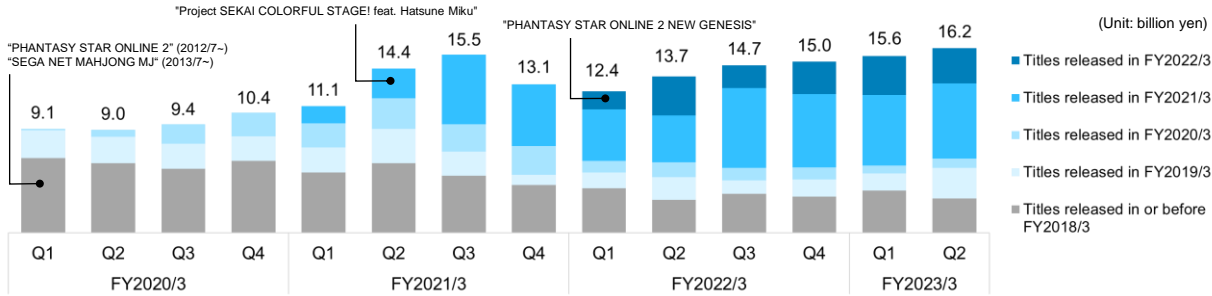


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Here is the sales trend by quarter for Full Game for your reference.


Repeat sales were on par with the previous fiscal year.

Consumer Area / F2P: Sales Trend




Top 3 titles in sales from Jul. - Sep. 2022

(No. 1)




**"Project SEKAI COLORFUL STAGE!
feat. Hatsune Miku"**
© SEGA/© CP/© CFM
Release: Sep. 2020

(No. 2)



**"PHANTASY STAR ONLINE 2
NEW GENESIS"**
©SEGA
Release: Jun. 2021

(No. 3)



"SEGA NET MAHJONG MJ"
©SEGA
Release: Jul. 2013

Here is the sales trend of F2P.

Sales were strong, centered on "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku".

(Reference) Consumer Area: Sales Trend

(Billion yen)	FY2022/3				FY2023/3		
	Q1	Through Q2	Through Q3	Through Q4	Q1	Through Q2	Full Year Forecast
Sales	29.5	71.2	119.6	158.3	34.7	75.0	192.0
Domestic	13.0	30.9	50.3	66.6	15.7	33.8	66.1
Overseas	16.7	40.3	69.4	92.0	19.2	41.1	126.1
Overseas sales ratio	56.6%	56.6%	58.0%	58.1%	55.3%	54.8%	65.7%
Other / Elimination	-0.2	0.0	-0.1	-0.3	-0.2	0.1	-0.2
Full Game	11.0	30.7	50.3	65.8	9.9	22.3	98.4
New titles	3.0	16.0	29.1	40.6	2.1	7.5	62.2
Japan	0.2	2.4	5.4	5.7	0.5	1.7	5.1
Asia	0.1	0.9	2.0	3.0	0.5	1.1	4.9
North America / Europe	2.7	12.7	21.7	31.9	1.0	4.6	52.3
Repeat titles	8.0	14.7	21.2	25.2	7.7	14.7	36.2
Japan	0.8	2.0	2.8	3.4	0.8	1.7	3.3
Asia	0.7	1.4	1.8	2.3	0.8	1.5	4.5
North America / Europe	6.4	11.3	16.6	19.5	6.1	11.5	28.3
Download sales ratio	61.6%	65.3%	63.8%	69.5%	74.9%	74.5%	79.4%
F2P	12.4	26.1	40.8	55.8	15.6	31.8	56.8
Japan	10.9	23.2	36.6	50.1	13.0	27.1	50.6
Asia	0.0	0.0	0.3	0.5	0.5	0.5	0.5
North America / Europe	1.4	2.9	3.9	5.2	2.0	4.1	5.7
Other	6.2	14.5	28.6	37.0	9.2	20.9	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

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

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



	FY2022/3				FY2023/3		
	Q1	Through Q2	Through Q3	Through Q4	Q1	Through Q2	Full Year Forecast
Full Game: Number of Titles							
Japan	0 title	3 titles	5 titles	6 titles	3 titles	7 titles	15 titles
Asia	1 title	4 titles	7 titles	9 titles	3 titles	7 titles	15 titles
North America / Europe	3 titles	6 titles	11 titles	13 titles	3 titles	7 titles	16 titles
Full Game: Unit sales (Thousands)	6,580	14,040	21,970	27,200	5,140	10,140	34,250
Total New titles	1,060	3,500	6,630	8,770	440	1,480	13,950
Japan	50	410	780	850	90	250	1,040
Asia	50	250	500	760	110	260	1,570
North America / Europe	960	2,840	5,350	7,160	230	960	11,330
Total Repeat titles	5,520	10,540	15,340	18,430	4,700	8,650	20,300
Japan	290	660	950	1,140	260	760	1,240
Asia	340	680	880	1,170	410	750	2,110
North America / Europe	4,890	9,200	13,500	16,130	4,030	7,120	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)	FY2022/3				FY2023/3	
	Q1	Through Q2	Through Q3	Through Q4	Q1	Through Q2
Sonic series	1,000	2,900	4,900	5,800	1,460	2,630
Total War series	600	1,000	1,300	2,600	420	950
Persona series	400	700	1,000	1,300	270	500
Like a Dragon series	700	1,800	2,500	2,900	470	960

*Like a Dragon series includes the Judgment series

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

(Reference) Entertainment Contents Business: Sales Schedule



		~FY2023/3 Q2		In or after FY2023/3 Q3 (plan)		
Consumer	Full Game	New titles	13 Sentinels: Aegis Rim (for Nintendo Switch™)	Soul Hackers 2	Sonic Frontiers	Persona 5 Royal (Remaster)
			Sonic Origins	Two Point Campus	Like a Dragon: Ishin!	Persona 4 Golden (Remaster)
			Hatsune Miku: Project DIVA Mega Mix+ (for PC)	Judgment (for PC)	Endless Dungeon	Persona 3 Portable (Remaster)
	Repeat		Lost Judgment (for PC)	Company of Heroes 3		
Sonic Series / Persona Series / Total War Series / Football Manager Series / Like a Dragon 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 Q3 (plan)"

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

(Reference) Entertainment Contents Business: Sales Schedule



	~FY2023/3 Q2	In or after FY2023/3 Q3 (plan)
Amusement Machine	<Major titles in operation> StarHorse4 / EIKETSU TAISEN / maimai DX / CHUNITHM / O.N.G.E.K.I. / MJ ARCADE INITIAL D THE ARCADE / KanColle Arcade / Fate Grand Order Arcade / lalamee	
	<Major regular sales titles> UFO Catcher® series / Prizes for prize machines	
	ROMAPI	Bépiu. HORI A TALE
Animation / Toy	Detective Conan: The Bride of Halloween	ANPANMAN: Dororin and the Transformation Carnival
	Dinosaur PC Ω	With camera! Change of mouse! Sumikko gurashi PC premium plus DECO Sumikko gurashi Phone

*Only announced titles are listed for "In or after FY2023/3 Q3 (plan)"

Pachislot and Pachinko Machines Business



(Billion yen)	FY2022/3		FY2023/3	
	Through Q2	Full Year Results	Through Q2	Full Year Forecast
Sales	23.3	75.8	27.5	86.0
Pachislot	12.0	30.6	13.7	32.7
Pachinko	7.1	37.1	9.5	44.5
Other / Elimination	4.2	8.1	4.3	8.8
Operating Income	-1.7	9.3	1.3	11.5
Non-operating income	0.4	1.0	0.7	0.5
Non-operating expenses	0.0	0.1	0.0	0.0
Ordinary Income	-1.3	10.2	2.0	12.0
Ordinary Income Margin	-	13.5%	7.3%	14.0%
Pachislot				
Number of Titles	4 titles	10 titles	4 titles	9 titles
Unit Sales (units)	31,184	77,870	34,712	84,000
Pachinko				
Number of Titles	3 titles	5 titles	1 title	6 titles
Unit Sales (units)	23,118	97,027	23,960	114,000
Board + Frame	4,884	56,728	10,118	46,900
Board	18,234	40,299	13,842	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 Q2 Results

➤ Progressed steadily overall

- All of the titles sold exceeded the plans
- Especially pachislot machines (No. 6.5 models) performed strongly
- Major titles sold:
 - "Pachislot Kabaneri of the Iron Fortress"
 - "Pachislot Persona5", etc.

Forecast

➤ Start the full-scale launch of major titles from Q3 onward

- Pachislot machine: Proceed with launch of No. 6.5 models such as "Pachislot Hard Boiled"
- Pachinko machine: Launch multiple titles such as "P The Seven deadly Sins 2"

➤ Need to closely monitor the parts procurement continuously

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Next is about Pachislot and Pachinko Machines business.

All titles sold in Q2 exceeded the unit sales volume plans. On the cost side, advertising and development expenses were lower than expected, resulting in a steady progress.

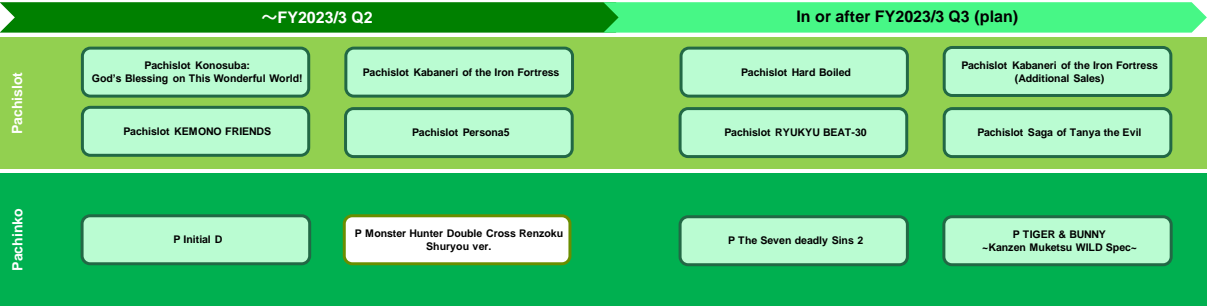
“Pachislot Kabaneri of the Iron Fortress”, our first No. 6.5 model was launched in July and has been performing very well in terms of utilization, with additional sales to follow in October and beyond. From these factors, we can say that No. 6.5 models have started off well, and let us have high expectations in the future.

From Q3 onward, we plan to move forward with the launch of new titles, including mainstay titles. With regard to pachislot machines, we will continue to promote the launch of No. 6.5 models, which strong utilization continues. We will also launch multiple titles in pachinko machines.

Satomi will explain the details later, but we will continue to monitor the procurement of parts as well as the approval status of machines, and we will take appropriate measures as needed.

(Reference) Pachislot & Pachinko Machines Business:
Sales Schedule

New series
Specification changed title



(Major titles before Q2)			(Major titles to be launched in or after Q3)		
		Month of delivery			Month of delivery
Pachislot	Pachislot Kabaneri of the Iron Fortress	Jul.	14,404 units	Pachislot Hard Boiled	Oct.
	Pachislot Persona5	Sep.	9,639 units	Pachislot RYUKYU BEAT-30	Oct.
	Pachislot Konosuba: God's Blessing on This Wonderful World!	Apr.	3,333 units	Pachislot Kabaneri of the Iron Fortress (Additional Sales)	From Oct.
	Pachislot KEMONO FRIENDS	May.	2,485 units	Pachislot The Saga of Tanya the Evil	Dec.
Pachinko	P Initial D	May.	10,700 units	P The Seven deadly Sins 2	Nov.
	P Monster Hunter Double Cross Renzoku Shuryou ver.	Aug.	5,023 units	P TIGER & BUNNY -Kanzen Muketsu WILD Spec-	Dec.

*Only announced titles are listed for "In or after FY2023/3 Q3 (plan)"

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

Resort Business



(Billion yen)	FY2022/3		FY2023/3	
	Through Q2	Full Year Results	Through Q2	Full Year Forecast
Sales	3.8	8.6	5.6	11.5
Operating Income	-1.8	-2.5	-0.4	-1.2
Non-operating income	0.0	0.0	0.0	0.0
Non-operating expenses	2.1	4.1	1.9	1.8
Ordinary Income	-3.9	-6.7	-2.3	-3.0
Ordinary Income Margin	-	-	-	-

<PHOENIX RESORT>

No. of facility users (Thousands)	327	760	491	868
3 accommodation facilities	124	308	206	363
2 golf courses	43	94	49	98
Other facilities	160	358	236	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 Q2 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 travel restriction of foreign visitors**

Forecast

- **PHOENIX RESORT: Expect the recovery of individuals and group customers**
 - Engage in unique measures such as strengthening CRM
- **PARADISE SEGASAMMY: Loss margin expect to narrow**
 - Travel restrictions have been partially relaxed since June, and the drop amount of Japanese VIP has recovered nearly to the level prior to COVID-19

-21-

Finally, the Resort business.

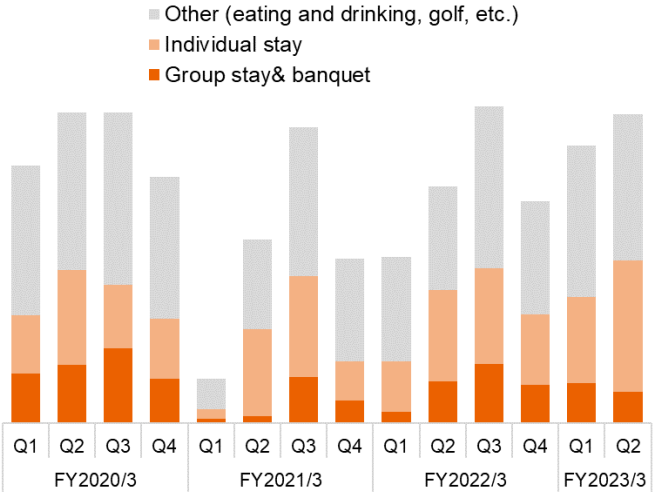
In Japan, demand at the PHOENIX RESORT was strong, especially among individual visitors, as there was no declaration of a state of emergency, etc. by the government, and measures to stimulate tourism demand by the government and the facility itself contributed.

For PARADISE SEGASAMMY in South Korea, the Company's inclusion of its results will be delayed by three months, so the current Q2 results are for the period from January to June. During this period, the number of casino visitors remained sluggish as the impact of travel restrictions has continued, but there were signs of recovery among Japanese VIPs as travel restrictions to South Korea were partially relaxed since June. In addition, we have been able to strongly capture domestic demand in South Korea, with the average occupancy rate of our main hotels standing at nearly 70%, and our average daily rate (ADR) also remaining at a high level.

Details will be explained from the next page, but we expect to recover our earnings in the future, assuming the relaxation of behavioral restrictions associated with COVID-19.

(Reference) Status of Each Facility: PHOENIX RESORT

■ PHOENIX RESORT: Sales by type of facility users



- Due to the strong performance of individual customers, Q2 cumulative sales and facility users have been higher than before COVID-19
- Group customers are also expected to recover in the future

Here are the sales of PHOENIX RESORT by type of facility users.

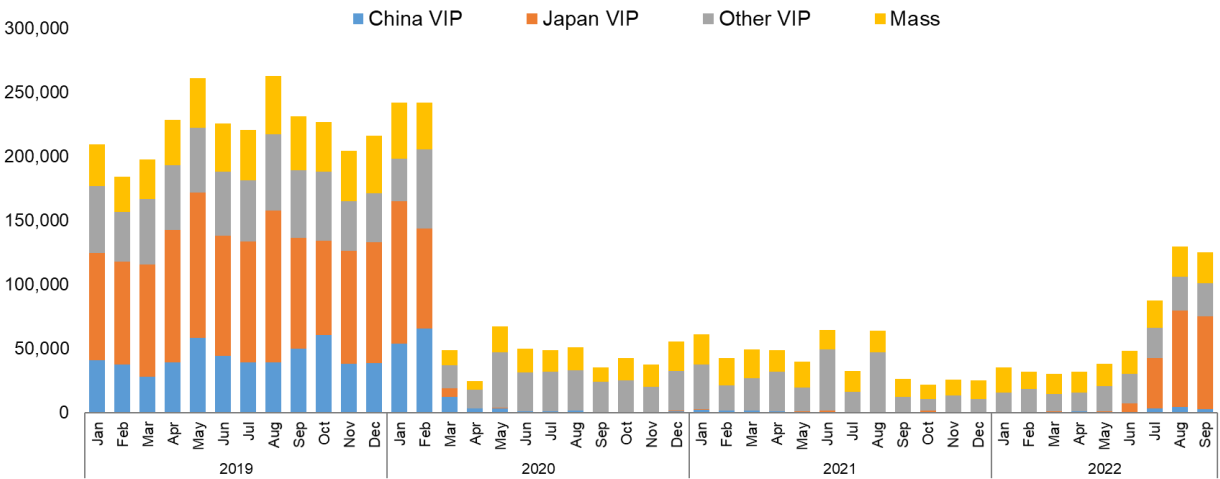
As I mentioned earlier, there has been a recent recovery, especially among individual customers, and sales and the number of facility users in Q2 cumulative exceeded the pre-COVID-19 level. We also expect a recovery in the group customers in the future.

(Reference) Status of Each Facility: PARADISE SEGASAMMY



■ Trend of Drop amounts* at PARADISE CITY

(KRW million)



*Drop amounts: Purchased amount of chips by customers

-23-

Here is the trend of drop amounts at PARADISE CITY.

As I mentioned earlier, travel restrictions have been relaxed since June, and the drop amounts by Japanese VIPs recovered rapidly from August to September.

That is all from me.
Thank you for your attention.

02

Future Initiatives

Speaker: Haruki Satomi (President and Group CEO, Representative Director of SEGA SAMMY HOLDINGS INC.)

In terms of business performance, although there were positive impact from the progress of yen depreciation, new and repeat sales of consumer games did not reach the expected levels, and results were generally in line with initial expectations.

However, we believe that the second half of the fiscal year will be the important period for us, as we are preparing to launch major title from Q3.

Consumer area, Entertainment Contents Business

➤ Expand sales of game titles centered on media-mix strategy



Sonic Frontiers

Multi-platform support
Nov. 2022



Global launch of the all-new Netflix
animated series, "Sonic Prime"

Dec. 15, 2022

© SEGA

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As for Sonic, "Sonic Frontier," the first new large-scale 3D Sonic title in many years, is scheduled for release on November 8.

The environment surrounding Sonic IP has changed dramatically over the past few years, with the rapid growth of Sonic IP on a global level, including its success in film. We have seen a significant increase in the number of fans and feel that the scale of our business is expanding.

In light of this situation, we have strategically increased marketing expenses from our initial plan and are planning various promotional measures on a truly global level so that "Sonic Frontier" will be accepted by these new fans. In addition, since this is a title that will be sold to a wide range of customers for a long period starting from the holiday season, rather than selling a lot on the day 1 of release, we plan to further strengthen promotion on a global level starting in November and beyond.

Also, Season 1 of "Sonic Prime," a new animated series of Sonic exclusively distributed by Netflix, is scheduled to begin on December 15, and we expect synergistic effects with game sales.

➤ Full-fledged release of remastered past masterpieces from this fiscal year

● Remastered version



Persona 5 Royal

Multi-platform support
Oct. 2022



Persona 4 Golden

Multi-platform support
Jan. 2023



Persona 3 Portable

Multi-platform support
Jan. 2023

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For Persona IP, remaster project is now underway as we recently announced.

The first of these, "Persona 5 Royal" (Remaster), was released in October. Until now, the game has been developed mainly for PlayStation®4, but from this title, we released the title simultaneously worldwide for multiple platforms and in multiple languages.

At the review site, Metacritic, the game recorded a score of over 90 across all platforms, with the PC platform in particular receiving an all-time high score of 97.

In light of this, we expect to receive interest from a wide range of game users. We also plan to release "Persona 4 Golden" (Remaster) and "Persona 3 Portable" (Remaster) in January next year as already announced.

➤ Utilizing past titles and develop them to global IPs

FY2023/3

- Remastered version



Judgment

For PC
Sep. 2022



Lost Judgment

For PC
Sep. 2022

© SEGA

FY2024/3

- Remake version



Like a Dragon: Ishin!

Multi-platform support
Feb. 2023

- Spin-off works



**Like a Dragon Gaiden:
The Man Who Erased His
Name**

Multi-platform support
In 2023

- Full new titles



Like a Dragon 8

Multi-platform support
In 2024

As for the Like a Dragon IP, we released a remastered version of the well-received Judgment series for PC in September, and scheduled to release a remake version of "Like a Dragon: Ishin!" for multiple platforms in February next year. In fact, since this title has not been released for the Western market before, we expect that it will be accepted as a nearly new title, especially in the West.

In addition, "Like a Dragon Gaiden: The Man Who Erased His Name" is scheduled to be released as a spin-off of "Yakuza: Like a Dragon" within the next year. We have high expectations for this action adventure game, which focuses on the story of Kazuma Kiryu, which was not told in "Yakuza: Like a Dragon".

We also plan to release the long-awaited numbered title "Like a Dragon 8" in 2024.

➤ Launch of major titles by overseas studios



Total War: WARHAMMER III*

Revitalize by large-scale update
*Release of original version: Feb. 2022

© Games Workshop Limited 2021. Published by SEGA.



Football Manager 2023

For PC, support subscription service
Nov. 2022

© Sports Interactive Limited 2022. Published by SEGA



Company of Heroes 3

For PC
Feb. 2023

©SEGA. Developed by Relic Entertainment

"Total War: WARHAMMER III" recorded a high Metacritic score and performed well immediately after its launch in February, but since then, sales have been below expectations. However, we were able to improve the points raised by users in the major update in August, as well as other issues, and once again regain the high evaluation. As a synergistic effect, sales of DLCs released in the past have also been strong, and we expect this to contribute to the accumulation of repeat sales in the future.

As for Football Manager, the World Cup will be held from November, and I believe that football will become more exciting on a global scale, so we have high expectation on the title including the positive impact from this.

In addition, "Company of Heroes 3" is scheduled for release next February as the latest addition to the Company of Heroes IP, which has a very dedicated fan base.

➤ Strengthen domestic and overseas operation of mainstay F2P titles



**Project SEKAI COLORFUL STAGE!
feat. Hatsune Miku**

Release: Sep. 2020

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PHANTASY STAR ONLINE 2 NEW GENESIS

Release: Jun 2021

Start the support for global version of PlayStation®4
from August 31, 2022

©SEGA

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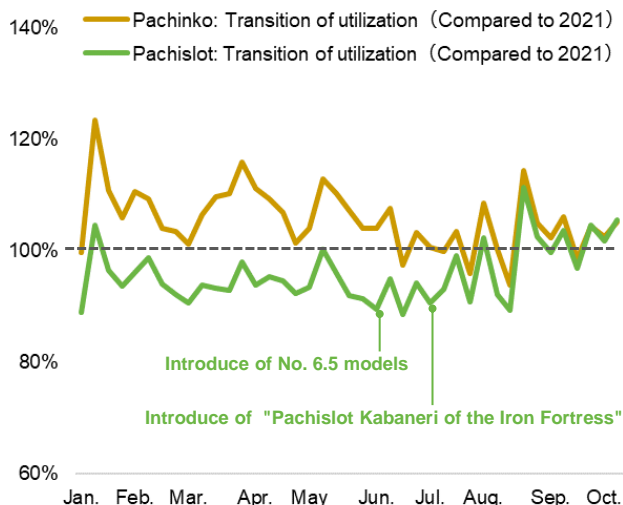
As for F2P, "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku" celebrated its second anniversary and recorded the highest number of active users ever. The number of active users is increasing every day, and it is making steady progress, including global expansion.

The global version of "PHANTASY STAR ONLINE 2 NEW GENESIS" was launched on August 31 for PlayStation®4 and has been well received. The number of active users has been increasing and we expect it to continue to generate stable revenues.

Finally, "ONE PIECE BOUNTY RUSH," published by Bandai Namco Entertainment Inc. and developed by SEGA, recorded a record high number of active users following the huge success of this summer's movie. With the upcoming international release of the film, we expect it to continue to contribute to earnings.

Pachislot and Pachinko Machines Business

Market Trend



*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

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▪ Pachinko

Maintained a stable utilization level even after the introduction of pachislot No. 6.5 models

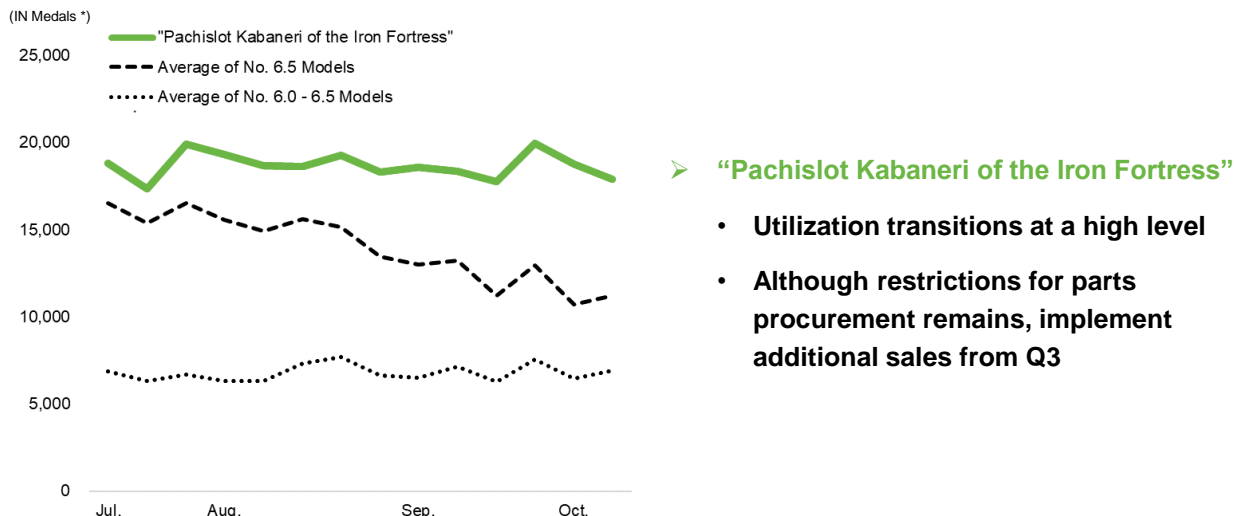
▪ Pachislot

Utilization level has increased after the introduction of titles such as "Pachislot Kabaneri of the Iron Fortress"

As for Pachislot and Pachinko Machines business, utilization of pachinko is continuing to be strong, and in pachislot, positive effects due to revision of regulations have become apparent, and as you can see in the shown graph, utilization compared to 2021 is rising.

The important thing is that it doesn't mean users aren't flowing from pachinko to pachislot. Utilization of pachislot is rising while utilization of pachinko remains strong, so it is leading to a recovery in pachinko halls' earnings.

No. 6.5 Models of the Group



*In-house estimation based on DK-SIS data (Data for 4 yen Pachinko and 20 yen Pachislot) of Daikoku Denki Co., Ltd

*In Medals = Average number of inserted medals in a day for each title. Used as an indicator to represent utilization.

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Regarding our Group's No. 6.5 models, here is about "Pachislot Kabaneri of the Iron Fortress".

The dash line in the middle shows the average utilization of No. 6.5 models, and compared to the dotted line in the bottom, which shows the average utilization of all No. 6.0 – No. 6.5 models, you can see it has jumped up. And among No. 6.5 models, "Pachislot Kabaneri of the Iron Fortress", which the above line in green shows its utilization, the utilization level is at the top level, and you can also see the utilization has not fallen off after the introduction in July.

We have already implemented additional sales, but we are receiving requests for further increases, so we would like to respond to it sequentially.

■ Titles in or after FY2023/3 Q3 (plan)



"Pachislot Hard Boiled"

©Sammy



"Pachislot Saga of Tanya the Evil"

©Carlo Zen, PUBLISHED BY KADOKAWA CORPORATION
/Saga of Tanya the Evil PARTNERS
©Sammy

- Continue to actively pursue launch of No. 6.5 models
- Preparing other titles, including Smart pachislot

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As for the future lineup of No. 6.5 models, we have already launched "Pachislot Hard Boiled." Next, in December, we schedule to release "Pachislot Saga of Tanya the Evil."

Introduction of Smart Pachislot is scheduled in November, and our Group too is diligently developing and continuing to apply for prototype testing. Although there were pachinko halls that were cautious about introducing Smart Pachislot in the beginning, we now receive comments such as "I'd love to play with it" in user surveys, etc., and from these factors, we can say that expectations from pachinko halls and users are becoming very high.

On the other hand, due to difficulties in parts procurement, lack of supply of dedicated units for smart machines by unit manufactures is continuing, and we hear there are pachinko halls that aren't able to introduce the amount of dedicated units they want. If the installation of dedicated units in pachinko halls won't proceed, spread of smart machines from pachislot and pachinko machines manufactures, including us, won't proceed too. So, we would like the unit manufactures to make effort in the parts procurement.

➤ Market Environment

- Pachislot: No. 6.5 models are strong in both sales and utilization
- Pachinko: Strong utilization has been maintained, drove by multiple popular titles

➤ Concerns

- Parts procurement: Difficult to respond to demands quickly due to short supply
- Prototype testing: Approval rate of the whole market is transitioning at a low level

In summary, regarding pachislot, since the performance of No. 6.5 models are strong, we would like to continue the launch of new machines of this model. Also, we expect Smart Pachislot, which will be launched in the future, will contribute to vitalization of the market.

Regarding pachinko, a number of major hits have been appeared in the market, so we would like to increase our utilization share by launching killer titles.

On the other hand, regarding parts procurement, difficulty of procurement continues in market as a whole. And, as some of you may be worried by seeing media reports, etc., the external plant that handles some parts in shortage caught on fire. But the only impact was that the launch of “Pachislot Saga of Tanya the Evil”, which was originally scheduled in November, was postponed to December, and other impacts were slight.

Regarding prototype testing, approval rate of market as a whole is trending at a low level, and our Group too have some titles that haven't been approved yet which are in the plan for this fiscal year. But it doesn't mean all of our titles aren't approved yet, and we would like to continue developing diligently, and receive approval in prototype testing.

The market environment is becoming much brighter. Market environment is changing where we can expect to sell units to some extent, if we can procure enough amount of parts needed and also receive approval in prototype testing. So, we would like to continue working on as hard as we can and meet the demand we are receiving.

03

Appendix

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



(Unit: billion yen)

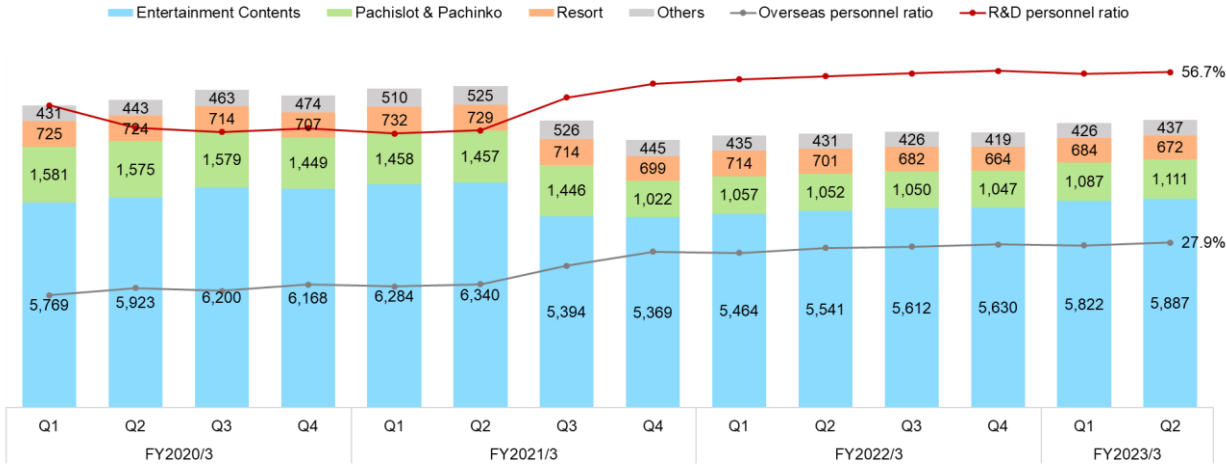


*Balance of work in progress R&D expenses of titles before release + balance of unamortized R&D expenses of released titles

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
		Through Q2	Full year Results	Through Q2
Sales		74.2	161.5	90.8
	Casino	44.1	86.6	41.1
	Hotel	28.3	67.7	43.0
	Other	1.7	7.0	6.6
Cost of sales		84.9	178.2	95.1
	Casino	31.0	63.7	32.7
	Hotel	39.1	81.9	43.1
	Other	14.7	32.4	19.1
Gross profit		-10.7	-16.7	-4.2
	SG&A	12.8	25.4	11.5
Operating profit		-23.6	-42.2	-15.7
EBITDA		5.0	14.9	12.4
Net profit		-45.3	-87.9	-38.6
Number of casino visitors (Thousands)		59.0	99.0	48.0
Source: Paradise IR				
SEGASAMMY Equity method acquisition amount (Billion yen)		-2.1	-4.1	-1.9

FY2023/3 Q2 Results

- **Casino visitors remained low due to travel restrictions**
 - Compared to FY2021/3 Q2 cumulative: 47.5%
- **EBITDA remained positive due to cost reduction**

Forecast

- **Loss margin expect to narrow**
 - Travel restrictions have been partially relaxed since June, and the drop amount of Japanese VIP has recovered nearly to the level prior to COVID-19

*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	<div>Area of consideration for investment</div> <ul style="list-style-type: none">Expansion of organic development pipelineStrengthen global mobile and online games
	Investment in new ecosystem	<div>Area of consideration for investment</div> <ul style="list-style-type: none">Strengthen CRM functions to revitalize user communitiesInvestment in newly emerging business areas
Gaming Area Approx. 100.0 billion yen	Careful assessment of investment opportunities in the gaming area	<div>Area of consideration for investment</div> <ul style="list-style-type: none">Both domestic and overseas IROnline casino and sports betting overseasLand-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



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

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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.

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