

(Translation)

FLASH REPORT
CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]
9 Months Ended December 31, 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 : February 14, 2022 (plan)
 Start of cash dividend payments : -

(Amounts below one million yen are rounded down)

1. Consolidated Operating Results for the 9 Months Ended December 31, 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 9 months ended December 31, 2021 | 236,752 | 12.6 | 32,668 | 141.5 | 33,393 | 165.6 | 29,456 | - |
| For 9 months ended December 31, 2020 | 210,177 | (25.2) | 13,527 | (51.8) | 12,574 | (51.4) | (6,239) | - |

(Note) Comprehensive income

For 9 months ended December 31, 2021 : ¥31,926 million (-%)

For 9 months ended December 31, 2020 : ¥(8,432) million (-%)

| | Net income per share | Net income per share (diluted) |
|--------------------------------------|----------------------|--------------------------------|
| | Yen | Yen |
| For 9 months ended December 31, 2021 | 125.39 | 124.96 |
| For 9 months ended December 31, 2020 | (26.54) | - |

(2) CONSOLIDATED FINANCIAL POSITION

| | Total assets | Net assets | Equity ratio |
|-------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| December 31, 2021 | 442,177 | 303,157 | 68.5 |
| March 31, 2021 | 421,599 | 291,256 | 69.0 |

(Reference) Shareholders' equity

December 31, 2021 : ¥303,004 million

March 31, 2021 : ¥290,759 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, 2021 | - | 10.00 | - | 20.00 | 30.00 |
| Year ending March 31, 2022 | - | 20.00 | - | | |
| Year ending March 31, 2022 (plan) | | | | 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 | 315,000 | 13.4 | 31,000 | 373.1 | 30,000 | - | 26,500 | - | 113.40 |

(Note) Revision of the forecast from latest announcement: Yes

4. Other

- (1) Changes in significant subsidiaries during the period: Yes
(Changes in specified subsidiaries causing a change in the scope of consolidation)
Excluded: 1 company (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)
 - December 31, 2021 : 266,229,476
 - March 31, 2021 : 266,229,476
 2. Number of treasury stock at the end of the period
 - December 31, 2021 : 34,506,763
 - March 31, 2021 : 31,142,581
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For 9 months ended December 31, 2021 : 234,913,033
 - For 9 months ended December 31, 2020 : 235,091,576

(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, and do not purport to be a promise by the Company to achieve such result. 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 February 10, 2022. The contents of the meeting, such as explanation 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 area, 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, while the market showed a trend of recovery to the level seen before the spread of COVID-19, led by buoyant prize category, there are concerns about the impact from the emergence of new variant of COVID-19.

With regard to the pachislot and pachinko industry, for pachinko machines, the replacement is progressing well with multiple titles of new regulation machines gaining popularity to meet the deadline for removing the machines based on former regulations which is scheduled for the end of January 2022. For pachislot machines, although the performance has been relatively sluggish, 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. Meanwhile, the supply system has been unstable due to the global shortage of semiconductors and logistics disruption, requiring continuous monitoring.

In the resort industry, travel demand has been sluggish due to the impact from the spread of COVID-19. In Japan, travel demand temporarily recovered toward the end of last year following the lifting of the state of emergency in September 2021. However, there are concerns about the impact from the emergence of new variant of COVID-19. With regards to IR business in Japan, the submission period for development plans for specified integrated resort districts runs until April 28, 2022, and local governments that wish to attract integrated resorts are preparing for the submission.

In this business environment, net sales for the 9 months ended December 31, 2021 amounted to ¥236,752 million (an increase of 12.6% for the same period in the previous fiscal year). The Group posted an operating income of ¥32,668 million (an increase of 141.5% for the same period in the previous fiscal year), ordinary income of ¥33,393 million (an increase of 165.6% for the same period in the previous fiscal year), and profit attributable to owners of parent of ¥29,456 million (loss attributable to owners of parent of ¥6,239 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 area, for Full Game, the Group released "Shin Megami Tensei V", which is the completely series latest title in eight years, "Football Manager 2022" and "Super Monkey Ball Banana Mania" and these performed strongly, also catalog titles performed steadily, leading to sales of 21,970 thousand copies (34,200 thousand copies for the same period in the previous fiscal year). Also, royalty income has been recorded for certain titles. For free-to-play games (F2P), "HATSUNE MIKU: COLORFUL STAGE!", which celebrated the first anniversary of its release at the end of September 2021, strongly performed, and "PHANTASY STAR ONLINE 2 NEW GENESIS" underwent a major update.

In the amusement machine sales area, the Group released a new music game "CHUNITHM NEW", and sales of prizes, UFO CATCHER® series, etc. strongly performed.

In the animation and toy area, the Group recorded revenue from video production and distribution, etc. For toys, new products such as "With a front camera! Fun to change mouse covers! Sumikkogurashi Personal Computer Premium", "Demon Slayer POD", etc., and regular products strongly performed during the holiday shopping season.

As a result, net sales in this segment were ¥177,852 million (an increase of 6.1% for the same period in the previous fiscal year) and ordinary income was ¥36,848 million (an increase of 11.0% for the same period in the previous fiscal year).

« **Pachislot and Pachinko Machines** »

For pachislot machines, the Group has sold "Pachislot ANEMONE Psalms of Planets Eureka Seven HI-EVOLUTION", etc., leading to overall sales of 48 thousand units (12 thousand units for the same period in the previous fiscal year), and for pachinko machines, the Group has sold "P Hokuto No Ken 9 Toushin", etc., leading to overall sales of 64 thousand units (59 thousand units for the same period in the previous fiscal year), and the segment recorded profit. In addition, due to factors including the effects of the structural reform undertaken in the previous fiscal year, fixed costs have remained at a low level.

As a result, net sales in this segment were ¥51,849 million (an increase of 38.7% for the same period in the previous fiscal year) and ordinary income was ¥6,025 million (ordinary loss of ¥8,771 million for the same period in the previous fiscal year).

« **Resort** »

In the resort business, at "Phoenix Seagaia Resort", due to the lifting the state of emergency in September 2021 and the contribution of the prefectural government and the Company's own measures to tourism demand, the number of guests led to 111.4% compared with the third quarter ended December 31, 2020, which largely took the effects of "Go To Travel Campaign".

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 47.8%, and the number of guests was 58.4% compared with the same period in the previous fiscal year, respectively, saw substantial decline from January to September 2021 due to the restriction of foreign visitors in each country caused by the spread of COVID-19, etc.

*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 ¥6,682 million (an increase of 36.8% for the same period in the previous fiscal year) and ordinary loss was ¥4,645 million (ordinary loss of ¥6,647 million for the same period in the previous 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, 2022 which was announced on November 8, 2021. For details, please refer to "Notice of Revision of Operating Results Forecast" announced on February 10, 2022.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
QUARTERLY CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2021 AND DECEMBER 31, 2021

(Unit: Millions of yen)

| | Prior year (As of March 31, 2021) | Current period (As of December 31, 2021) |
|---|--------------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 154,972 | 110,240 |
| Notes and accounts receivable - trade | 38,176 | - |
| Notes and accounts receivable - trade and contract assets | - | 51,690 |
| Short-term investment securities | 721 | 40,000 |
| Merchandise and finished goods | 7,514 | 11,161 |
| Work in process | 31,941 | 43,108 |
| Raw materials and supplies | 13,456 | 16,074 |
| Other | 29,812 | 24,866 |
| Allowance for doubtful accounts | (298) | (324) |
| Total current assets | 276,295 | 296,817 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Land | 18,396 | 18,356 |
| Other, net | 43,221 | 41,284 |
| Total property, plant and equipment | 61,617 | 59,641 |
| Intangible assets | | |
| Goodwill | 4,711 | 3,633 |
| Other | 10,288 | 10,401 |
| Total intangible assets | 14,999 | 14,034 |
| Investments and other assets | | |
| Investment securities | 38,323 | 35,987 |
| Other | 30,776 | 36,090 |
| Allowance for doubtful accounts | (413) | (394) |
| Total investments and other assets | 68,686 | 71,684 |
| Total noncurrent assets | 145,304 | 145,359 |
| Total assets | 421,599 | 442,177 |

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED BALANCE SHEETS
 AS OF MARCH 31, 2021 AND DECEMBER 31, 2021

(Unit: Millions of yen)

| | Prior year (As of March 31, 2021) | Current period (As of December 31, 2021) |
|---|--------------------------------------|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 16,994 | 24,910 |
| Short-term loans payable | - | 10,000 |
| Income taxes payable | 839 | 3,184 |
| Provision | 9,416 | 4,347 |
| Asset retirement obligations | 105 | 199 |
| Other | 32,421 | 38,341 |
| Total current liabilities | 59,777 | 80,983 |
| Noncurrent liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 42,000 | 32,000 |
| Net defined benefit liability | 4,542 | 4,590 |
| Asset retirement obligations | 2,933 | 2,709 |
| Provision for dismantling of fixed assets | 420 | 420 |
| Other | 10,669 | 8,316 |
| Total noncurrent liabilities | 70,566 | 58,036 |
| Total liabilities | 130,343 | 139,019 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 29,953 | 29,953 |
| Capital surplus | 118,048 | 117,689 |
| Retained earnings | 200,551 | 217,114 |
| Treasury stock | (53,561) | (59,993) |
| Total shareholders' equity | 294,991 | 304,762 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,930 | 2,111 |
| Deferred gains or losses on hedges | (725) | (131) |
| Revaluation reserve for land | (1,109) | (1,109) |
| Foreign currency translation adjustment | (3,867) | (2,467) |
| Remeasurements of defined benefit plans | (459) | (162) |
| Total accumulated other comprehensive income | (4,231) | (1,758) |
| Subscription rights to shares | - | 101 |
| Non-controlling interests | 496 | 51 |
| Total net assets | 291,256 | 303,157 |
| Total liabilities and net assets | 421,599 | 442,177 |

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR 9 MONTHS ENDED DECEMBER 31, 2020 AND 2021

(Unit: Millions of yen)

| | Prior period From April 1, 2020 To December 31, 2020 | Current period From April 1, 2021 To December 31, 2021 |
|---|--|--|
| Net sales | 210,177 | 236,752 |
| Cost of sales | 126,969 | 137,321 |
| Gross profit | 83,207 | 99,430 |
| Selling, general and administrative expenses | 69,679 | 66,762 |
| Operating income (loss) | 13,527 | 32,668 |
| Non-operating income | | |
| Interest income | 94 | 84 |
| Dividends income | 348 | 123 |
| Gain on investments in partnership | 191 | 2,330 |
| Foreign exchange gains | - | 664 |
| Gain on valuation of investment securities | 4,294 | - |
| Other | 679 | 458 |
| Total non-operating income | 5,609 | 3,660 |
| Non-operating expenses | | |
| Interest expenses | 344 | 217 |
| Equity in losses of affiliates | 4,121 | 1,767 |
| Commission fee | 78 | 79 |
| Loss on investments in partnership | 321 | 304 |
| Foreign exchange losses | 1,344 | - |
| Other | 352 | 566 |
| Total non-operating expenses | 6,563 | 2,935 |
| Ordinary income (loss) | 12,574 | 33,393 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 9 | 1,988 |
| Gain on sales of investment securities | 8,491 | 16 |
| Gain on sales of shares of subsidiaries affiliates | 430 | 698 |
| Other | 1,464 | 51 |
| Total extraordinary income | 10,395 | 2,754 |
| Extraordinary losses | | |
| Loss on sales of noncurrent assets | 0 | 5 |
| Impairment loss | 135 | 390 |
| Loss on valuation of investment securities | 0 | - |
| Loss on COVID-19 | 2,665 | 111 |
| Structural reform expenses | 29,043 | - |
| Other | 0 | 47 |
| Total extraordinary losses | 31,844 | 555 |
| Income (loss) before income taxes | (8,874) | 35,592 |
| Income taxes - current | (4,022) | 6,322 |
| Income taxes - deferred | 760 | (181) |
| Total income taxes | (3,261) | 6,140 |
| Profit (loss) | (5,613) | 29,451 |
| (Breakdown) | | |
| Profit (loss) attributable to owners of parent | (6,239) | 29,456 |
| Profit (loss) attributable to non-controlling interests | 626 | (5) |

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR 9 MONTHS ENDED DECEMBER 31, 2020 AND 2021

(Unit: Millions of yen)

| | Prior period From April 1, 2020 To December 31, 2020 | Current period From April 1, 2021 To December 31, 2021 |
|---|--|--|
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,781) | 174 |
| Deferred gains or losses on hedges | (8) | (14) |
| Foreign currency translation adjustment | 896 | 1,413 |
| Remeasurements of defined benefit plans, net of tax | 102 | 297 |
| Share of other comprehensive income of entities accounted for using equity method | (1,027) | 604 |
| Total other comprehensive income | (2,819) | 2,474 |
| Comprehensive income | (8,432) | 31,926 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | (9,061) | 31,930 |
| Comprehensive income attributable to non-controlling interests | 628 | (4) |

[Notes]

(Changes in significant subsidiaries during the period)

SEGA GROUP CORPORATION, which was a specified subsidiary, was excluded from the scope of consolidation in the first quarter ended June 30, 2021 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 ended June 30, 2021, 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 ended June 30, 2021 has been added to or subtracted from retained earnings at the beginning of the first quarter ended June 30, 2021, 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 9 months ended December 31, 2021 is immaterial.

Due to the application of the Accounting Standards for Revenue Recognition, etc., from the first quarter ended June 30, 2021, "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 ended June 30, 2021, 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 9 months ended December 31, 2021 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 December 31, 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 Machines | Resort | | | |
| Net sales | | | | | | |
| (1) Sales to third parties | 167,603 | 37,372 | 4,886 | 209,862 | 314 | 210,177 |
| (2) Inter-segment sales and transfers | 534 | 240 | 77 | 851 | (851) | - |
| Total | 168,138 | 37,612 | 4,963 | 210,714 | (536) | 210,177 |
| Segment income (loss) | 33,196 | (8,771) | (6,647) | 17,776 | (5,202) | 12,574 |

(Notes) 1. Adjustment to segment income (loss) of ¥(5,202) million includes elimination of inter-segment transactions of ¥14 million and general corporate expenses of ¥(5,216) 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, 2021 to December 31, 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 Machines | Resort | | | |
| Net sales | | | | | | |
| (1) Sales to third parties | 177,852 | 51,849 | 6,682 | 236,385 | 366 | 236,752 |
| (2) Inter-segment sales and transfers | 489 | 213 | 134 | 838 | (838) | - |
| Total | 178,342 | 52,063 | 6,817 | 237,224 | (471) | 236,752 |
| Segment income (loss) | 36,848 | 6,025 | (4,645) | 38,229 | (4,836) | 33,393 |

(Notes) 1. Adjustment to segment income (loss) of ¥(4,836) million includes elimination of inter-segment transactions of ¥0 million and general corporate expenses of ¥(4,837) 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.

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 ended June 30, 2021, 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 9 months ended December 31, 2021 is immaterial.