

(Translation)

**FLASH REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS [Japanese GAAP]**  
**6 Months Ended September 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 : November 12, 2021 (plan)  
 Start of cash dividend payments : December 1, 2021 (plan)

(Amounts below one million yen are rounded down)

**1. Consolidated Operating Results for the 6 Months Ended September 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 6 months ended September 30, 2021	134,893	22.4	14,678	-	14,752	-	12,012	-
For 6 months ended September 30, 2020	110,225	(33.4)	(3,076)	-	(3,583)	-	(21,716)	-

(Note) Comprehensive income

For 6 months ended September 30, 2021 : ¥13,391 million (-%)  
 For 6 months ended September 30, 2020 : ¥(18,614) million (-%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 6 months ended September 30, 2021	51.08	50.93
For 6 months ended September 30, 2020	(92.38)	-

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2021	423,106	296,451	70.0
March 31, 2021	421,599	291,256	69.0

(Reference) Shareholders' equity

September 30, 2021 : ¥296,218 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	305,000	9.8	23,000	251.0	21,500	-	15,000	-	63.78

(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)
    - September 30, 2021 : 266,229,476
    - March 31, 2021 : 266,229,476
  2. Number of treasury stock at the end of the period
    - September 30, 2021 : 30,732,326
    - March 31, 2021 : 31,142,581
  3. Average number of shares during the period (cumulative from the beginning of the fiscal year)
    - For 6 months ended September 30, 2021 : 235,191,643
    - For 6 months ended September 30, 2020 : 235,091,565

(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 institutional investors on November 8, 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 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, 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 introduction of Type 6.2 new regulation machines began in September 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. Meanwhile, the supply has been unstable due to the global shortage of semiconductors, causing the parts procurement risk to become visible.

In the resort industry, travel demand has been sluggish due to the impact from the spread of COVID-19. Also, following the announcement of the application period for the certification of district development plans pertaining to the "Act on the Establishment of Specified Integrated Resort Areas", some local governments that wish to attract integrated resorts have the request for proposal (RFP). While these local governments are proceeding with the selection of operators, Yokohama City called off the process for selecting business operators for IR project.

In this business environment, net sales for the 6 months ended September 30, 2021 amounted to ¥134,893 million (an increase of 22.4% for the same period in the previous fiscal year). The Group posted an operating income of ¥14,678 million (operating loss of ¥3,076 million for the same period in the previous fiscal year), ordinary income of ¥14,752 million (ordinary loss of ¥3,583 million for the same period in the previous fiscal year), and profit attributable to owners of parent of ¥12,012 million (loss attributable to owners of parent of ¥21,716 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 a remastered title "Sonic Colors: Ultimate" and the series latest title "LOST JUDGMENT" with simultaneous global release in addition to providing new IP "HUMANKIND™" to various platforms such as PC, Xbox Game Pass, Stadia™, etc., and catalog titles strongly performed, leading to sales of 14,040 thousand copies (19,080 thousand copies in the previous fiscal year). Also, royalty income has been recorded for certain titles. For free-to-play games (F2P), new titles and existing titles strongly performed.

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

In the animation and toy area, the Group recorded allocated revenue of "Detective Conan the Movie The Scarlet Bullet", etc. including sales of new products and regular products for toys.

As a result, net sales in this segment were ¥107,474 million (an increase of 10.8% for the same period in the previous fiscal year) and ordinary income was ¥22,709 million (an increase of 34.7% for the same period in the previous fiscal year).

« **Pachislot and Pachinko Machines** »

For pachislot machines, the Group led to overall sales of 31 thousand units (4 thousand units in the previous fiscal year). For pachinko machines, the Group led to overall sales of 23 thousand units (11 thousand units in the previous fiscal year) which were mostly in line with the projections. 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 ¥23,335 million (an increase of 116.9% for the same period in the previous fiscal year) and ordinary loss was ¥1,324 million (ordinary loss of ¥12,425 million for the same period in the previous fiscal year).

(Pachislot machines)

Pachislot CODE GEASS Lelouch of the Rebellion 3
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Pachislot Rakuen Tsuiho -Expelled from Paradise-
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(Pachinko machines)

P SOUTEN-NO-KEN Tengoku
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P Kayou Suspense Gekijou Saigo no Suiri
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Dejihane PA Shin Hokuto Muso Chapter 2 Rengeki Edition
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« **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 72.0% compared with the same period from April to September 2019 before the impact of COVID-19 despite recovering to 155.0% compared with the same period in 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 40.3%, 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 June 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 ¥3,832 million (an increase of 70.6% for the same period in the previous fiscal year) and ordinary loss was ¥3,955 million (ordinary loss of ¥4,662 million for the same period in the previous fiscal year).

In addition, the Company has been forced to suspend the participation in IR Business in Yokohama due to cancel the public offering in September 2021 despite formed a consortium and applied for a request for proposal (RFP) for "the scheduled business operator of the installation and operation of Specified Integrated Resort" conducted by Yokohama City.

**(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 May 13, 2021. With regard to the details, refer to "Notice of Revision of Operating Results Forecast" announced on November 8, 2021.

## **CONSOLIDATED FINANCIAL STATEMENTS**

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

(Unit: Millions of yen)

	Prior year (As of March 31, 2021)	Current period (As of September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	154,972	113,539
Notes and accounts receivable - trade	38,176	-
Notes and accounts receivable - trade and contract assets	-	38,710
Short-term investment securities	721	35,000
Merchandise and finished goods	7,514	10,367
Work in process	31,941	39,112
Raw materials and supplies	13,456	15,335
Other	29,812	24,209
Allowance for doubtful accounts	(298)	(318)
Total current assets	276,295	275,955
Noncurrent assets		
Property, plant and equipment		
Land	18,396	18,348
Other, net	43,221	41,910
Total property, plant and equipment	61,617	60,259
Intangible assets		
Goodwill	4,711	3,963
Other	10,288	10,287
Total intangible assets	14,999	14,250
Investments and other assets		
Investment securities	38,323	37,331
Other	30,776	35,707
Allowance for doubtful accounts	(413)	(398)
Total investments and other assets	68,686	72,641
Total noncurrent assets	145,304	147,150
Total assets	421,599	423,106

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

(Unit: Millions of yen)

	Prior year (As of March 31, 2021)	Current period (As of September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	16,994	19,347
Income taxes payable	839	2,034
Provision	9,416	4,530
Asset retirement obligations	105	-
Other	32,421	31,160
Total current liabilities	59,777	57,072
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	42,000	42,000
Net defined benefit liability	4,542	4,580
Asset retirement obligations	2,933	2,867
Provision for dismantling of fixed assets	420	420
Other	10,669	9,715
Total noncurrent liabilities	70,566	69,582
Total liabilities	130,343	126,655
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	118,048	117,689
Retained earnings	200,551	204,286
Treasury stock	(53,561)	(52,854)
Total shareholders' equity	294,991	299,073
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,930	2,156
Deferred gains or losses on hedges	(725)	(287)
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	(3,867)	(3,355)
Remeasurements of defined benefit plans	(459)	(258)
Total accumulated other comprehensive income	(4,231)	(2,854)
Subscription rights to shares	-	25
Non-controlling interests	496	207
Total net assets	291,256	296,451
Total liabilities and net assets	421,599	423,106

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 6 MONTHS ENDED SEPTEMBER 30, 2020 AND 2021

(Unit: Millions of yen)

	Prior period From April 1, 2020 To September 30, 2020	Current period From April 1, 2021 To September 30, 2021
Net sales	110,225	134,893
Cost of sales	67,235	77,475
Gross profit	42,990	57,417
Selling, general and administrative expenses	46,066	42,739
Operating income (loss)	(3,076)	14,678
Non-operating income		
Interest income	59	58
Dividends income	308	77
Gain on investments in partnership	173	1,883
Foreign exchange gains	-	400
Gain on valuation of investment securities	2,218	-
Other	462	273
Total non-operating income	3,222	2,693
Non-operating expenses		
Interest expenses	227	142
Equity in losses of affiliates	2,476	1,895
Commission fee	39	52
Loss on investments in partnership	276	365
Foreign exchange losses	482	-
Other	225	164
Total non-operating expenses	3,729	2,619
Ordinary income (loss)	(3,583)	14,752
Extraordinary income		
Gain on sales of noncurrent assets	9	2
Gain on sales of investment securities	13	16
Gain on reversal of subscription rights to shares	812	-
Gain on sales of shares of subsidiaries and affiliates	112	698
Subsidy income	566	36
Other	0	2
Total extraordinary income	1,514	756
Extraordinary losses		
Loss on sales of noncurrent assets	0	1
Impairment loss	70	203
Loss on COVID-19	2,608	108
Structural reform expenses	18,428	-
Other	0	38
Total extraordinary losses	21,107	352
Income (loss) before income taxes	(23,175)	15,155
Income taxes - current	(2,476)	3,527
Income taxes - deferred	571	(386)
Total income taxes	(1,905)	3,141
Profit (loss)	(21,270)	12,014
(Breakdown)		
Profit (loss) attributable to owners of parent	(21,716)	12,012
Profit (loss) attributable to non-controlling interests	446	1

SEGA SAMMY HOLDINGS INC.  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR 6 MONTHS ENDED SEPTEMBER 30, 2020 AND 2021

(Unit: Millions of yen)

	Prior period From April 1, 2020 To September 30, 2020	Current period From April 1, 2021 To September 30, 2021
Other comprehensive income		
Valuation difference on available-for-sale securities	3,639	220
Deferred gains or losses on hedges	(7)	(7)
Foreign currency translation adjustment	361	(131)
Remeasurements of defined benefit plans, net of tax	(4)	200
Share of other comprehensive income of entities accounted for using equity method	(1,333)	1,095
Total other comprehensive income	2,655	1,376
Comprehensive income	(18,614)	13,391
(Breakdown)		
Comprehensive income attributable to owners of parent	(19,062)	13,389
Comprehensive income attributable to non-controlling interests	447	1

## [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 6 months ended September 30, 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 6 months ended September 30, 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 September 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 Machines	Resort			
Net sales						
(1) Sales to third parties	97,026	10,758	2,245	110,030	194	110,225
(2) Inter-segment sales and transfers	440	81	38	560	(560)	-
Total	97,467	10,839	2,284	110,590	(365)	110,225
Segment income (loss)	16,856	(12,425)	(4,662)	(231)	(3,351)	(3,583)

(Notes) 1. Adjustment to segment income (loss) of ¥(3,351) million includes elimination of inter-segment transactions of ¥9 million and general corporate expenses of ¥(3,361) 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 September 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	107,474	23,335	3,832	134,642	251	134,893
(2) Inter-segment sales and transfers	399	168	93	661	(661)	-
Total	107,874	23,504	3,925	135,303	(410)	134,893
Segment income (loss)	22,709	(1,324)	(3,955)	17,429	(2,677)	14,752

(Notes) 1. Adjustment to segment income (loss) of ¥(2,677) million includes elimination of inter-segment transactions of ¥0 million and general corporate expenses of ¥(2,677) 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 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 6 months ended September 30, 2021 is immaterial.