

(Translation)

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Japanese GAAP)

Name of Company : SEGA SAMMY HOLDINGS INC.
 Listing : Tokyo Stock Exchange Prime
 Code number : 6460
 URL : <https://www.segasammy.co.jp/en/>
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Scheduled date to file quarterly report : November 14, 2023 (plan)
 Scheduled date to commence dividend payments : December 1, 2023 (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, 2023

(April 1, 2023 - September 30, 2023)

(1) Consolidated Operating Results

(Percentage represents changes from the prior period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	221,158	47.3	39,579	313.4	42,069	242.0	23,117	140.3
September 30, 2022	150,095	11.3	9,574	(34.8)	12,300	(16.6)	9,619	(19.9)

(Note) Comprehensive income

Six months ended September 30, 2023 : ¥33,956 million (113.2%)
 Six months ended September 30, 2022 : ¥15,924 million (18.9%)

	Net income per share	Net income per share (diluted)
Six months ended	Yen	Yen
September 30, 2023	104.72	104.06
September 30, 2022	43.56	43.34

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	631,198	356,604	56.3
March 31, 2023	501,566	331,347	66.0

(Reference) Shareholders' equity

September 30, 2023 : ¥355,263 million
 March 31, 2023 : ¥330,854 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, 2023	-	20.00	-	39.00	59.00
Year ending March 31, 2024	-	23.00			
Year ending March 31, 2024 (plan)			-	24.00	47.00

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

3. Forecast of Consolidated Financial Results for the Year ending March 31, 2024

(April 1, 2023 - March 31, 2024)

(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	474,000	21.7	60,000	28.2	63,000	27.3	35,000 (23.8)	158.54

(Note) Revision to the forecast of operating results most recently announced: Yes

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.: No
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, 2023 : 241,229,476

March 31, 2023 : 241,229,476

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

September 30, 2023 : 20,430,181

March 31, 2023 : 20,476,041

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

Six months ended September 30, 2023 : 220,762,180

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

(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 November 8, 2023. The presentation materials to be used on the day will be posted on TDnet and the Company's website in advance, and the details of the briefing and the content of the explanation (video and audio) will also 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 business environment surrounding the consumer area, especially in the European region, is rapidly changing due to a decline in demand from staying at home during COVID-19 pandemic and a worsening economic environment caused by inflation and other factors. However, expectations for the growth of the game market continue as the diversification in terms of service provision resulting in an environment having been created in which content and services can be delivered globally over the long-term, regardless of device or platform. In addition, overseas, addressing changes in the business environment and rising development costs has become a challenge. As for amusement machines market, the market is recovering as the recovery in economic activity following COVID-19 pandemic. Although the impacts of raw material price hikes caused by the depreciation of the Japanese yen have appeared, the prize category continued to perform strongly, and the overall performance remained solid.

With regard to the pachislot and pachinko industry, the favorable market environment continued driven by pachislot machines. For pachislot machines, it has maintained a high utilization level due to the emergence of machines themed around topical subjects centered on smart pachislot including the Group's "Smart Pachislot Hokuto No Ken". For pachinko machines, although utilization continues to be sluggish, with the introduction of smart pachinko starting in April 2023 and the trend of reviewing regulations continuing, etc., new popular machines that contribute to the recovery of utilization are expected to emerge in the future.

In the resort industry, in Japan, the travel demand has continuously shown signs of recovery due to easing of various restrictions on activities as a result of the review of the COVID-19 classification, the normalization of social and economic activities continues, and the contribution of the continuation of nationwide travel support measures to stimulate tourism demand. As for international visitors to Japan, the significant recovery has been seen with the lifting of restrictions for entry into Japan and the resumption of regular international flight routes.

In this business environment, net sales for the six months ended September 30, 2023 amounted to ¥221,158 million (an increase of 47.3% for the same period in the prior fiscal year). The Group posted an operating income of ¥39,579 million (an increase of 313.4% for the same period in the prior fiscal year), ordinary income of ¥42,069 million (an increase of 242.0% for the same period in the prior fiscal year), in addition, as a result of recording extraordinary losses of ¥9,780 million including loss on business restructuring due to a review of the portfolio of titles developed at each Europe base, profit attributable to owners of parent of ¥23,117 million (an increase of 140.3% for the same period in the prior 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 unit sales of new titles were leading to 1,660 thousand copies (1,480 thousand copies for the same period in the prior fiscal year) and the unit sales of repeat titles were leading to 8,850 thousand copies (8,650 thousand copies for the same period in the prior fiscal year). As a result, overall unit sales for Full Game totaled 10,520 thousand copies (10,140 thousand copies for the same period in the prior fiscal year). F2P was driven by "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku", and "ONE PIECE Bounty Rush" developed by SEGA CORPORATION and published by Bandai Namco Entertainment Inc.

In the amusement machine sales 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: Black Iron Submarine", etc., and for toy, new products "Chiikawa's dream talking giant pudding house" and regular products were sold.

As a result, net sales in this segment were ¥121,086 million (an increase of 3.8% for the same period in the prior fiscal year) and ordinary income was ¥9,072 million (a decrease of 47.4% for the same period in the prior fiscal year).

« Pachislot and Pachinko Machines »

For pachislot machines, in addition to the sales of "Smart Pachislot BIOHAZARD: VENDETTA" which is the Group's second smart pachislot title, the Group sold additional units of "Smart Pachislot Hokuto No Ken" launched in the first quarter, leading to overall sales of 130 thousand units (34 thousand units for the same period in the prior fiscal year). For pachinko machines, the Group sold "P BLACK LAGOON4", etc., leading to overall sales of 56 thousand units (23 thousand units for the same period in the prior fiscal year).

As a result, net sales in this segment were ¥93,424 million (an increase of 239.3% for the same period in the prior fiscal year) and ordinary income was ¥39,307 million (ordinary income of ¥2,011 million for the same period in the prior fiscal year).

« Resort »

In the resort business, at "Phoenix Seagaia Resort", in addition to the contribution of the government and its own measures to stimulate tourism demand and steady performance of individual customers, the recovery of group customers, which had been sluggish due to the COVID-19 pandemic, has been seen because of large-scale MICE (Meeting, Incentive Travel, Convention and Exhibition/Events) such as international conferences and corporate events.

Overseas, "PARADISE CITY", operated by PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method), the casino sales have been seen a stronger-than-expected recovery with the drop amounts (purchased amount of chips by customers at the table) of Japanese VIPs maintaining a level exceeding that before the spread of COVID-19, etc.

*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 ¥6,057 million (an increase of 7.2% for the same period in the prior fiscal year) and ordinary income was ¥249 million (ordinary loss of ¥2,392 million for the same period in the prior fiscal year).

(2) Forecast of Consolidated Operating Results

The Company has revised the forecast of consolidated operating results for the fiscal year ending March 31, 2024 which was announced on April 28, 2023. With regard to the details, refer to "Notice of Revision of Operating Results Forecast" announced on November 8, 2023.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC. QUARTERLY CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2023 AND SEPTEMBER 30, 2023

(Unit: Millions of yen)

	Prior year (As of March 31, 2023)	Current period (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	179,509	186,540
Notes and accounts receivable - trade and contract assets	53,370	59,373
Securities	-	17,190
Merchandise and finished goods	18,503	16,723
Work in process	50,689	54,922
Raw materials and supplies	20,269	20,417
Other	31,826	32,507
Allowance for doubtful accounts	(304)	(1,127)
Total current assets	353,862	386,546
Noncurrent assets		
Property, plant and equipment		
Land	18,581	18,625
Other, net	41,901	43,217
Total property, plant and equipment	60,482	61,843
Intangible assets		
Goodwill	2,592	72,269
Other	10,654	11,750
Total intangible assets	13,247	84,019
Investments and other assets		
Investment securities	39,538	51,169
Other	34,818	48,006
Allowance for doubtful accounts	(383)	(387)
Total investments and other assets	73,973	98,788
Total noncurrent assets	147,703	244,652
Total assets	501,566	631,198

SEGA SAMMY HOLDINGS INC.
QUARTERLY CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2023 AND SEPTEMBER 30, 2023

(Unit: Millions of yen)

	Prior year (As of March 31, 2023)	Current period (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,556	28,385
Short-term borrowings	17,000	117,485
Income taxes payable	4,776	5,909
Provision for bonuses	9,689	7,410
Other provisions	1,375	830
Asset retirement obligations	-	1
Other	56,934	62,459
Total current liabilities	120,332	222,483
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	25,000	25,006
Net defined benefit liability	3,877	4,058
Asset retirement obligations	2,607	2,644
Provision for dismantling of fixed assets	420	420
Other provisions	-	6
Other	7,981	9,975
Total noncurrent liabilities	49,886	52,111
Total liabilities	170,218	274,594
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	72,213	71,183
Retained earnings	261,840	276,348
Treasury stock	(37,251)	(37,147)
Total shareholders' equity	326,755	340,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,626	3,686
Deferred gains or losses on hedges	382	(3)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	3,730	13,972
Remeasurements of defined benefit plans	(1,531)	(1,619)
Total accumulated other comprehensive income	4,099	14,926
Share acquisition rights	468	612
Non-controlling interests	24	728
Total net assets	331,347	356,604
Total liabilities and net assets	501,566	631,198

SEGA SAMMY HOLDINGS INC.
QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2023

(Unit: Millions of yen)

	Prior period From April 1, 2022 To September 30, 2022	Current period From April 1, 2023 To September 30, 2023
Net sales	150,095	221,158
Cost of sales	91,283	120,131
Gross profit	58,812	101,026
Selling, general and administrative expenses	49,237	61,447
Operating income	9,574	39,579
Non-operating income		
Interest income	89	739
Dividends income	481	59
Equity in earnings of affiliates	-	1,167
Gain on investments in partnership	1,098	781
Foreign exchange gains	2,942	520
Other	330	390
Total non-operating income	4,942	3,659
Non-operating expenses		
Interest expenses	152	229
Equity in losses of affiliates	1,360	-
Commission fee	55	250
Loss on investments in partnership	458	467
Other	188	222
Total non-operating expenses	2,216	1,169
Ordinary income	12,300	42,069
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Gain on sales of investment securities	-	71
Gain on transfer of business	-	155
Other	-	0
Total extraordinary income	0	228
Extraordinary losses		
Loss on sales of noncurrent assets	0	0
Impairment loss	96	94
Loss on sales of shares of subsidiaries and affiliates	96	49
Loss on business restructuring	-	9,500
Loss on fire	80	-
Other	7	135
Total extraordinary losses	281	9,780
Income before income taxes	12,019	32,516
Income taxes - current	2,258	8,665
Income taxes - deferred	133	715
Total income taxes	2,391	9,380
Profit	9,627	23,135
(Breakdown)		
Profit attributable to owners of parent	9,619	23,117
Profit attributable to non-controlling interests	7	18

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2023

(Unit: Millions of yen)

	Prior period From April 1, 2022 To September 30, 2022	Current period From April 1, 2023 To September 30, 2023
Other comprehensive income		
Valuation difference on available-for-sale securities	(487)	1,059
Deferred gains or losses on hedges	7	-
Foreign currency translation adjustment	4,769	8,241
Remeasurements of defined benefit plans, net of tax	(15)	(97)
Share of other comprehensive income of entities accounted for using equity method	2,023	1,616
Total other comprehensive income	6,297	10,820
Comprehensive income	15,924	33,956
(Breakdown)		
Comprehensive income attributable to owners of parent	15,912	33,944
Comprehensive income attributable to non-controlling interests	12	12

[Notes]

(Notes on assumptions for going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(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.

SEGMENT INFORMATION

1. Prior 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.

2. Current period (From April 1, 2023 to September 30, 2023)

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	121,086	93,424	6,057	220,568	589	221,158
(2) Inter-segment sales and transfers	169	343	13	526	(526)	-
Total	121,256	93,767	6,070	221,095	63	221,158
Segment income (loss)	9,072	39,307	249	48,629	(6,560)	42,069

(Notes) 1. Adjustment of ¥589 million for sales to third parties represents sales related to businesses that do not belong to any reporting segment.

2. Adjustment to segment income (loss) of ¥(6,560) million includes losses of ¥(421) million related to businesses that do not belong to any reporting segment, elimination of inter-segment transactions of ¥1 million, and general corporate expenses of ¥(6,139) 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.

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