

Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	645,673	383,084	59.3
March 31, 2024	653,994	357,702	54.6

(Reference) Shareholders' equity

As of December 31, 2024 : ¥382,573 million

As of March 31, 2024 : ¥356,919 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, 2024	-	23.00	-	27.00	50.00
Year ending March 31, 2025	-	25.00	-		
Year ending March 31, 2025 (plan)				25.00	50.00

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

3. Forecast of Consolidated Financial Results for the Year ending March 31, 2025 (April 01, 2024 - March 31, 2025)

(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	425,000	(9.4)	46,000	(20.5)	51,500	(13.8)	37,500	13.4	174.35

(Notes) 1. Revision to the forecast of operating results most recently announced: Yes

2. Due to the "Changes in method of presentation" for the nine months ended December 31, 2024, the percentage change for net sales and operating income from the same period in the prior fiscal year is the comparison to the retroactive numbers.

4. Other

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

New : - Company name -

Exclusion : 1 Company name : Phoenix Resort Co., Ltd.

(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, 2024 : 241,229,476

March 31, 2024 : 241,229,476

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

December 31, 2024 : 27,619,076

March 31, 2024 : 25,214,788

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

For Nine months ended December 31, 2024 : 215,082,100

For Nine months ended December 31, 2023 : 220,352,407

(Note) The Company has introduced the "BIP Trust" for directors and the "Stock-granting ESOP Trust" for employees from the current fiscal year, and the Company's shares held by these trusts are included in the number of treasury stock at the end of the period above. These shares are also included in the number of treasury stock which is subject to be excluded for calculation by the average number of shares during the period above.

(Note) Auditing procedures reviewed for this document by certified public accountants or accounting auditors: No

(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.
- 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 8.
- The Company plans to hold a briefing on financial results for institutional investors on February 7, 2025. The presentation materials to be used on the day will be posted on TDnet and the Company's website in advance, and the details of the briefing and the content of the explanation (video and audio) will also be posted on the Company's website.

Operating Results and Financial Position

(1) Operating results for the nine months ended December 31, 2024 (April 01, 2024 - December 31, 2024)

■ Overall highlights

For the nine months ended December 31, 2024, although sales and ordinary income in the Entertainment Contents Business significantly increased, net sales and ordinary income fell from the same period in the prior year when "Smart Pachislot Hokuto No Ken" was a huge hit in the Pachislot and Pachinko Machines Business.

The Group recorded an extraordinary loss of approximately ¥6.1 billion in the second quarter for the fiscal year due to the sale of overseas development studio, Amplitude Studios SAS through a management buyout. In contrast, as the Group was influenced by the rebound effect from the restructuring loss occurred in the prior year, and the Company recorded an extraordinary income by transfer of the shares of Phoenix Resort Co., Ltd., in the first quarter for the fiscal year, the profit attributable to owners of the parent resulted in an increase from the same period in the prior year.

The provisional accounting treatment in the same period of the prior year was applied to the business combination with Rovio Entertainment Corporation on August 17, 2023. Due to the finalization of provisional accounting treatment for business combination in the end of the prior year, all the numbers shown are reflected by the result of the finalization of provisional accounting treatment in terms of the comparison and analysis between the prior and current period of nine months ended for the fiscal year.

With regard to future plans, the consumer and animation area in the Entertainment Contents Business are showing strong performance. As a result, each stage of profit up to ordinary income for the fiscal year ending March 2025 is expected to exceed the Company's business plan at the beginning of the fiscal year. In contrast, profit attributable to the owners of parent, as well as the adjusted EBITDA, which has been adopted as a management indicator from the current fiscal year, are expected to be lower than the Company's business plan at the beginning of the fiscal year due to recording the restructuring loss through the sale of overseas development studio as mentioned above, etc. For details, please refer to "Notice of Revision of Operating Results Forecast" announced on February 7, 2025.

■ Highlights by segment

《 Entertainment Contents 》

For the nine months ended December 31, 2024, both the consumer area and the animation area showed the strong performance which had been continued from the second quarter of the fiscal year, and both sales and profit resulted in highly increased from the same period in the prior year.

In the consumer area, the Group launched several major new titles this term. "Metaphor: ReFantazio" released in October, won three awards, including "BEST RPG", at "The Game Awards 2024", annual award held in Los Angeles in the U.S. last December, and its current sales are exceeding the Group's expectations at the beginning of the fiscal year.

Additionally, "SONIC X SHADOW GENERATIONS" released in October, steadily increased its sales units and surpassed 2 million units in global cumulative sales in January 2025.

In repeat titles, the sales have also been favorable, driven by titles such as "Persona 5 Royal (Remaster)" and "Unicorn Overlord", etc.

However, the Group has decided to cancel the development of "Football Manager 25", which was scheduled for release in March 2025. Due to the development cancellation, the Group recorded a loss in the third quarter by work-in-process assets write-downs. This decision was made because, despite aiming the development for significant advancements in the standard series through the renewal and the addition of new features for the UI and graphics, it was determined that it would be difficult to ensure sufficient product quality expected by the March release. With carrying over the development assets to its sequel, the Group will continue development efforts to produce and serve higher-quality works.

In the animation area, the "Sonic" series animations and other distribution income continued the strong performance. Regarding "Sonic" IP, the third movie, "Sonic the Hedgehog 3", released sequentially from December 20, has grossed a record \$460 million worldwide in the series. In light of these circumstances, it has been announced that the fourth movie is scheduled to be released in March 2027. Expecting that the revenue contribution from the third movie installment which will be evident in the next fiscal year and beyond, prioritizing Sonic IP, the Group has been achieving strategic deployment through games, films, and merchandise, thereby realizing the growth and maximization of the IP's value as part of the Group's Mid-term Plan's key theme of a transmedia strategy.

In the amusement and toy area, prize category sales remained steady, but the Group continued to be affected by rising raw material prices due to the depreciation of yen.

With regard to future plans, in the consumer area, the Group plans to release "Like a Dragon: Pirate Yakuza in Hawaii", a new Full Game from one of our flagship IPs, in February and anticipates the steady trend of sales in repeat titles by Full Games. In the animation area, the distribution income through "Sonic" animation series continuously is expected. The distribution income through "SAKAMOTO DAYS", which is produced by the Group and currently serialized in Weekly Shonen Jump (published by Shueisha Inc.), is expected as well.

※ For new released titles, please see "Results Presentation Q3 for the fiscal year ending March 31, 2025"
<https://www.segasammy.co.jp/en/ir/library/>

《 Pachislot and Pachinko Machines 》

For the nine months ended December 31, 2024, sales and profit fell from the same period of the prior year when "Smart Pachislot Hokuto No Ken" was a huge hit.

In contrast, several titles, including the key title of this term, "e Hokuto No Ken 10", released in the second quarter, exceeded the expectations and its sales performed steady compared to the Group's expectation at the beginning of the fiscal year.

With regard to future plans, in the fourth quarter, the Group plans to release "Pachislot Kaidoumokuhiroku Kaiji Kyouen" and "A-SLOT+ DISC UP ULTRAREMIX" for pachislot. For pachinko, the Group also plans to release several titles including "e SOUTEN-NO-KEN Raryu" and "e Shin Hokuto Muso Chapter 5 Dodeka START", which are equipped with the upgraded "Lucky Trigger" in response to the latest regulatory revision.

Featuring the "Dodeka START" function on "e Shin Hokuto Muso Chapter 5 Dodeka START", which enhances gaming efficiency, the Group expects this title to contribute significantly to hall operations as competitors have demonstrated high operational performance by other titles with similar features. Through the launch of these titles, the Group forecasts to secure an ordinary income of ¥20 billion for the fiscal year ending March 2025.

In the next fiscal year and beyond, the Group plans to release of new titles, including sequels to the well-received "Hokuto No Ken Chapter of Resurrection 2" and "Kabaneri of the Iron Fortress: The Battle of Unato", as well as titles collaborating with the hit animation "Tokyo Revengers" and "Lycoris Recoil". Through these initiatives, the Group aims to improve the combined operating share in the pachislot and pachinko market.

※ For new released titles, please see "Results Presentation Q3 for the fiscal year ending March 31, 2025"
<https://www.segasammy.co.jp/en/ir/library/>

《 Gaming 》

At the start of the New Medium-term Plan released in May 2024, the Company established the new "Gaming Business". In the Gaming Business, SEGA SAMMY CREATION INC. ("SSC") develops, manufactures, and distributes gaming devices, and PARADISE SEGASAMMY Co., Ltd. (affiliate accounted for using the equity method), which is a joint venture with Paradise Co., Ltd. in South Korea, develops and operates the integrated resort facility, "PARADISE CITY".

In November 2023, with the aim of entering the online gaming market, especially the U.S. iGaming market expected to continuous grow in the future, the Company concluded an agreement to acquire GAN Limited ("GAN"), which operates a B2B platform business mainly for the U.S. casino operators. In July 2024, the Company also announced the conclusion of an agreement to acquire Stakelogic B.V. ("Stakelogic"), a Netherlands-based company that develops B2B iGaming content supplier business. The Company is proceeding to complete the acquisition.

For the nine months ended December 31, 2024, sales increased from the same period of prior year, and the ordinary income turned positive.

The factors include the continued high operation and favorable sales of "Railroad Riches™", compatible with the new video slot machine cabinet "Genesis Atmos®", receiving the high market evaluations and recording favorable sale. In "Paradise City" located in South Korea, the casino continued to maintain a high level of drop amounts (purchased amount of chips by customers at the table) from Japanese VIP customers, and casino sales recorded the highest quarterly value since its opening in the July-September quarter of 2024, contributing to profits through equity-method earnings. Additionally, hotel sales also performed well, with an occupancy rate of 84.6% in the same quarter, the highest since its opening.

*PARADISE SEGASAMMY Co., Ltd. is recorded with a three-month delay due to its December fiscal year-end.

With respect to the future, in the sale of gaming equipment, the Group released "Super Burst - Cartin' Gold™", following "Genesis Atmos®" in the U.S., which has shown a promising start. With continuing to introduce gaming equipment highly evaluated in the market, the Group strives increasing the number of machines installed, developing new customers, and acquiring new licenses. For "Paradise City", the Company expects to contribute to profits through equity-method earnings, driven by continued strong casino sales centered on Japanese VIP customers.

Under the New Medium-term Plan, GAN will become a gaming service provider with comprehensive range of services by adding Stakelogic's unique content to its own B2B platform business, which is one of its strengths. By combining these services with SSC's customer network, the Group will create synergies and work to establish the gaming business as the Company's third business pillar. The Group received approval for merger with GAN from the Nevada Gaming Commission in the U.S. in October 2024, and is currently also proceeding with regulatory approvals in other countries and regions. The completion of GAN's acquisition was expected in the fourth quarter of the fiscal year ending March 2025, but considering the time required for the procedures from the initial forecast, it is now amended in the first quarter of the fiscal year ending March 2026. The completion of Stakelogic's acquisition is also expected in the first quarter of the fiscal year ending March 2026.

■ Consolidated Financial Results for the Nine Months Ended December 31, 2024

(Unit: Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Changes from the prior period	
			amount	%
Net Sales	350,569	322,316	(28,252)	(8.1)
Operating income	55,158	43,706	(11,451)	(20.8)
Ordinary income	57,364	49,410	(7,953)	(13.9)
Profit attributable to owners of parent	35,587	41,756	6,168	17.3

Adjusted EBITDA※1	54,826	54,518	(307)	(0.6)
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	Yen	Yen	Yen	%
Net income per share	161.50	194.14	32.64	20.2

Items	Breakdown
※1 Adjusted EBITDA	Ordinary income + Interest expenses + Depreciation and amortization ± Adjustment items※2
※2 Adjustment Items:	+ Extraordinary income by business
	- Extraordinary losses of business (impairments, title write-down, etc.)
	- Profit attributable to non-controlling interests
	+ Goodwill and trademark right amortization associated with M&A

Overview by segment is as follows.

At the start of the current fiscal year, the Group changed the reporting segments, which are "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Gaming Business" instead of former segments, "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Resort Business". For details, please see "Changes in reporting segments" in "SEGMENT INFORMATION".

《 Entertainment Contents 》

(Unit: Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Changes from the prior period	
			amount	%
Sales to third party	220,463	238,624	18,161	8.2
Inter-segment sales and transfers	439	425	-	-
Total net sales	220,903	239,050	18,147	8.2
Ordinary income	19,904	37,564	17,659	88.7

Adjusted EBITDA	14,542	40,505	25,963	178.5
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《 Pachislot and Pachinko Machines 》

(Unit: Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Changes from the prior period	
			amount	%
Sales to third party	118,753	76,430	(42,322)	(35.6)
Inter-segment sales and transfers	150	91	-	-
Total net sales	118,904	76,522	(42,381)	(35.6)
Ordinary income	46,162	19,756	(26,405)	(57.2)
Adjusted EBITDA	48,101	22,279	(25,822)	(53.7)

《 Gaming 》

(Unit: Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024	Changes from the prior period	
			amount	%
Sales to third party	961	3,101	2,139	222.6
Inter-segment sales and transfers	51	17	-	-
Total net sales	1,012	3,118	2,106	208.1
Ordinary income	(116)	954	1,071	-
Adjusted EBITDA	(155)	44	199	-

(2) Financial positions as of December 31, 2024

(Assets and liabilities)

Total assets as of the end of the nine months ended December 31, 2024 decreased by ¥8,321 million from the end of the prior fiscal year to ¥645,673 million.

Current assets decreased by ¥7,992 million from the end of the prior fiscal year. This was attributable to decreases in cash and deposits and notes and accounts receivable, despite increases in securities and merchandise and finished goods.

Noncurrent assets decreased by ¥328 million from the end of the prior fiscal year. This was attributable to decreases in property, plant and equipment by exclusion of Phoenix Resort Co., Ltd. to be consolidated, despite increases in investment securities and investments in capital by production investment.

Total liabilities as of the end of the nine months ended December 31, 2024 decreased by ¥33,703 million from the end of the prior fiscal year to ¥262,588 million. This was attributable to decreases in provision for bonuses and income tax payable.

(Net assets)

Net assets as of the end of the nine months ended December 31, 2024 increased by ¥25,382 million from the end of the prior fiscal year to ¥383,084 million. This was attributable to recording of profit attributable to owners of parent, despite decreases in shareholders' equity by acquisition of treasury stock and cash dividends.

(Financial ratio)

The current ratio at the end of the nine months ended December 31, 2024 increased by 79.1 percentage points from the end of the prior fiscal year to 370.6%.

The equity ratio at the end of the nine months ended December 31, 2024 increased by 4.7 percentage points from the end of the prior fiscal year to 59.3%.

(3) Forecast of Consolidated Operating Results

The Company has revised the forecast of consolidated operating results for the fiscal year ending March 31, 2025 which was announced on May 10, 2024. For details, please refer to "Notice of Revision of Operating Results Forecast" announced on February 7, 2025.

QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED BALANCE SHEETS
 AS OF MARCH 31, 2024 AND DECEMBER 31, 2024

(Unit: Millions of yen)

	Prior year (As of March 31, 2024)	Current period (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	211,715	168,024
Notes and accounts receivable - trade and contract assets	54,269	51,882
Securities	8,095	34,324
Merchandise and finished goods	14,371	12,720
Work in process	45,888	56,996
Raw materials and supplies	21,501	23,786
Other	39,605	39,436
Allowance for doubtful accounts	(443)	(161)
Total current assets	395,003	387,011
Noncurrent assets		
Property, plant and equipment		
Land	18,647	13,993
Other, net	41,451	35,430
Total property, plant and equipment	60,099	49,423
Intangible assets		
Goodwill	30,264	31,037
Trademark right	47,574	45,767
Other	14,442	15,178
Total intangible assets	92,281	91,983
Investments and other assets		
Investment securities	49,858	50,522
Other	56,941	66,905
Allowance for doubtful accounts	(189)	(172)
Total investments and other assets	106,610	117,255
Total noncurrent assets	258,991	258,662
Total assets	653,994	645,673

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED BALANCE SHEETS
 AS OF MARCH 31, 2024 AND DECEMBER 31, 2024

(Unit: Millions of yen)

	Prior year (As of March 31, 2024)	Current period (As of December 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,085	21,170
Short-term borrowings	22,507	22,500
Income taxes payable	10,626	9,025
Provision	13,398	6,360
Asset retirement obligations	1	-
Other	62,876	45,382
Total current liabilities	135,494	104,438
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term borrowings	124,500	120,750
Provision	430	1,951
Net defined benefit liability	5,666	4,593
Asset retirement obligations	2,659	2,223
Other	17,540	18,632
Total noncurrent liabilities	160,797	158,150
Total liabilities	296,292	262,588
Net assets		
Shareholders' equity		
Capital stock	29,953	29,953
Capital surplus	69,263	69,779
Retained earnings	281,208	311,652
Treasury stock	(47,151)	(55,263)
Total shareholders' equity	333,274	356,121
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,056	3,042
Deferred gains or losses on hedges	(230)	195
Revaluation reserve for land	(1,109)	(1,109)
Foreign currency translation adjustment	20,388	23,418
Remeasurements of defined benefit plans	1,540	904
Total accumulated other comprehensive income	23,645	26,452
Share acquisition rights	751	474
Non-controlling interests	30	36
Total net assets	357,702	383,084
Total liabilities and net assets	653,994	645,673

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR THE NINE MONTHS ENDED DECEMBER 31, 2023 AND 2024

	(Unit: Millions of yen)	
	Prior period From April 01, 2023 To December 31, 2023	Current period From April 01, 2024 To December 31, 2024
Net sales	350,569	322,316
Cost of sales	196,769	173,508
Gross profit	153,799	148,807
Selling, general and administrative expenses	98,641	105,101
Operating income	55,158	43,706
Non-operating income		
Interest income	1,258	2,564
Dividends income	108	156
Equity in earnings of affiliates	1,616	2,054
Gain on investments in partnership	950	788
Foreign exchange gains	-	1,267
Other	916	1,240
Total non-operating income	4,850	8,071
Non-operating expenses		
Interest expenses	435	1,319
Commission expenses	340	109
Loss on investments in partnership	618	686
Foreign exchange losses	906	-
Other	343	252
Total non-operating expenses	2,644	2,368
Ordinary income	57,364	49,410
Extraordinary income		
Gain on sales of noncurrent assets	0	19
Gain on sales of investment securities	317	227
Gain on sales of shares of subsidiaries and affiliates	-	8,499
Gain on sale of businesses	155	-
Other	0	435
Total extraordinary income	473	9,181
Extraordinary losses		
Loss on sales of noncurrent assets	1	0
Impairment loss	149	1,021
Loss on sales of shares of subsidiaries and affiliates	49	-
Loss on business restructuring	11,239	6,145
Other	278	322
Total extraordinary losses	11,718	7,490
Income before income taxes	46,119	51,101
Income taxes - current	10,007	10,674
Income taxes - deferred	494	(1,334)
Total income taxes	10,502	9,339
Profit	35,617	41,761
(Breakdown)		
Profit attributable to owners of parent	35,587	41,756
Profit attributable to non-controlling interests	29	5

SEGA SAMMY HOLDINGS INC.
 QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
 FOR THE NINE MONTHS ENDED DECEMBER 31, 2023 AND 2024

(Unit: Millions of yen)

	Prior period From April 01, 2023 To December 31, 2023	Current period From April 01, 2024 To December 31, 2024
Other comprehensive income		
Valuation difference on available-for-sale securities	(221)	(13)
Deferred gains or losses on hedges	-	419
Foreign currency translation adjustment	3,684	3,090
Remeasurements of defined benefit plans, net of tax	(148)	(636)
Share of other comprehensive income of entities accounted for using equity method	1,494	(53)
Total other comprehensive income	4,809	2,806
Comprehensive income	40,426	44,568
(Breakdown)		
Comprehensive income attributable to owners of parent	40,352	44,563
Comprehensive income attributable to non-controlling interests	73	5

[Notes]

(Notes on assumptions for going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

The Company resolved at the Board of Directors meeting held on August 7, 2024 to dispose of treasury stock through a third-party allotment to "BIP Trust" for the directors and the "Stock-grant ESOP Trust" for employees, and disposed of 2,000,000 shares of common stock as of August 30, 2024. As a result, capital surplus increased by ¥650 million and treasury stock decreased by ¥3,711 million during the nine months of the fiscal year. In addition, 2,000,000 shares of the Company's stock, amounting to ¥4,362 million, acquired by "BIP Trust" and the "Stock-grant ESOP Trust" were recorded as the Company's treasury stock.

In addition, at the Board of Directors meetings held on May 10, 2024, the Company resolved the matter related to the acquisition of treasury stock conducted pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and purchased 3,549,800 shares of common stock by ¥9,999 million on the Tokyo Stock Exchange during the nine months of the fiscal year accounting period.

(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 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 current income taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the current period ended December 31, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the current period ended December 31, 2024. This change in accounting policies was applied retrospectively. Hence, the quarterly consolidated financial statements for the same period in the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period in the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Changes in method of presentation)

Distribution income related to investments in film production in the U.S. has been recorded as "net sales" since the first quarter of the current fiscal year although it was posted in "equity in earnings of affiliates" under "non-operating income".

This change is due to the increased monetary importance of distribution income related to investments in film production, as well as the increased importance of the business in the new mid-term plan, including the strengthening of the transmedia strategy and further expansion of pillars.

To reflect this change in presentation, the quarterly consolidated financial statements for the same period in the prior fiscal year have been reclassified.

As a result, ¥644 million recorded in "equity in earnings of affiliates" under non-operating income in the quarterly consolidated statements of income and comprehensive income for the period of the prior fiscal year has been reclassified as "net sales".

SEGMENT INFORMATION

1. Prior period (From April 01, 2023 to December 31, 2023)

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	Gaming			
Net sales						
(1) Sales to third parties	220,463	118,753	961	340,178	10,390	350,569
(2) Inter-segment sales and transfers	439	150	51	641	(641)	-
Total	220,903	118,904	1,012	340,819	9,749	350,569
Segment income (loss)	19,904	46,162	(116)	65,949	(8,585)	57,364

(Notes) 1. Adjustments of ¥10,390 million for sales to third parties represents sales that do not belong to any business segments.

2. Adjustment to segment income (loss) of ¥(8,585) million includes loss of ¥(265) million that do not belong to any business segments, elimination of inter-segment transactions of ¥1 million, and general corporate expenses of ¥(8,321) 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.

3. 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 01, 2024 to December 31, 2024)

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	Gaming			
Net sales						
(1) Sales to third parties	238,624	76,430	3,101	318,156	4,159	322,316
(2) Inter-segment sales and transfers	425	91	17	535	(535)	-
Total	239,050	76,522	3,118	318,691	3,624	322,316
Segment income (loss)	37,564	19,756	954	58,275	(8,865)	49,410

(Notes) 1. Adjustment of ¥4,159 million for sales to third parties represents sales that do not belong to any business segments.

2. Adjustment to segment income (loss) of ¥(8,865) million includes losses of ¥(758) million that do not belong to any business segments, elimination of inter-segment transactions of ¥1 million, and general corporate expenses of ¥(8,107) 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.

3. Adjustment has been made to segment income (loss) and ordinary income of the quarterly consolidated statements of income and comprehensive income.

4. Detailed in "Changes in method of presentation", distributed income related to investments in film production in the U.S., which was previously posted in "equity in earnings of affiliates" under "non-operating income", is reclassified in "net sales" since the first quarter of the current fiscal year. To reflect this change in presentation, segment information for the third quarter of the prior fiscal year has been reclassified. As a result, "net sales" of "Entertainment Contents Business" increased ¥644 million for the nine months ended in the prior fiscal year, but there is no impact on segment income.

5. Due to the finalization of provisional accounting treatment for business combination in the prior year, all the numbers shown in the prior period of the segment information are reflected by the result of the finalization of provisional accounting treatment.

3. Changes in reporting segments

(Changes in reporting segments)

At the start of the new Medium-term Management Plan, "WELCOME TO THE NEXT LEVEL!", the Group implemented the abolition of the "Resort Business" and creation of a new "Gaming Business". This was implemented from the perspective of the strategies and business portfolio of the New Mid-term Plan. The newly established "Gaming Business" consolidates overseas online gaming-related businesses, operation of existing integrated resorts, and development and manufacture of casino machines. As a result, "Entertainment Contents Business", "Pachislot and Pachinko Machines Business", and "Gaming Business" will become reportable segments.

Segment information for the nine months ended of the prior fiscal year is presented based on the reclassified method after the change.

(Notes to cashflow statements)

Quarterly consolidated statements of cashflow statement for the nine months ended December 31, 2024 have not been prepared. Depreciation and amortization (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2024 are as follows.

(Unit: Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation and amortization expenses	9,594	9,789
Amortization expenses of goodwill	1,795	2,281

(Note) Due to the finalization of provisional accounting treatment for business combination in the prior year, all the numbers shown in the prior period of Depreciation and amortization expenses and Amortization expenses of goodwill are reflected by the result of the finalization of provisional accounting treatment.