

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, 2022	-	20.00	-	20.00	40.00
Year ending March 31, 2023	-				
Year ending March 31, 2023 (plan)		20.00	-	21.00	41.00

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

3. Forecast of Consolidated Financial Results for the Year ending March 31, 2023

(April 1, 2022 - March 31, 2023)

(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	375,000	16.8	40,000	24.8	40,000	20.0	28,000	(24.4)	126.83

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

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.: 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)

June 30, 2022	: 241,229,476
March 31, 2022	: 266,229,476
 2. Number of treasury stock at the end of the period

June 30, 2022	: 20,550,290
March 31, 2022	: 43,307,930
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For Three months ended June 30, 2022	: 220,962,156
For Three months ended June 30, 2021	: 235,086,229

(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 August 4, 2022. The contents and explanations of the meeting (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 market environment for the game market on a global scale continues major changes as platforms expand and diversify with the digitization of game contents and services including diversifying revenue opportunities through packaged sales, download content sales, free-to-play games (F2P), and subscription services, etc., while contents are enjoying longer shelf lives. Although the recent market trends seem to be cooling down due to the impact of changes in consumer behavior following the normalization of social and economic activities, there has been a growing expectation of the continued revitalization and growth of the game market on a global scale in the future. As for amusement machines, although the prize category has been strongly performing and driving the overall market, the impacts of supply chain disruptions and raw material price hikes have appeared as of late.

With regard to the pachislot and pachinko industry, the removal of machines based on former regulations was completed as of January 31, 2022, and the market has shifted to the new regulation machines. For pachinko machines, multiple titles gaining popularity were released and a strong utilization has been maintained. For pachislot machines, although the business became sluggish prior to the launch of No. 6.5 models as a new regulation responding to the revision of regulation, titles supported by users have appeared since the introduction of No. 6.5 models in June 2022, leading to expectations for demand expansion in the future.

In the resort industry, while international visitors to Japan continue to be affected by travel restrictions, the domestic demand recovered centered on individual customers, because there were no state of emergency, etc. put in place by the government or local municipalities during the first quarter ended June 30, 2022.

In this business environment, net sales for the three months ended June 30, 2022, amounted to ¥66,118 million (an increase of 11.2% for the same period in the previous fiscal year). The Group posted an operating income of ¥2,777 million (a decrease of 27.8% for the same period in the previous fiscal year), ordinary income of ¥4,255 million (an increase of 22.1% for the same period in the previous fiscal year), and profit attributable to owners of parent of ¥3,158 million (an increase of 7.4% 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 "Sonic Origins", "Hatsune Miku: Project DIVA Mega Mix+" (for PC), "13 Sentinels: Aegis Rim" (for Nintendo Switch™), etc., leading to sales of 5,140 thousand copies (6,580 thousand copies for the same period in the previous fiscal year). For F2P, "HATSUNE MIKU: COLORFUL STAGE!" continued to strongly perform.

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 released "Detective Conan: The Bride of Halloween", etc., and for toy, new products such as "Battle with medals! Dinosaur PC Ω", etc., and regular products were sold.

As a result, net sales in this segment were ¥52,778 million (an increase of 11.3% for the same period in the previous fiscal year) and ordinary income was ¥8,142 million (a decrease of 4.6% for the same period in the previous fiscal year).

« Pachislot and Pachinko Machines »

For pachislot machines, the Group sold "Pachislot Konosuba: God's Blessing on This Wonderful World!", etc., leading to overall sales of 8 thousand units (9 thousand units for the same period in the previous fiscal year), and for pachinko machines, the Group sold "P Initial D", etc., leading to overall sales of 14 thousand units (15 thousand units for the same period in the previous fiscal year), which were generally in line with expectations.

As a result, net sales in this segment were ¥10,557 million (an increase of 1.9% for the same period in the previous fiscal year) and ordinary loss was ¥646 million (ordinary loss of ¥1,494 million for the same period in the previous fiscal year).

« **Resort** »

In the resort business, at "Phoenix Seagaia Resort", due to the contribution of the government and its own measures to stimulate tourism demand, the number of facility users for the first quarter ended June 30, 2022, exceeded that of the first quarter ended June 30, 2019 before the spread of COVID-19, and the demand centered on individual customers was high.

Overseas, "PARADISE CITY", operated by PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method), from January to March 2022, the drop amounts (purchased amount of chips by customers at the table) was 16.0%, and the number of casino users was 31.8% compared with the same period of 2020, respectively, remained sluggish due to the restriction of foreign visitors in each country caused by 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 ¥2,649 million (an increase of 70.9% for the same period in the previous fiscal year) and ordinary loss was ¥1,168 million (ordinary loss of ¥1,959 million for the same period in the previous fiscal year).

(2) Forecast of Consolidated Operating Results

No changes will be made to the forecast of consolidated financial results for the fiscal year ending March 31, 2023, announced on May 13, 2022.

The future plans for business segments in the fiscal year ending March 31, 2023, are as follows.

« Entertainment Contents »

In the consumer area, for Full Game, the Group will launch new titles in earnest from the second quarter of the fiscal year. The Group plans to release a new major title "SONIC FRONTIERS", and several new titles such as remastered versions of Persona series "Persona 5 Royal (Remaster)", "Persona 3 Portable (Remaster)", "Persona 4 Golden (Remaster)", including "Soul Hackers 2", "Two Point Campus", "Endless Dungeon", etc. For F2P, the Group will continue to enhance the operation of existing titles and schedules to release one new title. In the amusement machine sales area, the Group will continue to strengthen sales of UFO CATCHER® series and prizes, etc. In the animation and toy area, the Group plans to record allocated revenue of new films such as "Detective Conan: The Bride of Halloween", to expand video distribution for animation, and to sell new products and regular products for toy.

As for the business environment, in the consumer area, there is no meaningful impact at this time although higher development costs and longer development time, associated with the impact of growing inflation and increasing human resource mobility, require monitoring. In the amusement machine sales area, while the demand for prize category has been continued, impacts of supply chain disruptions, exchange rate fluctuations, and raw material price hikes require monitoring.

« Pachislot and Pachinko Machines »

In the Pachislot and Pachinko Machines, the Group will launch pachislot and pachinko machines in earnest from the second quarter of the fiscal year. For pachislot machines, the Group started to launch No. 6.5 models such as "Pachislot Kabaneri of the Iron Fortress" released in July 2022, and both sales and utilization have got off to a strong start. The Group will proceed with the launch of No. 6.5 models such as "Pachislot Persona 5", "Pachislot Hard Boiled", etc. Also, smart pachislot from November 2022, and smart pachinko from April 2023, which will offer an expanding range of gameplay, are scheduled to be introduced. The Group will actively launch models responding to the revision of regulation, and strive to increase "Share in utilization, in installation, and in sales". Of note, there is no meaningful impact at this time, while parts procurement still requires monitoring.

« Resort »

In the Resort Business, the Group expects earnings to recover based on the assumption that the behavioral restrictions associated with COVID-19 will be relaxed. At "Phoenix Seagaia Resort" in Japan, the Group foresees continued contribution from the government's measures to stimulate tourism demand, and will also implement its own measures such as strengthening CRM. Overseas, for "PARADISE CITY", visits of Japanese VIP have been resumed due to partially relaxed travel restriction from June 2022, and the Group will continue to enhancing marketing and strengthening the ability to acquire guests.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED BALANCE SHEETS
 AS OF MARCH 31, 2022 AND JUNE 30, 2022

(Unit: Millions of yen)

	Prior year (As of March 31, 2022)	Current period (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	152,459	111,543
Notes and accounts receivable - trade and contract assets	38,952	36,042
Short-term investment securities	-	12,000
Merchandise and finished goods	9,336	11,755
Work in process	42,145	48,748
Raw materials and supplies	16,044	16,856
Other	29,174	32,916
Allowance for doubtful accounts	(323)	(309)
Total current assets	287,789	269,553
Noncurrent assets		
Property, plant and equipment		
Land	18,522	18,537
Other, net	41,836	42,630
Total property, plant and equipment	60,358	61,167
Intangible assets		
Goodwill	3,460	3,077
Other	9,722	9,808
Total intangible assets	13,183	12,886
Investments and other assets		
Investment securities	40,699	38,934
Other	33,850	36,999
Allowance for doubtful accounts	(387)	(385)
Total investments and other assets	74,161	75,548
Total noncurrent assets	147,703	149,603
Total assets	435,492	419,157

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED BALANCE SHEETS
 AS OF MARCH 31, 2022 AND JUNE 30, 2022

(Unit: Millions of yen)

	Prior year (As of March 31, 2022)	Current period (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,455	21,536
Short-term borrowings	10,000	10,000
Income taxes payable	2,069	263
Provision	9,688	3,447
Asset retirement obligations	199	-
Other	40,572	36,009
Total current liabilities	86,986	71,256
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	32,000	32,000
Net defined benefit liability	4,395	4,459
Asset retirement obligations	2,560	2,607
Provision for dismantling of fixed assets	420	420
Other	6,492	7,243
Total noncurrent liabilities	55,869	56,730
Total liabilities	142,855	127,987
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	117,689	72,208
Retained earnings	224,684	223,475
Treasury stock	(77,886)	(37,385)
Total shareholders' equity	294,440	288,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,270	2,101
Deferred gains or losses on hedges	(33)	254
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	41	4,567
Remeasurements of defined benefit plans	(3,199)	(3,205)
Total accumulated other comprehensive income	(2,028)	2,608
Share acquisition rights	176	250
Non-controlling interests	49	59
Total net assets	292,637	291,169
Total liabilities and net assets	435,492	419,157

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2022

(Unit: Millions of yen)

	Prior period From April 1, 2021 To June 30, 2021	Current period From April 1, 2022 To June 30, 2022
Net sales	59,447	66,118
Cost of sales	35,374	40,934
Gross profit	24,072	25,183
Selling, general and administrative expenses	20,227	22,406
Operating income	3,844	2,777
Non-operating income		
Interest income	28	33
Dividends income	74	476
Gain on investments in partnership	563	373
Foreign exchange gains	-	1,516
Other	131	130
Total non-operating income	797	2,529
Non-operating expenses		
Interest expenses	73	76
Equity in losses of affiliates	685	661
Loss on investments in partnership	273	196
Foreign exchange losses	19	-
Other	105	115
Total non-operating expenses	1,157	1,050
Ordinary income	3,484	4,255
Extraordinary income		
Gain on sales of noncurrent assets	2	-
Gain on sales of investment securities	1	-
Subsidy income	25	-
Other	0	-
Total extraordinary income	29	-
Extraordinary losses		
Loss on sales of noncurrent assets	1	0
Impairment loss	153	52
Loss on sales of shares of subsidiaries and affiliates	-	96
Loss on COVID-19	40	-
Other	46	-
Total extraordinary losses	242	149
Income before income taxes	3,272	4,106
Income taxes - current	417	814
Income taxes - deferred	(87)	127
Total income taxes	329	942
Profit	2,942	3,164
(Breakdown)		
Profit attributable to owners of parent	2,940	3,158
Profit attributable to non-controlling interests	2	6

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2022

(Unit: Millions of yen)

	Prior period From April 1, 2021 To June 30, 2021	Current period From April 1, 2022 To June 30, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(179)
Deferred gains or losses on hedges	(2)	6
Foreign currency translation adjustment	375	3,905
Remeasurements of defined benefit plans, net of tax	100	(7)
Share of other comprehensive income of entities accounted for using equity method	894	915
Total other comprehensive income	1,369	4,640
Comprehensive income	4,312	7,805
(Breakdown)		
Comprehensive income attributable to owners of parent	4,310	7,795
Comprehensive income attributable to non-controlling interests	2	9

[Notes]

(Notes on assumptions for going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

At Board of Directors meeting held on May 13, 2022, the Company resolved to cancel treasury stock pursuant to the provisions of Article 178 of the Companies Act, and 25,000,000 shares were canceled on May 24, 2022.

As a result, in the three months ended June 30, 2022, capital surplus and treasury stock decreased by ¥45,480 million, respectively.

(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)

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter ended June 30, 2022, the Group applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, issued by the Accounting Standards Board of Japan on June 17, 2021). In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has decided to adopt the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively from the date of the change. There is no impact for the quarterly consolidated financial statements.

(Leases (U.S. GAAP Topic 842))

Certain subsidiaries which apply U.S. GAAP adopted "Leases" (Topic 842) from the first quarter ended June 30, 2022. Herewith, lessees, in principle, record all leases as assets and liabilities on the balance sheets. The application of U.S. GAAP Topic 842 is in accordance with the transitional treatment, and the cumulative effects of the change in accounting policy are recognized on the adoption date. The impact of this change on the quarterly consolidated financial statements is immaterial.

(Additional information)

(Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System)

The Company and certain domestic consolidated subsidiaries have shifted from the consolidated taxation system to the group tax sharing system from the first quarter ended June 30, 2022. Herewith, the Group applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No.42, August 12, 2021) in which the procedures for accounting and disclosure of corporation income tax, local corporation income tax, and tax effect accounting. In accordance with Paragraph 32 (1) of PITF No.42, the Company has assumed that there is no impact from the change in accounting policy resulting from the application of PITF No.42.

SEGMENT INFORMATION

1. Prior 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 Machines	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 of the quarterly consolidated statements of income and comprehensive income.

2. Current period (From April 1, 2022 to June 30, 2022)

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	52,778	10,557	2,649	65,985	133	66,118
(2) Inter-segment sales and transfers	54	95	7	157	(157)	-
Total	52,832	10,652	2,656	66,142	(23)	66,118
Segment income (loss)	8,142	(646)	(1,168)	6,328	(2,072)	4,255

(Notes) 1. Adjustment to segment income (loss) of ¥(2,072) million includes elimination of inter-segment transactions of ¥0 million and general corporate expenses of ¥(2,072) 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.