



BANDAI NAMCO Holdings Inc.

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2020

August 8, 2019

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- This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations.

BANDAI NAMCO Holdings Inc.

Stock Listing: Tokyo Stock Exchange

Code Number: 7832

(URL: <https://www.bandainamco.co.jp/>)

August 8, 2019

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2020 (Japanese GAAP)

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Scheduled filing date of the quarterly security report: August 9, 2019

Scheduled starting date for dividend payments: –

The Financial Highlights of the Financial Results for the Quarter: Yes

The information session of the Financial Results for the Quarter: Yes (for institutional investors and analysts)

* Figures are in millions of yen, rounded down

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results (For the Three Months Ended June 30, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
First Quarter of the Fiscal Year Ending March 31, 2020	159,251	5.5	22,830	27.6	23,829	22.2
First Quarter of the Fiscal Year Ended March 31, 2019	150,899	4.7	17,897	14.6	19,498	20.1

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
First Quarter of the Fiscal Year Ending March 31, 2020	16,924	15.6	77.00	–
First Quarter of the Fiscal Year Ended March 31, 2019	14,637	8.4	66.61	–

(Note) Comprehensive income: 13,732 million yen [(17.9)%] (FY2020.3 1Q), 16,731 million yen [2.7%] (FY2019.3 1Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of June 30, 2019	563,146	416,827	73.9
As of March 31, 2019	612,955	429,644	70.0

(Reference) Equity: 416,116 million yen (as of June 30, 2019), 429,031 million yen (as of March 31, 2019)

2. Cash Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Total
Fiscal Year Ended March 31, 2019	–	¥18.00	–	¥127.00	¥145.00
Fiscal Year Ending March 31, 2020	–				
Fiscal Year Ending March 31, 2020 (Projections)		¥20.00	–	¥20.00	¥40.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2020: No
Concerning the projected amounts of the end of second quarter and year-end cash dividends for the fiscal year ending March 31, 2020, the base dividend is stated based on the Company's basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2020, will be considered by the Company based on the basic policy on the distribution of profits.

3. Consolidated Projections for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Six Months Ending September 30, 2019	340,000	1.6	40,000	(9.0)	41,000	(10.5)	29,000	(15.2)	131.94
Full Fiscal Year	720,000	(1.7)	70,000	(16.7)	71,000	(18.3)	50,000	(21.1)	227.49

(Note) Revision to the projections: Yes
Consolidated projections for the six months ending September 30, 2019 (announced on May 9, 2019) are revised in this document.
For details of the revisions to the consolidated projections, please refer to "Notice Regarding Revisions to Consolidated Projections" announced today (August 8, 2019).

* Notes

(1) Changes in Significant Subsidiaries during the Period

(Changes in Specified Subsidiaries Resulting in the Change in Scope of Consolidation): No

(2) Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements: Yes

(Note) For more details, please refer to the section of "(3) Notes to Consolidated Financial Statements, (Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)" of "2. Consolidated Financial Statements and Significant Notes" on page 9 of the attached material.

(3) Changes in Accounting Policies, Changes in Accounting Estimation and Restatement

- a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- b) Changes in accounting policies due to revisions to other reasons: No
- c) Changes in accounting estimation: No
- d) Restatement: No

(Note) For more details, please refer to the section of "(3) Notes to Consolidated Financial Statements, (Changes in Accounting Policies)" of "2. Consolidated Financial Statements and Significant Notes" on page 9 of the attached material.

(4) Number of Issued Shares (Common Stock)

- a) Total number of issued shares at the end of the period (including treasury stock)
 - As of June 30, 2019 222,000,000 shares
 - As of March 31, 2019 222,000,000 shares
- b) Number of shares of treasury stock at the end of the period
 - As of June 30, 2019 2,209,688 shares
 - As of March 31, 2019 2,209,402 shares
- c) Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - For the First Quarter of the Fiscal Year Ending March 31, 2020 219,790,383 shares
 - For the First Quarter of the Fiscal Year Ended March 31, 2019 219,759,866 shares

* Quarterly Consolidated Financial Reports are not required to be subjected to quarterly reviews conducted by certified public accountants or an audit firm.

* Explanation on appropriate use of the projections of business results, etc.

- Forward-Looking Statements:

This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication and those forward-looking statements do not purport to be a promise by the Company to achieve such results. A number

of factors could cause actual results to differ materially from expectations. Please refer to the section of “(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements” of “1. Qualitative Information Regarding Consolidated Results for the First Quarter” on page 3 of the attached material for matters pertaining to the earnings projections.

- To obtain Financial Highlights:

The Financial Highlights will be posted on the Company’s website on August 8, 2019.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the First Quarter

(1) Explanation Regarding Operating Results

During the first quarter (three months) of the fiscal year ending March 31, 2020, the economy continued to moderately recover both in Japan and overseas. However, the outlook for the overall economy and personal consumption remained uncertain.

In this environment, the BANDAI NAMCO Group (“the Group”) started a three-year Mid-term Plan in April 2018, under the Mid-term Vision of “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution,” which reflects our aspiration to achieve changes in all aspects to progress to a next stage without being bound by previous business models and established ideas. Aiming for medium- and long-term growth, the Group has been promoting a range of measures. As one of these initiatives, we have been taking advantage of the worldview and unique characteristics of IP (Intellectual Property: meaning characters and other intellectual property) to further evolve the “IP Axis Strategy” that aims to maximize IP value through the provision of the optimal products and services at the optimal possible times. The measures also include an initiative to strengthen development in regions and businesses with high growth potential and an initiative to realize the total capabilities of the Group in regions around the world under the ALL BANDAI NAMCO concept.

During the first quarter (three months), the Toys and Hobby Business performed strongly atop favorable performance in products for the mature fan base in Japan and overseas, as did the Network Entertainment Business, which saw favorable performance in network content in Japan and overseas along with repeat sales of home video game software overseas.

Consequently, the Group’s consolidated results for the first quarter (three months) were net sales of 159,251 million yen (year-on-year increase of 5.5%), operating profit of 22,830 million yen (year-on-year increase of 27.6%), recurring profit of 23,829 million yen (year-on-year increase of 22.2%), and profit attributable to owners of parent of 16,924 million yen (year-on-year increase of 15.6%).

Operating results by segment are as follows.

Toys and Hobby Business

As for the Toys and Hobby Business, in Japan and overseas, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series and collectible figures and card related products for *DRAGON BALL* series gained in popularity. In Japan, products for the mature fan base performed strongly along with long-established IP toys and peripheral products, such as the *DRAGON BALL* series, the *KAMEN RIDER* series, and the *Super Sentai* series. Overseas, in the Asian region, products for the mature fan base and products such as *ULTRAMAN* series gained in popularity. In the Americas and Europe, the Group promoted efforts to strengthen sales and marketing of products for both children and the mature fan base.

As a result, net sales in the Toys and Hobby Business were 56,842 million yen (year-on-year increase of 12.5%), and segment profit was 6,807 million yen (year-on-year increase of 28.5%).

Network Entertainment Business

As for the Network Entertainment Business, in network content, key titles being distributed worldwide such as the *DRAGON BALL* series and *ONE PIECE*, and key titles in Japan such as *The iDOLM@STER* series, continued to perform favorably due to ongoing measures targeting users. In home video games, there were no new major title launches, but repeat sales of existing titles such as *JUMP FORCE* and *ACE COMBAT 7: SKIES UNKNOWN*, and *DRAGONBALL FighterZ* enjoyed strong popularity, primarily overseas, due to continuous measures for users.

As a result, net sales in the Network Entertainment Business were 71,222 million yen (year-on-year increase of 1.8%), and segment profit was 14,431 million yen (year-on-year increase of 41.4%).

Real Entertainment Business

As for the Real Entertainment Business, in amusement facilities, net sales in existing facilities in Japan was up year on year, and we strengthened the development of new business formats that provide venue where customers are able to enjoy experiences that only BANDAI NAMCO can offer. In regard to arcade games, we promoted the development of new products to be introduced going forward.

As a result, net sales in the Real Entertainment Business were 21,613 million yen (year-on-year increase of 7.6%), and segment loss was 36 million yen (compared with segment loss of 473 million yen for the same period of the previous fiscal year).

Visual and Music Production Business

As for the Visual and Music Production Business, we stirred up public attention through the development of IP productions, such as the cinematic release of a new *GIRLS und PANZER* movie, sales of visual and music package software

of *The iDOLM@STER* series and *LoveLive! Sunshine!!* and the holding of live events, leading to those series gaining popularity. However, overall sales of package software did not reach the level seen in the same period of the previous fiscal year, when the Company launched several high-added-value products, due to differences in the product mix.

As a result, net sales in the Visual and Music Production Business were 9,191 million yen (year-on-year decrease of 4.1%), and segment profit was 1,323 million yen (year-on-year decrease of 50.6%).

IP Creation Business

As for the IP Creation Business, in visual production, we stirred up public attention around IP by disseminating information on the production of a new movie marking the 40th anniversary of the *Mobile Suit Gundam* series, which is planned for release in the second quarter or afterward and various other topic. We also took steps to strengthen our Group-wide initiatives and animation production structure, and so forth, with a view to enhancing IP creation. License revenue maintained the same level as the same period of the previous fiscal year when it performed favorably.

As a result, net sales in the IP Creation Business were 3,263 million yen (year-on-year decrease of 10.7%), and segment profit was 1,141 million yen (year-on-year decrease of 4.9%).

Other Businesses

Other Businesses consist of companies that conduct businesses such as logistics support, printing, and other kinds of administration and operational support for each of the Group companies. We are making efforts to manage such operations related to group support in an efficient manner.

Net sales in the Other Businesses were 7,301 million yen (year-on-year increase of 5.8%), and segment profit was 307 million yen (year-on-year increase of 159.0%).

(2) Explanation Regarding Financial Position

At the end of the first quarter of the fiscal year ending March 31, 2020, total assets stood at 563,146 million yen, a decrease of 49,808 million yen from the end of the previous fiscal year. The main factor was a decrease of 42,502 million yen in cash and time deposits mainly due to cash dividends paid.

Total liabilities amounted to 146,319 million yen, a decrease of 36,992 million yen from the end of the previous fiscal year. The main factor was a decrease of 14,128 million yen in trade payables.

Total net assets stood at 416,827 million yen, a decrease of 12,816 million yen from the end of the previous fiscal year. The main factor was a decrease of 9,623 million yen in retained earnings mainly due to cash dividends paid.

As a result, the equity ratio became 73.9% compared with 70.0% at the end of the previous fiscal year.

(3) Explanation Regarding Consolidated Projections and Other Forward-Looking Statements

Looking ahead, under our three-year Mid-term Plan, which started in April 2018, we will move ahead with measures under our main strategies—the IP axis strategy, business strategy, region strategy, and personnel strategy. By implementing these main strategies, we aim to further strengthen the Group's business foundation and achieve growth in global markets.

For the consolidated projections for the second quarter (six months) of the fiscal year ending March 31, 2020, the consolidated projections announced on May 9, 2019 have been revised as stated in the table below in light of the actual results for the first quarter (three months) of the fiscal year ending March 31, 2020, the lineup and marketing plans of the products and services scheduled in the second quarter, etc.

The consolidated projections for the full fiscal year are not revised in light of factors that include the continuation of dramatic changes in the market environment both in Japan and overseas and the coming Christmas and New Year selling season.

Revisions to consolidated projections for the second quarter (six months) of the fiscal year ending March 31, 2020
(April 1, 2019 to September 30, 2019)

	Net sales	Operating profit	Recurring profit	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	¥
Previous projections (A)	340,000	31,000	31,500	23,000	104.65
Revised projections (B)	340,000	40,000	41,000	29,000	131.94
Change in amount (B-A)	0	9,000	9,500	6,000	–
Change (%)	0.0	29.0	30.2	26.1	–
(Reference) Results for the second quarter of the previous fiscal year (The second quarter of the fiscal year ended March 31, 2019)	334,665	43,935	45,802	34,188	155.56

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2019)	Current 1st quarter (As of June 30, 2019)
Assets		
Current assets		
Cash and time deposits	213,851	171,349
Trade receivables	93,083	72,525
Finished goods and merchandise	19,062	21,849
Work in process	42,428	47,995
Raw materials and supplies	3,580	4,163
Other current assets	26,836	25,763
Allowance for doubtful receivables	(890)	(867)
Total current assets	397,951	342,779
Fixed assets		
Property, plant and equipment	87,593	92,623
Intangible assets	11,845	12,121
Investments and other assets		
Investment securities	74,023	72,791
Other investments and assets	41,907	43,196
Allowance for doubtful receivables	(366)	(364)
Total investments and other assets	115,564	115,622
Total fixed assets	215,003	220,367
Total assets	612,955	563,146

(¥ million)

	Prior Fiscal Year (As of March 31, 2019)	Current 1st quarter (As of June 30, 2019)
Liabilities		
Current liabilities		
Trade payables	74,804	60,676
Provision	3,505	1,693
Other current liabilities	85,583	61,650
Total current liabilities	163,893	124,020
Long-term liabilities		
Net defined benefit liability	10,383	10,576
Other long-term liabilities	9,034	11,722
Total long-term liabilities	19,417	22,299
Total liabilities	183,311	146,319
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,308	52,308
Retained earnings	369,315	359,692
Treasury stock	(2,298)	(2,300)
Total stockholders' equity	429,326	419,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	20,190	19,407
Deferred gains or losses on hedges, net of tax	5	(373)
Revaluation reserve for land, net of tax	(5,920)	(5,920)
Foreign currency translation adjustments	(8,864)	(11,034)
Remeasurements of defined benefit plans, net of tax	(5,705)	(5,663)
Total accumulated other comprehensive income	(294)	(3,584)
Non-controlling interests	612	711
Total net assets	429,644	416,827
Total liabilities and net assets	612,955	563,146

(2) Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Operations)

	(¥ million)	
	Prior 1st quarter (From April 1, 2018 to June 30, 2018)	Current 1st quarter (From April 1, 2019 to June 30, 2019)
Net sales	150,899	159,251
Cost of sales	95,204	96,053
Gross profit	55,695	63,198
Selling, general and administrative expenses	37,797	40,367
Operating profit	17,897	22,830
Non-operating income		
Dividend income	452	540
Equity in gain of affiliated companies	339	412
Other non-operating income	1,068	433
Total non-operating income	1,859	1,387
Non-operating expenses		
Foreign exchange losses	–	350
Other non-operating expenses	257	37
Total non-operating expenses	257	388
Recurring profit	19,498	23,829
Extraordinary income		
Gain on sales of fixed assets	14	8
Gain on sales of investment securities	231	–
Reversal of provision for loss on liquidation of affiliated companies	–	21
Other extraordinary income	–	0
Total extraordinary income	246	30
Extraordinary loss		
Loss on impairment of fixed assets	27	–
Loss on disposal of fixed assets	15	26
Loss on valuation of stocks of affiliated companies	33	63
Other extraordinary loss	40	1
Total extraordinary loss	117	91
Profit before income taxes	19,627	23,767
Income taxes	5,293	6,727
Profit	14,334	17,040
Profit (loss) attributable to non-controlling interests	(303)	115
Profit attributable to owners of parent	14,637	16,924

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 1st quarter (From April 1, 2018 to June 30, 2018)	Current 1st quarter (From April 1, 2019 to June 30, 2019)
Profit	14,334	17,040
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	1,654	(792)
Deferred gains or losses on hedges, net of tax	445	(378)
Foreign currency translation adjustments	247	(2,186)
Remeasurements of defined benefit plans, net of tax	124	41
Share of other comprehensive income of associates accounted for using equity method	(75)	9
Total other comprehensive income	2,397	(3,307)
Comprehensive income	16,731	13,732
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	17,035	13,634
Comprehensive income attributable to non-controlling interests	(303)	98

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Stockholders' Equity)

Not applicable.

(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statements)

(Calculation of taxes)

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the current first quarter, and next by multiplying the profit before income taxes by such estimated effective tax rate.

(Changes in Accounting Policies)

(Application of US accounting standard ASU 2014-09 "Revenue from contracts with customers")

Effective from the first quarter ended June 30, 2019, the Company's consolidated subsidiaries in the United States have applied the US accounting standard ASU 2014-09 "Revenue from contracts with customers."

With the application of ASU 2014-09, revenue is required to be recognized at the time of transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In applying this ASU, the Company used the method to recognize the cumulative effect of retrospective adjustments at the date of initial application.

As a result of this change, for the first quarter (three months), net sales decreased by 2,414 million yen, cost of sales decreased by 1,244 million yen, while operating profit, recurring profit, and profit before income taxes each decreased by 1,170 million yen. In addition, the opening balance of retained earnings increased by 936 million yen.

(Application of IFRS 16 "Leases")

Effective from the first quarter ended June 30, 2019, some overseas consolidated subsidiaries applied IFRS 16 "Leases."

IFRS 16 requires the recognition by the lessee for all leases in principle of right-of-use assets, being the right to use the underlying asset, and lease liabilities, being the obligation to make lease payments. In applying the standard, the Company used the method to recognize the cumulative effect of retrospective adjustments at the date of initial application.

As a result, the opening balance of assets, liabilities, and retained earnings increased by 3,815 million yen, 3,803 million yen, and 12 million yen, respectively. The effect of this change on operating profit, recurring profit, and profit before income taxes for the first quarter (three months) is immaterial.

(Segment Information)**I. Prior 1st quarter (From April 1, 2018 to June 30, 2018)****1. Information regarding the amounts of net sales and profit/loss by reportable segment**

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	48,786	68,679	19,986	8,527	2,487	148,467	2,432	150,899	–	150,899
Inter-segment sales and transfers	1,749	1,303	94	1,054	1,168	5,369	4,468	9,838	(9,838)	–
Total	50,536	69,982	20,081	9,581	3,655	153,837	6,900	160,738	(9,838)	150,899
Segment profit (loss)	5,296	10,207	(473)	2,679	1,200	18,910	118	19,029	(1,131)	17,897

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group companies are classified.
2. Included in the 1,131 million yen deducted from segment profit (loss) as adjustment are an addition of 184 million yen in inter-segment eliminations, and a deduction of 1,316 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

II. Current 1st quarter (From April 1, 2019 to June 30, 2019)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

(¥ million)

	Reportable segments						Other (Note 1)	Total	Adjust- ments (Note 2)	Consoli- dated Total (Note 3)
	Toys and Hobby Business	Network Entertain- ment Business	Real Entertain- ment Business	Visual and Music Production Business	IP Creation Business	Subtotal				
Net sales										
To external customers	55,081	70,137	21,339	8,222	2,204	156,984	2,266	159,251	–	159,251
Inter-segment sales and transfers	1,761	1,084	273	969	1,058	5,148	5,034	10,182	(10,182)	–
Total	56,842	71,222	21,613	9,191	3,263	162,133	7,301	169,434	(10,182)	159,251
Segment profit (loss)	6,807	14,431	(36)	1,323	1,141	23,666	307	23,973	(1,143)	22,830

- Notes: 1. The “Other” category is a business segment not included in reportable segments under which operations such as logistics services and printing for each of the Group companies are classified.
2. Included in the 1,143 million yen deducted from segment profit (loss) as adjustment are an addition of 150 million yen in inter-segment eliminations, and a deduction of 1,293 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate expenses are mainly costs related to the administration division that has not been attributed to a reportable segment.
3. Segment profit (loss) is adjusted with operating profit in the consolidated statements of operations.

2. Information regarding loss on impairment of fixed assets and goodwill by reportable segment

(Material loss on impairment of fixed assets)

Not applicable.

(Material changes in the amount of goodwill)

Not applicable.

(Material gains on negative goodwill)

Not applicable.

3. Information regarding changes to reportable segments, etc.

(Application of US accounting standard ASU 2014-09 “Revenue from contracts with customers”)

As described under “Changes in Accounting Policies,” the Company’s consolidated subsidiaries in the United States have applied US accounting standard ASU 2014-09 “Revenue from contracts with customers” effective from the first quarter ended June 30, 2019. Consequently, they changed their method of revenue recognition to the method in which revenue is recognized at the time of transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

In accordance with this change, compared to the previous method of revenue recognition, for the first quarter (three months) in the Network Entertainment Business, the amount of net sales recorded decreased by 2,414 million yen and the amount of segment profit decreased by 1,170 million yen.