

(Translation)

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Japanese GAAP)

Name of Company : SEGA SAMMY HOLDINGS INC.
Listing : Tokyo Stock Exchange Prime
Code number : 6460
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Scheduled date to commence dividend payments : December 3, 2024
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, 2024 (April 01, 2024 - September 30, 2024)

(1) Consolidated Operating Results

(Percentage represents changes from the prior period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2024	211,663	(4.5)	32,816	(18.1)	33,095	(21.4)	30,385	31.1
September 30, 2023	221,620	-	40,058	-	42,086	-	23,182	-

(Note) Comprehensive income

Six months ended September 30, 2024 : ¥25,546 million ((24.9)%)
Six months ended September 30, 2023 : ¥34,016 million (- %)

	Net income per share	Net income per share (diluted)
Six months ended	Yen	Yen
September 30, 2024	140.75	140.18
September 30, 2023	105.01	104.35

(Note) Due to the "Changes in method of presentation" for the six months ended September 30, 2024, the reclassified figures for net sales and operating income have been retroactively applied. In addition, due to the finalization of provisional accounting treatment for business combination in the prior year, all the numbers shown are reflected by the result of the finalization of provisional accounting treatment, and the percentage change from the same period in the prior fiscal year is not shown.

Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	634,828	368,912	58.0
March 31, 2024	653,994	357,702	54.6

(Reference) Shareholders' equity

As of September 30, 2024 : ¥368,294 million

As of March 31, 2024 : ¥356,919 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, 2024	-	23.00	-	27.00	50.00
Year ending March 31, 2025	-	25.00			
Year ending March 31, 2025 (plan)			-	25.00	50.00

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

3. Forecast of Consolidated Financial Results for the Year ending March 31, 2025

(April 01, 2024 - March 31, 2025)

(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	445,000	(5.1)	45,000	(22.2)	48,000	(19.7)	39,000	18.0	180.54

(Note) 1. Revision to the forecast of operating results most recently announced: No

2. Due to the "Changes in method of presentation" for the six months ended September 30, 2024, the percentage change from the same period in the prior fiscal year is the comparison to the retroactive numbers.

4. Other

(1) Changes in significant subsidiaries during the period: Yes

New : - Company name -

Exclusion : 1 Company name : Phoenix Resort Co., Ltd.

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

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

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

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

3. Changes in accounting estimates: No

4. Restatements: No

(4) Number of issued shares (common stock)

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

September 30, 2024 : 241,229,476

March 31, 2024 : 241,229,476

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

September 30, 2024 : 27,974,469

March 31, 2024 : 25,214,788

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

For Six months ended September 30, 2024 : 215,878,155

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

(Note) The Company has introduced the "BIP Trust" for directors and the "Stock-granting ESOP Trust" for employees from the current fiscal year, and the Company's shares held by these trusts are included in the number of treasury stock at the end of the period above. These shares are also included in the number of treasury stock which is subject to be excluded for calculation by the average number of shares during the period above.

(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 9.

- The Company plans to hold a briefing on financial results for institutional investors on November 8, 2024. 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) Operating results for the six months ended September 30, 2024 (April 01, 2024 - September 30, 2024)

■ Overall highlights

For the six months ended September 30, 2024, the sales fell from the same period in the prior year when "Smart Pachislot Hokuto No Ken" was a huge hit. Conversely, in the Entertainment Contents Business, the consumer area and the animation area showed favorable performance. In the Pachislot and Pachinko Machines Business, sales of titles in general showed steady performance. As a result, both sales and ordinary profit made a better-than-expected from the beginning of the current fiscal year.

The Group recorded an extraordinary loss of approximately ¥5.9 billion in the second quarter for the fiscal year due to the sale of overseas development studio, Amplitude Studios SAS through a management buyout. In contrast, as the Group was influenced by the rebound effect from the restructuring loss occurred in the same period of prior year, and the Company recorded an extraordinary income by transfer of the shares of Phoenix Resort Co., Ltd., in the first quarter for the fiscal year, the profit attributable to owners of the parent resulted in an increase from the same period in the prior year.

The adjusted EBITDA, which the Company adopted as the management indicator since the current fiscal year, reached to ¥34.8 billion. This resulted in short from the same period of prior year, ¥37.5 billion, but still a better-than-expected from the beginning of the current fiscal year.

The provisional accounting treatment in the same period of the prior year was applied to the business combination with Rovio Entertainment Corporation on August 17, 2023. Due to the finalization of provisional accounting treatment for business combination in the prior year, all the numbers shown are reflected by the result of the finalization of provisional accounting treatment in terms of the comparison and analysis between the prior and current first half for the fiscal year.

■ Returns to shareholders

The Company regards the profit returns to shareholders as an important management issue. Due to returns to shareholders, the Company aims to maximize corporate value by focusing on capital efficiency in its medium-term financial strategy until the fiscal year ending March 31, 2027. While promoting aggressive investment for growth, the Company will also provide appropriate shareholder returns. The Company returns to shareholders by dividends or share buy-back, and the total returns result in DOE of 3% or a total payout ratio of 50%, whichever is higher.

Under this policy, in the six months ended September 30, 2024, the Company returns by dividends ¥25 per share to shareholders. While the total returns to shareholders calculated in DOE of 3% is ¥10.7 billion, projected full-year return to shareholders totaled ¥19.5 billion calculated based on a total payout ratio of 50% as net income attributable to owners of the parent is ¥39.0 billion based on the forecast of consolidated financial results for the fiscal year ending March 31, 2025. Actuals of the total return to shareholders and its return method possibly changes by the progress of business performance of the Group.

■ Highlights by segment

« Entertainment Contents »

For the six months ended September 30, 2024, the consumer area and the animation area showed the strong performance which had been continued from the first quarter of the fiscal year, and both sales and profit resulted in highly increased from the same period in the prior year.

By each sub-segment, in the consumer area, the titles such as "Persona 5 Royal (Remaster)" released in the fiscal year ended March 31, 2023 and "Unicorn Overlord" released in the fiscal year ended in March 31, 2024 led the sales, and such repeat titles showed steady performance. The promoted sales of additional downloadable contents for the series of "Total War" as well as expansion into subscription services for catalog titles and the foreign exchange rate made the positive impacts to the Group's business performance.

In the animation area, "Detective Conan : The Million-dollar Pentagon" broke the all-time record for highest box office revenue in the series, and the release of "Knuckles" in April 2024 contributed to a significant increase in revenue from the "Sonic" series movies productions and other products.

In the amusement and toy area, the Group showed the steady performance with releasing a new title, "UFO CATCHER TRIPLE TWIN Compact", but highly increased material costs due to the depreciation of the Japanese yen has made the negative impacts.

The Group will launch new mainstay titles and accelerate the transmedia development of the Group's IP from October onward. In the consumer area, "Metaphor: ReFantazio" released on October 11 received a high score of 94 points (PlayStation®5) on the overseas review aggregation site Metacritic (as of November 7, 2024) with surpassing 1 million units sold worldwide on its first day of the release. "SONIC X SHADOW GENERATIONS" released on October 25 also had a strong start similar to "Metaphor: ReFantazio" released, surpassing 1 million units sold worldwide on its first day of the release as well. As for the "Sonic" IP with the release of "Sonic the Hedgehog 3", the third movie title approaching in December, the Group will strategically implement transmedia development with Full Games, F2P Games, and merchandising, etc., thereby aiming to expand the value of the "Sonic" IP.

In the series of "Like a Dragon", distribution of the Amazon Prime Video original drama "Like a Dragon: Yakuza" is released on October 25. The Group will take this opportunity to implement initiatives to strengthen sales of catalog titles in the series and also aim to expand the IP value. "Like a Dragon: Pirate Yakuza in Hawaii" is scheduled to be released on February 21, 2025 as a new title in the series of "Like a Dragon".

In F2P Games, the Group plan to launch "Sonic Rumble" worldwide this winter and "Persona5: The Phantom X" in Japan. In particular, since "Sonic Rumble" as the first fully-fledged collaborative title with Rovio Entertainment Corporation, grouped-in August 2023, the Group will push forward initiatives to create synergy effects.

The progress of the Entertainment Contents Business through the second quarter has far exceeded expectations at the beginning of the fiscal year. In the third quarter and beyond, the Group will accelerate various initiatives to realize medium to long-term growth by launching mainstay titles and promoting transmedia development. However, the Group has announced that the release of "Football Manager 25" will be postponed until March 2025. The Group has made this decision to keep the quality of the product and will continue to grow the IP value of "Football Manager" in the medium-to long-term.

In addition, the above-mentioned sale of Amplitude Studios SAS has been implemented as part of structural reforms in Europe that the Group has been working on since September 2023. The Group deems that this marks the completion of the series of structural reforms and will work toward realizing a business structure that further focuses on the strengths going forward, thereby tackling achieve regrowth in the European business.

※ For new released titles, please see "Results Presentation Q2 for the fiscal year ending March 31, 2025"
<https://www.segasammy.co.jp/en/ir/library/>

« Pachislot and Pachinko Machines »

For the six months ended September 30, 2024, both sales and profit fell from the same period in the prior year when "Smart Pachislot Hokuto No Ken" was a huge hit. However, the sales of new titles showed the steady performance and resulted in a better-than-expected from the beginning of the current fiscal year.

In particular, the Group's first and flagship Smart Pachinko title, "e Hokuto No Ken" recorded 35 thousands unit of sales, which exceeded the Group's expectation, and the most-sold pachinko title released during the year of 2024.*1 Since August 2024, which is the month of introduced, the utilization levels continue to exceed the market average, *2 and it accounts for approximately share of 5% of the total ¥4 pachinko utilization with one title,*3 so it has become a title that is now supported by a wide range of users.

Going forward, the Group continuously sells new titles in both the pachislot and pachinko machines. In the third quarter, in the pachislot business, the Group plans to sell, "Smart Pachislot Initial D 2nd", "Smart Pachislot Aura Battler Dunbine", etc. In the pachinko business, the Group plans to sell new multiple titles such as "P Monster Hunter Rise", "P The Rising of the Shield Hero", etc.

Under the most recent business environment, the utilization of the pachislot machines in the market shows the steady performance. In contrast, the competitions in the pachislot business among the companies is intensifying. In the pachinko market, some trending titles equipped with "Lucky Trigger" have been released, but have not pushed up the market demand with weak performance of utilization. In such business environment and recent sales trend, the Group need to flexibly review the second half sales lineup with improving the product capabilities and will assess the impact on the business performance.

*1 own estimate (by the Group)

*2,3 reference: own estimate by DK-SIS data / Daikoku Denki Co., Ltd.

※ For new released titles, please see "Results Presentation Q2 for the fiscal year ending March 31, 2025"
<https://www.segasammy.co.jp/en/ir/library/>

« Gaming Business »

At the start of the New Medium-term Management Plan released in May 2024, the Group created the new "Gaming Business". In the Gaming Business, SEGA SAMMY CREATION INC. ("SSC") develops, manufactures, and distributes gaming devices, and PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method), which is a joint venture with Paradise Co., Ltd. in South Korea, develops and operates the integrated resort facility, "PARADISE CITY".

In November 2023, with the aim of entering the online gaming market, especially the U.S. iGaming market expected to continuously grow in the future, the Company concluded an agreement to acquire GAN Limited ("GAN"), which operates a B2B platform business mainly for U.S. casino operators. In July 2024, the Company also announced the conclusion of an agreement to acquire Stakelogic B.V. ("Stakelogic"), a Netherlands-based company that develops B2B iGaming content supplier business. The Company is proceeding to complete the acquisition.

Sales increased and profit decreased from the same period in the prior year.

Gaming equipment sales were robust, with "Railroad Riches™", a video slot machine compatible with the new "Genesis Atmos®" cabinet that was introduced in U.S. in January 2024, recording high operating rates and receiving high evaluations from the market. In "PARADISE CITY", the casino sales have remained strong with the drop amounts (purchased amount of chips by customers at the table) of Japanese VIP's maintained at a high level and contributed the Company's profit from equity method accounting. In contrast, as merger and acquisition costs and foreign currency based asset devaluation occurred by the depreciation of Japanese yen, the Company recorded the ¥0.2 billion ordinary loss in the Gaming Business.

*PARADISE SEGASAMMY Co., Ltd. is posted 3 months delay due to the fiscal year ended in December.

Going forward, the Group will further promote sales of the video slot machine equipment such as "Genesis Atmos®" by continuing to introduce gaming equipment that will receive high evaluations from the market in North America and Asia, increasing the number of machines installed, developing new customers, and acquiring new licenses. As for "PARADISE CITY", the drop amount by Japanese VIPs in August 2024 recorded the all-time high, and the Company expects equity method accounting will continue to profits led by the casino sales mainly generated by highly maintained Japanese VIPs.

Under the New Medium-term Plan, GAN will become a gaming service provider with comprehensive range of services by adding Stakelogic's unique content to its own B2B platform business, which is one of its strengths. By combining these services with SSC's customer network, the Group will create synergies and work to establish the gaming business as the Company's third business pillar. The Company received approval for merger with GAN from the Nevada Gaming Commission in the United States in October 2024, and is currently seeking approval by the authorities concerned in other countries and regions. The acquisition of GAN is expected to be completed in the fourth quarter of the fiscal year ending March 2025. The acquisition of Stakelogic is expected to be completed in the first quarter of the fiscal year ending March 2026.

■ Consolidated Financial Results for the Six Months Ended September 30, 2024

(Unit: Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Changes from the prior period	
			amount	%
Net Sales	221,620	211,663	(9,957)	(4.5)
Operating income	40,058	32,816	(7,241)	(18.1)
Ordinary income	42,086	33,095	(8,990)	(21.4)
Profit attributable to owners of parent	23,182	30,385	7,203	31.1

Adjusted EBITDA ※1	37,564	34,806	(2,758)	(7.3)
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Net income per share	105.01	140.75	35.74	34.0
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Items	Breakdown
※1 Adjusted EBITDA	Ordinary income + Interest expenses + Depreciation and amortization ± Adjustment items ※2
※2 Adjustment items:	+ Extraordinary income by business
	- Extraordinary losses of business (impairments, title write-down, etc.)
	- Profit attributable to non-controlling interests
	+ Goodwill and trademark right amortization associated with M&A

Overview by segment is as follows.

At the start of the current fiscal year, the Group changed the reporting segments, which are "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Gaming Business" instead of former segments, "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Resort Business". For details, please see "Changes in reporting segments" in "SEGMENT INFORMATION".

« Entertainment Contents »

(Unit: Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Changes from the prior period	
			amount	%
Sales to third party	121,786	141,771	19,984	16.4
Inter-segment sales and transfers	293	289	-	-
Total net sales	122,080	142,060	19,980	16.4
Ordinary income	9,170	18,348	9,178	100.1

Adjusted EBITDA	2,779	18,600	15,820	569.2
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« Pachislot and Pachinko Machines »

(Unit: Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Changes from the prior period	
			amount	%
Sales to third party	92,573	64,711	(27,862)	(30.1)
Inter-segment sales and transfers	136	65	-	-
Total net sales	92,709	64,776	(27,933)	(30.1)
Ordinary income	39,356	21,588	(17,768)	(45.1)

Adjusted EBITDA	40,606	23,256	(17,350)	(42.7)
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« Gaming Business »

(Unit: Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024	Changes from the prior period	
			amount	%
Sales to third party	612	1,802	1,189	194.1
Inter-segment sales and transfers	34	11	-	-
Total net sales	647	1,813	1,166	180.0
Ordinary income	7	(283)	(290)	-

Adjusted EBITDA	(13)	(805)	(792)	-
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(2) Financial positions as of September 30, 2024

(Assets and liabilities)

Total assets as of the end of the six months ended September 30, 2024 decreased by ¥19,165 million from the end of the prior fiscal year to ¥634,828 million.

Current assets decreased by ¥16,075 million from the end of the prior fiscal year. This was attributable to increases in securities and merchandise and finished goods, despite decreases in cash and deposits and notes and accounts receivable.

Noncurrent assets decreased by ¥3,090 million from the end of the prior fiscal year. This was attributable to increases in investment securities and deferred tax assets, despite decreases in property, plant and equipment by exclusion of Phoenix Resort Co., Ltd. to be consolidated.

Total liabilities as of the end of the six months ended September 30, 2024 decreased by ¥30,375 million from the end of the prior fiscal year to ¥265,916 million. This was attributable to decreases in provision for bonuses and income tax payable.

(Net assets)

Net assets as of the end of the six month ended September 30, 2024 increased by ¥11,210 million from the end of the prior fiscal year to ¥368,912 million. This was attributable to decreases in shareholders' equity by acquisition of treasury stock and cash dividends, despite recording of profit attributable to owners of parent.

(Financial ratio)

The current ratio at the end of the six months ended September 30, 2024 increased by 55.9 percentage points from the end of the prior fiscal year to 347.4%.

The equity ratio at the end of the six months ended September 30, 2024 increased by 3.4 percentage points from the end of the prior fiscal year to 58.0%.

(3) Forecast of Consolidated Operating Results

No changes will be made to the forecast of consolidated financial results for the fiscal year ending March 31, 2025, announced on May 10, 2024.

SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2024 AND SEPTEMBER 30, 2024

(Unit: Millions of yen)

	Prior year (As of March 31, 2024)	Current period (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	211,715	175,545
Notes and accounts receivable - trade and contract assets	54,269	45,572
Securities	8,095	33,287
Merchandise and finished goods	14,371	15,131
Work in process	45,888	55,139
Raw materials and supplies	21,501	21,128
Other	39,605	33,285
Allowance for doubtful accounts	(443)	(162)
Total current assets	395,003	378,927
Noncurrent assets		
Property, plant and equipment		
Land	18,647	13,981
Other, net	41,451	36,482
Total property, plant and equipment	60,099	50,464
Intangible assets		
Goodwill	30,264	31,201
Trademark right	47,574	45,323
Other	14,442	14,658
Total intangible assets	92,281	91,183
Investments and other assets		
Investment securities	49,858	50,918
Other	56,941	63,504
Allowance for doubtful accounts	(189)	(169)
Total investments and other assets	106,610	114,252
Total noncurrent assets	258,991	255,901
Total assets	653,994	634,828

SEGA SAMMY HOLDINGS INC.
SEMI-ANNUAL CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2024 AND SEPTEMBER 30, 2024

(Unit: Millions of yen)

	Prior year (As of March 31, 2024)	Current period (As of September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,085	25,307
Short-term borrowings	22,507	22,500
Income taxes payable	10,626	7,443
Provision for bonuses	12,084	6,483
Other provisions	1,314	3,305
Asset retirement obligations	1	-
Other	62,876	44,046
Total current liabilities	135,494	109,086
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	124,500	120,750
Provision	430	1,204
Net defined benefit liability	5,666	4,243
Asset retirement obligations	2,659	2,262
Other	17,540	18,369
Total noncurrent liabilities	160,797	156,829
Total liabilities	296,292	265,916
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	69,263	69,846
Retained earnings	281,208	305,662
Treasury stock	(47,151)	(55,968)
Total shareholders' equity	333,274	349,493
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,056	2,310
Deferred gains or losses on hedges	(230)	(81)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	20,388	16,553
Remeasurements of defined benefit plans	1,540	1,126
Total accumulated other comprehensive income	23,645	18,801
Share acquisition rights	751	581
Non-controlling interests	30	35
Total net assets	357,702	368,912
Total liabilities and net assets	653,994	634,828

SEGA SAMMY HOLDINGS INC.
SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023 AND 2024

(Unit: Millions of yen)

	Prior period From April 01, 2023 To September 30, 2023	Current period From April 01, 2024 To September 30, 2024
Net sales	221,620	211,663
Cost of sales	120,131	111,275
Gross profit	101,488	100,387
Selling, general and administrative expenses	61,430	67,570
Operating income	40,058	32,816
Non-operating income		
Interest income	739	1,659
Dividends income	59	87
Equity in earnings of affiliates	705	1,254
Gain on investments in partnership	781	591
Foreign exchange gains	520	—
Other	390	835
Total non-operating income	3,197	4,427
Non-operating expenses		
Interest expenses	229	853
Commission expenses	250	77
Loss on investments in partnership	467	529
Foreign exchange losses	—	2,521
Other	222	166
Total non-operating expenses	1,169	4,148
Ordinary income	42,086	33,095
Extraordinary income		
Gain on sales of noncurrent assets	0	19
Gain on sales of investment securities	71	39
Gain on sales of shares of subsidiaries and affiliates	-	8,499
Gain on sale of businesses	155	-
Other	0	467
Total extraordinary income	228	9,026
Extraordinary losses		
Loss on sales of noncurrent assets	0	0
Impairment loss	94	612
Loss on sales of shares of subsidiaries and affiliates	49	-
Loss on business restructuring	9,500	5,926
Other	135	269
Total extraordinary losses	9,780	6,809
Income before income taxes	32,533	35,313
Income taxes - current	8,665	8,063
Income taxes - deferred	672	(3,141)
Total income taxes	9,337	4,922
Profit	23,196	30,391
(Breakdown)		
Profit attributable to owners of parent	23,182	30,385
Profit attributable to non-controlling interests	14	5

SEGA SAMMY HOLDINGS INC.
SEMI-ANNUAL CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023 AND 2024

(Unit: Millions of yen)

	Prior period From April 01, 2023 To September 30, 2023	Current period From April 01, 2024 To September 30, 2024
Other comprehensive income		
Valuation difference on available-for-sale securities	1,059	(745)
Deferred gains or losses on hedges	-	142
Foreign currency translation adjustment	8,241	(5,678)
Remeasurements of defined benefit plans, net of tax	(97)	(412)
Share of other comprehensive income of entities accounted for using equity method	1,616	1,849
Total other comprehensive income	10,819	(4,844)
Comprehensive income	34,016	25,546
(Breakdown)		
Comprehensive income attributable to owners of parent	34,022	25,541
Comprehensive income attributable to non-controlling interests	(5)	5

[Notes]

(Notes on assumptions for going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

The Company resolved at the Board of Directors meeting held on August 7, 2024 to dispose of treasury stock through a third-party allotment to "BIP Trust" for the directors and the "Stock-grant ESOP Trust" for employees, and disposed of 2,000,000 shares of common stock as of August 30, 2024. As a result, capital surplus increased by ¥650 million and treasury stock decreased by ¥3,711 million during the first half of the fiscal year. In addition, 2,000,000 shares of the Company's stock, amounting to ¥4,362 million, acquired by "BIP Trust" and the "Stock-grant ESOP Trust" were recorded as the Company's treasury stock.

In addition, at the Board of Directors meetings held on May 10, 2024, the Company resolved the matter related to the acquisition of treasury stock conducted pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and purchased 3,549,800 shares of common stock by ¥9,999 million on the Tokyo Stock Exchange during the first half of the fiscal year accounting period.

(Special accounting treatment applied in preparing semi-annual 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 income before income taxes by such estimated effective tax rate. However, a legally designated effective tax rate will be applied if such tax expenses are found to be very unreasonable after calculation based on the relevant estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for current income taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the current period ended September 30, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the current period ended September 30, 2024. This change in accounting policies was applied retrospectively. Hence, the semi-annual consolidated financial statements for the same period in the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the semi-annual consolidated financial statements for the same period in the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Changes in method of presentation)

Distribution income related to investments in film production in the U.S. has been recorded as "net sales" since the first half of the current fiscal year although it was posted in "equity in earnings of affiliates" under "non-operating income".

This change is due to the increased monetary importance of distribution income related to investments in film production, as well as the increased importance of the business in the new mid-term plan, including the strengthening of the transmedia strategy and further expansion of pillars.

To reflect this change in presentation, the semi-annual consolidated financial statements for the same period in the prior fiscal year have been reclassified.

As a result, ¥461 million recorded in "equity in earnings of affiliates" under non-operating income in the semi-annual consolidated statements of income and comprehensive income for the period of the prior fiscal year has been reclassified as "net sales".

SEGMENT INFORMATION

1. Prior period (From April 01, 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	Gaming			
Net sales						
(1) Sales to third parties	121,786	92,573	612	214,972	6,647	221,620
(2) Inter-segment sales and transfers	293	136	34	465	(465)	-
Total	122,080	92,709	647	215,438	6,182	221,620
Segment income (loss)	9,170	39,356	7	48,535	(6,448)	42,086

(Notes) 1. Adjustments of ¥6,647 million for sales to third parties represents sales that do not belong to any business segments.

2. Adjustment to segment income (loss) of ¥(6,448) million includes loss of ¥(204) million that do not belong to any business segments, elimination of inter-segment transactions of ¥(9) million, and general corporate expenses of ¥(6,235) 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 semi-annual consolidated statements of income and comprehensive income.

2. Current period (From April 01, 2024 to September 30, 2024)

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	Gaming			
Net sales						
(1) Sales to third parties	141,771	64,711	1,802	208,284	3,378	211,663
(2) Inter-segment sales and transfers	289	65	11	365	(365)	-
Total	142,060	64,776	1,813	208,650	3,012	211,663
Segment income (loss)	18,348	21,588	(283)	39,654	(6,558)	33,095

(Notes) 1. Adjustment of ¥3,378 million for sales to third parties represents sales that do not belong to any business segments.

2. Adjustment to segment income (loss) of ¥(6,558) million includes losses of ¥(365) million that do not belong to any business segments, elimination of inter-segment transactions of ¥1 million, and general corporate expenses of ¥(6,194) 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 semi-annual consolidated statements of income and comprehensive income.

4. Detailed in "Changes in method of presentation", distributed income related to investments in film production in the U.S., which was previously posted in "equity in earnings of affiliates" under "non-operating income", is reclassified in "net sales" since the first half of the current fiscal year. To reflect this change in presentation, segment information for the first half of the prior fiscal year has been reclassified. As a result, "net sales" of "Entertainment Contents Business" increased ¥461 million for the six months ended in the prior fiscal year, but there is no impact on segment income.

5. Due to the finalization of provisional accounting treatment for business combination in the prior year, all the numbers shown in the prior period of the segment information are reflected by the result of the finalization of provisional accounting treatment.

3. Changes in reporting segments

(Changes in reporting segments)

At the start of the new Medium-term Management Plan, "WELCOME TO THE NEXT LEVEL!", the Group implemented the abolition of the "Resort Business" and creation of a new "Gaming Business". This was implemented from the perspective of the strategies and business portfolio of the New Mid-term Plan. The newly established "Gaming Business" consolidates overseas online gaming-related businesses, operation of existing integrated resorts, and development and manufacture of casino machines. As a result, "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Gaming Business" will become reportable segments.

Segment information for the six months ended of the prior fiscal year is presented based on the reclassified method after the change.