

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	-	20.00	-		
Year ending March 31, 2023 (plan)				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	381,500	18.9	45,000	40.4	46,000	38.0	31,500	(14.9)	142.66

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

4. Other

- (1) Changes in significant subsidiaries during the period: No
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 1. Changes in accounting policies due to revisions to accounting standards and other regulations.: 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)
 - December 31, 2022 : 241,229,476
 - March 31, 2022 : 266,229,476
 2. Number of treasury stock at the end of the period
 - December 31, 2022 : 20,474,493
 - March 31, 2022 : 43,307,930
 3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - Nine months ended December 31, 2022 : 220,801,887
 - Nine months ended December 31, 2021 : 234,913,033

(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 February 9, 2023. 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), subscription services, etc., as well as prolonged sales period. 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 market, although the prize category has been strongly performing and driving the overall market, the impacts of supply chain disruptions and raw material price hikes caused by the depreciation of the Japanese yen have appeared as of late.

With regard to the pachislot and pachinko industry, for pachinko machines, strong utilization has been maintained, driven by multiple popular titles. For pachislot machines, the introduction of smart pachislot has started in November 2022, in addition to No. 6.5 models as a new regulation responding to the revision of regulation, which has contributed significantly to the rise in the utilization level. Also, smart pachinko is scheduled to be introduced from April 2023, leading to expectations for further demand expansion.

In the resort industry, international visitors to Japan continue to be affected by travel restrictions. In Japan, during the third quarter ended December 31, 2022, the travel demand recovered centered on individual customers despite the re-spread of COVID-19, because there were no state of emergency, etc. put in place by the government or local municipalities during the same period.

In this business environment, net sales for the nine months ended December 31, 2022 amounted to ¥271,979 million (an increase of 14.9% for the same period in the previous fiscal year). The Group posted an operating income of ¥38,222 million (an increase of 17.0% for the same period in the previous fiscal year), ordinary income of ¥40,138 million (an increase of 20.2% for the same period in the previous fiscal year), and profit attributable to owners of parent of ¥32,846 million (an increase of 11.5% 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 Frontiers", "Persona 5 Royal (Remaster)", "Football Manager 2023", etc. as new titles, leading to sales of 20,750 thousand copies (21,970 thousand copies for the same period in the previous fiscal year). "Sonic Frontiers" performed steady start with worldwide sales exceeding 2,900 thousand copies as of the end of December 2022. Meanwhile, sales of catalog titles were sluggish. For F2P, "Project SEKAI COLORFUL STAGE! feat. Hatsune Miku" continued to strongly perform.

In the amusement machine area, the Group mainly sold UFO Catcher® series and prizes, etc.

In the animation and toy area, for animation, the Group recorded revenue from video production and distribution, etc., and for toy, new products such as "Fun to change screen covers! Sumikkogurashi Smart Phone", etc., and regular products were sold.

As a result, net sales in this segment were ¥210,451 million (an increase of 18.3% for the same period in the previous fiscal year) and ordinary income was ¥41,581 million (an increase of 12.8% for the same period in the previous fiscal year).

« Pachislot and Pachinko Machines »

For pachislot machines, the Group recorded overall sales of 63 thousand units (48 thousand units for the same period in the previous fiscal year) with strong performance of No. 6.5 models such as "Pachislot Kabaneri of the Iron Fortress" and "Pachislot Saga of Tanya the Evil". In particular, "Pachislot Kabaneri of the Iron Fortress" released in July 2022, has remained a high level of utilization and the Group continues to make additional sales. For pachinko machines, the Group sold "P The Seven deadly Sins 2", etc., leading to overall sales of 48 thousand units (64 thousand units for the same period in the previous fiscal year).

As a result, net sales in this segment were ¥52,194 million (an increase of 0.7% for the same period in the previous fiscal year) and ordinary income was ¥7,359 million (an increase of 22.1% 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 unique measures to stimulate tourism demand, the number of facility users for the nine months ended December 31, 2022, exceeded that for the nine months ended December 31, 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 September 2022, the drop amount (purchased amount of chips by customers) was 26.3%, and the number of casino users was 31.8% compared with the same period of 2019 before the spread of COVID-19, respectively, remained sluggish due to the travel restriction in each country caused by the spread of COVID-19, etc. Meanwhile, the recovery in the drop amount by Japanese VIP has been seen due to partially relaxed travel restrictions from June 2022, and from October onwards, it has surpassed the level before the spread of COVID-19.

*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 ¥8,703 million (an increase of 30.2% for the same period in the previous fiscal year) and ordinary loss was ¥2,806 million (ordinary loss of ¥4,645 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, 2023 which was announced on May 13, 2022. For details, please refer to "Notice of Revision of Operating Results Forecast" announced on February 9, 2023.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

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

(Unit: Millions of yen)

	Prior year (As of March 31, 2022)	Current period (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	152,459	147,614
Notes and accounts receivable - trade and contract assets	38,952	51,961
Merchandise and finished goods	9,336	15,968
Work in process	42,145	57,384
Raw materials and supplies	16,044	23,371
Other	29,174	29,994
Allowance for doubtful accounts	(323)	(326)
Total current assets	287,789	325,968
Noncurrent assets		
Property, plant and equipment		
Land	18,522	18,561
Other, net	41,836	42,285
Total property, plant and equipment	60,358	60,846
Intangible assets		
Goodwill	3,460	2,734
Other	9,722	9,816
Total intangible assets	13,183	12,551
Investments and other assets		
Investment securities	40,699	38,805
Other	33,850	31,695
Allowance for doubtful accounts	(387)	(398)
Total investments and other assets	74,161	70,102
Total noncurrent assets	147,703	143,500
Total assets	435,492	469,469

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

(Unit: Millions of yen)

	Prior year (As of March 31, 2022)	Current period (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,455	32,697
Short-term borrowings	10,000	-
Income taxes payable	2,069	3,493
Provision	9,688	5,308
Asset retirement obligations	199	-
Other	40,572	46,855
Total current liabilities	86,986	88,354
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	32,000	42,000
Net defined benefit liability	4,395	4,393
Asset retirement obligations	2,560	2,604
Provision for dismantling of fixed assets	420	420
Other	6,492	7,652
Total noncurrent liabilities	55,869	67,069
Total liabilities	142,855	155,423
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	117,689	72,240
Retained earnings	224,684	248,748
Treasury stock	(77,886)	(37,248)
Total shareholders' equity	294,440	313,694
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,270	1,955
Deferred gains or losses on hedges	(33)	583
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	41	1,690
Remeasurements of defined benefit plans	(3,199)	(3,220)
Total accumulated other comprehensive income	(2,028)	(101)
Share acquisition rights	176	397
Non-controlling interests	49	55
Total net assets	292,637	314,045
Total liabilities and net assets	435,492	469,469

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR THE NINE MONTHS ENDED DECEMBER 31, 2021 AND 2022

(Unit: Millions of yen)

	Prior period From April 1, 2021 To December 31, 2021	Current period From April 1, 2022 To December 31, 2022
Net sales	236,752	271,979
Cost of sales	137,321	155,835
Gross profit	99,430	116,143
Selling, general and administrative expenses	66,762	77,920
Operating income	32,668	38,222
Non-operating income		
Interest income	84	204
Dividends income	123	515
Gain on investments in partnership	2,330	1,610
Foreign exchange gains	664	1,526
Other	458	542
Total non-operating income	3,660	4,399
Non-operating expenses		
Interest expenses	217	230
Equity in losses of affiliates	1,767	1,140
Commission fee	79	111
Loss on investments in partnership	304	560
Other	566	441
Total non-operating expenses	2,935	2,483
Ordinary income	33,393	40,138
Extraordinary income		
Gain on sales of noncurrent assets	1,988	3
Gain on sales of investment securities	16	-
Gain on sales of shares of subsidiaries and affiliates	698	-
Other	51	-
Total extraordinary income	2,754	3
Extraordinary losses		
Loss on sales of noncurrent assets	5	0
Impairment loss	390	181
Loss on sales of shares of subsidiaries and affiliates	-	96
Loss on COVID-19	111	-
Loss on fire	-	60
Other	47	7
Total extraordinary losses	555	345
Income before income taxes	35,592	39,796
Income taxes - current	6,322	7,219
Income taxes - deferred	(181)	(271)
Total income taxes	6,140	6,947
Profit	29,451	32,849
(Breakdown)		
Profit attributable to owners of parent	29,456	32,846
Profit (loss) attributable to non-controlling interests	(5)	2

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR THE NINE MONTHS ENDED DECEMBER 31, 2021 AND 2022

(Unit: Millions of yen)

	Prior period From April 1, 2021 To December 31, 2021	Current period From April 1, 2022 To December 31, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	174	(325)
Deferred gains or losses on hedges	(14)	-
Foreign currency translation adjustment	1,413	844
Remeasurements of defined benefit plans, net of tax	297	(26)
Share of other comprehensive income of entities accounted for using equity method	604	1,432
Total other comprehensive income	2,474	1,923
Comprehensive income	31,926	34,773
(Breakdown)		
Comprehensive income attributable to owners of parent	31,930	34,774
Comprehensive income attributable to non-controlling interests	(4)	(1)

[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 nine months ended December 31, 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)

(Application of 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.

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

Certain subsidiaries which apply U.S. GAAP adopted "Leases" (Topic 842) from the beginning of 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)

(Application of 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 December 31, 2021)

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

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Notes)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort			
Net sales						
(1) Sales to third parties	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.

2. Current period (From April 1, 2022 to December 31, 2022)

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

(Unit: Millions of yen)

	Reporting segment			Subtotal	Adjustment (Notes)	Amount in consolidated financial statements
	Entertainment Contents	Pachislot Pachinko Machines	Resort			
Net sales						
(1) Sales to third parties	210,451	52,194	8,703	271,349	629	271,979
(2) Inter-segment sales and transfers	231	357	62	651	(651)	-
Total	210,683	52,552	8,765	272,001	(22)	271,979
Segment income (loss)	41,581	7,359	(2,806)	46,134	(5,995)	40,138

(Notes) 1. Adjustment to segment income (loss) of ¥(5,995) million includes elimination of inter-segment transactions of ¥1 million and general corporate expenses of ¥(5,997) 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.