

(Translation)

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
3 Months Ended June 30, 2021

Name of the Company : SEGA SAMMY HOLDINGS INC.
 Code number : 6460
 (URL <https://www.segasammy.co.jp/>)
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Filing of Quarterly Report : August 13, 2021 (plan)
 Start of cash dividend payments : -

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 3 Months Ended June 30, 2021
(1) RESULTS OF CONSOLIDATED OPERATIONS

(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	%
For 3 months ended June 30, 2021	59,447	22.9	3,844	-	3,484	-	2,940	-
For 3 months ended June 30, 2020	48,382	(33.5)	(3,851)	-	(4,099)	-	(3,301)	-

(Note) Comprehensive income

For 3 months ended June 30, 2021 : ¥4,312 million (-%)

For 3 months ended June 30, 2020 : ¥(2,551) million (-%)

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2021	12.51	-
For 3 months ended June 30, 2020	(14.04)	-

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2021	410,182	287,111	69.9
March 31, 2021	421,599	291,256	69.0

(Reference) Shareholders' equity

June 30, 2021 : ¥286,887 million

March 31, 2021 : ¥290,759 million

2. Cash Dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Full-year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	-	10.00	-	20.00	30.00
Year ending March 31, 2022	-				
Year ending March 31, 2022 (plan)		20.00	-	20.00	40.00

(Note) Revision of the forecast from latest announcement: No

3. Forecast of Consolidated Operating Results for the Year ending March 31, 2022

(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	312,000	12.3	20,000	205.2	20,000	-	14,000	998.1	59.55

(Note) Revision of the forecast from latest announcement: No

4. Other

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

(Changes in specified subsidiaries causing a change in the scope of consolidation)

(Excluded) Company name: SEGA GROUP CORPORATION

(2) Adoption of special accounting treatment in preparation of quarterly consolidated financial statements: Yes

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

1. Changes in accounting policies due to amendments of accounting standards, etc.: Yes

2. Other changes in accounting policies: No

3. Changes in accounting estimates: No

4. Restatements: No

(4) Number of shares outstanding (common stock)

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

June 30, 2021 : 266,229,476

March 31, 2021 : 266,229,476

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

June 30, 2021 : 31,143,898

March 31, 2021 : 31,142,581

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

For 3 months ended June 30, 2021 : 235,086,229

For 3 months ended June 30, 2020 : 235,090,984

(Note)

- 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. 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 analysts on August 6, 2021. The contents of the meeting, such as explanations about financial results (video and audio), will be posted on the Company's website.

Operating Results and Financial Position

(1) Overview

Regarding the environment of the Entertainment Contents Business, in the consumer field, the advance of digitalization has brought major changes to the market environment, such as the expansion of download sales for PCs, home video game consoles, etc., the emergence of cloud gaming services, and the diversification of platforms. Furthermore, with diversified revenue opportunities expected from new business models and services, there has been a growing interest in the revitalization and growth of the game market on a global scale. As for amusement machines, although the market has entered a recovery trend with a focus on prize category, facility operations have not yet reached a full-fledged recovery due to the impact from the spread of COVID-19.

With regard to the pachislot and pachinko industry, the machines based on former regulations are being replaced with new regulation machines to meet the deadline for removing them, which is scheduled for the end of January 2022. For pachinko machines, the replacement is progressing well with multiple titles of new regulation machines gaining popularity. For pachislot machines, the model application for Type 6.2 new regulation machines began in May 2021, and it is hoped that new titles expected to become popular among users will be introduced as a result of a wider range of game elements.

In the resort industry, travel demand has been sluggish due to the impact from the spread of COVID-19. Also, the enforcement order, etc. pertaining to the "Act on the Establishment of Specified Integrated Resort Areas" have been sequentially enforced from April 2019, and some local governments commenced the request for proposal (RFP), a public tender for integrated resort operators.

In this business environment, net sales for the first quarter of the fiscal year ending March 31, 2022 amounted to ¥59,447 million (an increase of 22.9% for the same period in the previous fiscal year). The Group posted an operating income of ¥3,844 million (operating loss of ¥3,851 for the same period in the previous fiscal year), ordinary income of ¥3,484 million (ordinary loss of ¥4,099 million for the same period in the previous fiscal year), and income attributable to owners of parent of ¥2,940 million (loss attributable to owners of parent of ¥3,301 million for the same period in the previous fiscal year).

Result of each segment is as follows.

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

« Entertainment Contents »

In the consumer field, for Full Game, the Group released new titles with a focus on the remasters and the NA and EU versions, leading to sales of 6,580 thousand copies (12,980 thousand copies in the previous fiscal year). For free-to-play games (F2P), "PHANTASY STAR ONLINE 2 NEW GENESIS", which was launched in June 2021, strongly performed, and existing titles as well.

(Full Game)

JUDGMENT (Remaster ver.)
Shin Megami Tensei III Nocturne HD Remaster (Western ver.)
Olympic Games Tokyo 2020 - The Official Video Game™ (Western ver.)
Total War: ROME REMASTERED

(F2P)

PHANTASY STAR ONLINE 2 NEW GENESIS

In the amusement machine sales field, the sales of UFO CATCHER® series, prizes, etc. strongly performed.

In the animation and toy field, the Group released "Detective Conan the Movie The Scarlet Bullet" and recorded earnings from video production and distribution, and sold with focus on mainstay toy products.

As a result, net sales in this segment were ¥47,440 million (an increase of 5.1% for the same period in the previous fiscal year) and ordinary income was ¥8,533 million (an increase of 3.1% for the same period in the previous fiscal year).

« Pachislot and Pachinko Machines »

For pachislot machines, the Group led to overall sales of 9 thousand units (485 units in the previous fiscal year). For pachinko machines, the Group led to overall sales of 15 thousand units (177 units in the previous fiscal year).

As a result, net sales in this segment were ¥10,361 million (an increase of 282.8% for the same period in the previous fiscal year) and ordinary loss was ¥1,494 million (ordinary loss of ¥8,532 million for the same period in the previous fiscal year).

(Pachislot machines)

Pachislot Angel Beats!
Pachislot GAMERA

(Pachinko machines)

P Kabaneri of the Iron Fortress
P Hokuto No Ken 8 Kyuseishu
P Cho Hane Beast King

« Resort »

In the resort business, at "Phoenix Seagaia Resort", the number of guests continued to fall due to the impact from the spread of COVID-19, leading to 74.1% compared with the same period from April to June 2019 before the impact of COVID-19 despite recovering to 318.2% compared with the previous fiscal year.

Overseas, "PARADISE CITY", operated by PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method) that the drop amounts (purchased amount of chips by customers at the table) was 24.0%, and the number of guests was 51.5% compared with the previous fiscal year, respectively, saw substantial decline from January to March 2021.

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

As a result, net sales in this segment were ¥1,550 million (an increase of 233.6% for the same period in the previous fiscal year) and ordinary loss was ¥1,959 million (ordinary loss of ¥2,135 million for the same period in the previous fiscal year).

As announced on June 11, 2021, the Company formed a consortium in collaboration with Genting Singapore Limited, together with four other companies, and submitted a proposal for a request for proposal (RFP) for the scheduled business operator of the installation and operation of Specified Integrated Resort, conducted by Yokohama City, which was accepted.

(2) Forecast of Consolidated Operating Results

Business performance for the first quarter of the fiscal year ending March 31, 2022 has been generally steady and no changes have been made to the forecast of consolidated operating results for the fiscal year ending March 31, 2022, announced on May 13, 2021. In addition, it is necessary to pay close attention to impacts from the re-spread of COVID-19 and the global shortage of semiconductors on each business.

The future plans for business segments in the fiscal year ending March 31, 2022 are as follows.

« Entertainment Contents »

In the consumer field, of the titles scheduled to be released in or after the second quarter of the fiscal year, those already announced as of today are as follows.

(Full Game)

HUMANKIND™
LOST JUDGMENT
Sonic Colors: Ultimate
Shin Megami Tensei V
Total War: WARHAMMER III
Two Point Campus

In the amusement machine sales field, the Group will strengthen sales of UFO CATCHER® series and prizes, etc., and plans to release new titles such as "EIKETSU TAISEN".

In the animation and toy field, the Group plans to record allocated revenue of movie and video distribution for animation, and sales of new and mainstay toy products for toy.

« Pachislot and Pachinko Machines »

In the Pachislot and Pachinko Machines, the Group will strive to increase its sales share and utilization share by intensively launching new titles, including mainstay titles, in or after the third quarter of the fiscal year when the replacement with new regulation machines is expected to accelerate. Of the titles scheduled to be released in or after the second quarter of the fiscal year, those already announced as of today are as follows.

(Pachislot machines)

Pachislot CODE GEASS Lelouch of the Rebellion 3
Pachislot Rakuen Tsuiho -Expelled from Paradise-
Pachislot Twin Angel PARTY

(Pachinko machines)

P SOUTEN-NO-KEN Tengoku
P Kayou Suspense Gekijou Saigo no Suiri
Dejihane PA Shin Hokuto Muso Chapter 2 Rengeki Edition

« Resort »

In the Resort Business, at "Phoenix Seagaia Resort", the Group will work to strengthen efforts to acquire guests, mainly focusing on demand from individual customers. Overseas, for "PARADISE CITY", although it was assumed that travel restrictions would be relaxed in or after July 2021, the impact on results will need to be determined if travel restrictions would be prolonged.

CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2021 AND JUNE 30, 2021

(Unit: Millions of yen)

	Prior year (As of March 31, 2021)	Current period (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	154,972	123,279
Notes and accounts receivable - trade	38,176	-
Notes and accounts receivable - trade and contract assets	-	32,950
Short-term investment securities	721	15,500
Merchandise and finished goods	7,514	9,618
Work in process	31,941	37,239
Raw materials and supplies	13,456	14,169
Other	29,812	28,748
Allowance for doubtful accounts	(298)	(316)
Total current assets	276,295	261,188
Noncurrent assets		
Property, plant and equipment		
Land	18,396	18,353
Other, net	43,221	42,879
Total property, plant and equipment	61,617	61,232
Intangible assets		
Goodwill	4,711	4,389
Other	10,288	10,207
Total intangible assets	14,999	14,596
Investments and other assets		
Investment securities	38,323	38,308
Other	30,776	35,261
Allowance for doubtful accounts	(413)	(406)
Total investments and other assets	68,686	73,163
Total noncurrent assets	145,304	148,993
Total assets	421,599	410,182

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2021 AND JUNE 30, 2021

(Unit: Millions of yen)

	Prior year (As of March 31, 2021)	Current period (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,994	17,620
Income taxes payable	839	707
Provision	9,416	2,530
Asset retirement obligations	105	-
Other	32,421	31,731
Total current liabilities	59,777	52,590
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	42,000	42,000
Net defined benefit liability	4,542	5,049
Asset retirement obligations	2,933	2,877
Provision for dismantling of fixed assets	420	420
Other	10,669	10,134
Total noncurrent liabilities	70,566	70,480
Total liabilities	130,343	123,070
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	118,048	118,048
Retained earnings	200,551	195,311
Treasury stock	(53,561)	(53,563)
Total shareholders' equity	294,991	289,749
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,930	1,936
Deferred gains or losses on hedges	(725)	(475)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	(3,867)	(2,855)
Remeasurements of defined benefit plans	(459)	(358)
Total accumulated other comprehensive income	(4,231)	(2,861)
Non-controlling interests	496	223
Total net assets	291,256	287,111
Total liabilities and net assets	421,599	410,182

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 3 MONTHS ENDED JUNE 30, 2020 AND 2021

(Unit: Millions of yen)

	Prior period From April 1, 2020 To June 30, 2020	Current period From April 1, 2021 To June 30, 2021
Net sales	48,382	59,447
Cost of sales	29,600	35,374
Gross profit	18,782	24,072
Selling, general and administrative expenses	22,633	20,227
Operating income (loss)	(3,851)	3,844
Non-operating income		
Interest income	26	28
Dividends income	291	74
Gain on investments in partnership	84	563
Other	243	131
Total non-operating income	645	797
Non-operating expenses		
Interest expenses	108	73
Equity in losses of affiliates	595	685
Loss on investments in partnership	88	273
Foreign exchange losses	13	19
Other	87	105
Total non-operating expenses	894	1,157
Ordinary income (loss)	(4,099)	3,484
Extraordinary income		
Gain on sales of noncurrent assets	8	2
Gain on sales of investment securities	-	1
Gain on reversal of subscription rights to shares	15	-
Gain on sales of shares of subsidiaries and affiliates	112	-
Subsidy income	74	25
Other	-	0
Total extraordinary income	210	29
Extraordinary losses		
Loss on sales of noncurrent assets	0	1
Impairment loss	0	153
Loss on COVID-19	2,563	40
Other	0	46
Total extraordinary losses	2,564	242
Income (loss) before income taxes	(6,453)	3,272
Income taxes - current	(3,418)	417
Income taxes - deferred	114	(87)
Total income taxes	(3,304)	329
Profit (loss)	(3,148)	2,942
(Breakdown)		
Profit (loss) attributable to owners of parent	(3,301)	2,940
Profit (loss) attributable to non-controlling interests	152	2

SEGA SAMMY HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR 3 MONTHS ENDED JUNE 30, 2020 AND 2021

(Unit: Millions of yen)

	Prior period From April 1, 2020 To June 30, 2020	Current period From April 1, 2021 To June 30, 2021
Other comprehensive income		
Valuation difference on available-for-sale securities	2,031	2
Deferred gains or losses on hedges	(2)	(2)
Foreign currency translation adjustment	123	375
Remeasurements of defined benefit plans, net of tax	4	100
Share of other comprehensive income of entities accounted for using equity method	(1,560)	894
Total other comprehensive income	597	1,369
Comprehensive income	(2,551)	4,312
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,705)	4,310
Comprehensive income attributable to non-controlling interests	153	2

[Notes]

(Changes in significant subsidiaries during the period)

SEGA GROUP CORPORATION, which was no longer a specified subsidiary, was excluded from the scope of consolidation in the first quarter of the current fiscal year due to disappearance through an absorption-type merger with SEGA CORPORATION as the surviving company.

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

(Tax expense calculation)

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

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

Effective from the beginning of the first quarter of the current fiscal year, the Group applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020), etc. Under the accounting standard, revenue is recognized when control over promised goods or services is transferred to customers, at an amount that the Group is expected to receive in exchange for the said goods or services. The Group previously recognized revenue from the sale of content update rights for some products at a point when the sale took place, but as a result of the adoption of the accounting standard, revenue is now recognized over a certain period of time when control over goods or services is transferred to customers over a certain period of time. Additionally, revenue pertaining to the sales of some products through consignment arrangements was previously recognized at a total amount, but revenue is now recognized at a net amount as a result of the Group's judgement on the roles (principal or agent) in providing goods or services to customers.

In adopting the Accounting Standard for Revenue Recognition, etc., the Group followed the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the first quarter of the current fiscal year has been added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy has been applied effective from the said beginning balance of retained earnings.

The impact on profit and loss, and retained earnings for the first quarter of the current fiscal year is immaterial.

Due to the application of the Accounting Standards for Revenue Recognition, etc., from the first quarter of the current fiscal year, "notes and accounts receivable - trade", which was included in the consolidated balance sheets of the previous fiscal year, have been included in "notes and accounts receivable - trade and contract assets". The Company has not reclassified the previous fiscal year using the new presentation method in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition.

(Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter of the current fiscal year, the Group applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued by the Accounting Standards Board of Japan on July 4, 2019), etc. In accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan, July 4, 2019, ASBJ Statement No. 10), the Group has decided to adopt the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. prospectively from the date of the change. The impact on profit and loss for the first quarter of the current fiscal year is immaterial.

(Additional information)

(Accounting estimates associated with the spread of COVID-19)

There are no significant changes to the assumptions made in the annual securities report for the previous fiscal year in accounting estimates for the impact of the spread of COVID-19.

SEGMENT INFORMATION

1. Prior period (From April 1, 2020 to June 30, 2020)

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

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Note)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko	Resort			
Net sales						
(1) Sales to third parties	45,134	2,706	464	48,305	77	48,382
(2) Inter-segment sales and transfers	275	12	8	296	(296)	-
Total	45,409	2,719	473	48,602	(219)	48,382
Segment income (loss)	8,277	(8,532)	(2,135)	(2,390)	(1,708)	(4,099)

(Notes) 1. Adjustment to segment income (loss) of ¥(1,708) million includes elimination of inter-segment transactions of ¥5 million and general corporate expenses of ¥(1,714) 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 in the consolidated financial statements.

2. Current period (From April 1, 2021 to June 30, 2021)

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

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Note)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko	Resort			
Net sales						
(1) Sales to third parties	47,440	10,361	1,550	59,352	94	59,447
(2) Inter-segment sales and transfers	161	37	35	235	(235)	-
Total	47,602	10,398	1,586	59,587	(140)	59,447
Segment income (loss)	8,533	(1,494)	(1,959)	5,078	(1,593)	3,484

(Notes) 1. Adjustment to segment income (loss) of ¥(1,593) million includes elimination of inter-segment transactions of ¥0 million and general corporate expenses of ¥(1,594) 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 in the consolidated financial statements.

3. Changes to business segments etc.

As described in (Changes in accounting policies), the Group applied "Accounting Standard for Revenue Recognition", etc. from the beginning of the first quarter of the current fiscal year, and as a result of a change in the accounting treatment for revenue recognition, the calculation method of segment income (loss) was changed as well.

The impact on profit and loss for the first quarter of the current fiscal year is immaterial.