



BANDAI NAMCO Holdings Inc.

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

November 7, 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/>)

November 7, 2019

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

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Scheduled filing date of the quarterly security report: November 12, 2019

Scheduled starting date for dividend payments: December 6, 2019

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 Second Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (For the Six Months Ended September 30, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Recurring profit	
	¥ million	%	¥ million	%	¥ million	%
Second Quarter of the Fiscal Year Ending March 31, 2020	349,327	4.4	47,941	9.1	48,746	6.4
Second Quarter of the Fiscal Year Ended March 31, 2019	334,665	8.4	43,935	25.7	45,802	28.3

	Profit attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	¥ million	%	¥	¥
Second Quarter of the Fiscal Year Ending March 31, 2020	34,607	1.2	157.45	—
Second Quarter of the Fiscal Year Ended March 31, 2019	34,188	21.3	155.56	—

(Note) Comprehensive income: 30,236 million yen [(22.5)%] (FY2020.3 2Q), 39,034 million yen [4.5%] (FY2019.3 2Q)

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of September 30, 2019	588,311	433,570	73.6
As of March 31, 2019	612,955	429,644	70.0

(Reference) Equity: 432,865 million yen (as of September 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	–	¥20.00			
Fiscal Year Ending March 31, 2020 (Projections)			–	¥20.00	¥40.00

(Note) Revision to the projections of cash dividends for the Fiscal Year Ending March 31, 2020: No
Concerning the projected amount of the year-end cash dividend 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	%	¥
Full Fiscal Year	720,000	(1.7)	70,000	(16.7)	71,000	(18.3)	50,000	(21.1)	227.46

(Note) Revision to the projections: No

* 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 8 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 8 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 September 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 September 30, 2019 2,169,621 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 Second Quarter of the Fiscal Year Ending March 31, 2020 219,807,530 shares

For the Second Quarter of the Fiscal Year Ended March 31, 2019 219,773,204 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 Second 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 November 7, 2019.

Attached Material

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1. Qualitative Information Regarding Consolidated Results for the Second Quarter

(1) Explanation Regarding Operating Results

During the second quarter (six 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 second quarter (six 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 stable 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 second quarter (six months) were net sales of 349,327 million yen (year-on-year increase of 4.4%), operating profit of 47,941 million yen (year-on-year increase of 9.1%), recurring profit of 48,746 million yen (year-on-year increase of 6.4%), and profit attributable to owners of parent of 34,607 million yen (year-on-year increase of 1.2%).

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 related products such as *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, the *Super Sentai* series, and *ONE PIECE*. 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 128,044 million yen (year-on-year increase of 14.0%), and segment profit was 17,620 million yen (year-on-year increase of 37.2%).

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 enjoy stable popularity due to ongoing measures targeting users. In home video games, the new title *CODE VEIN* was launched in the current second quarter, while repeat sales of existing titles such as the *DRAGON BALL* series, *TEKKEN 7*, and *DARK SOULS* series enjoyed popularity, primarily overseas, due to continuous measures for users.

As a result, net sales in the Network Entertainment Business were 153,036 million yen (year-on-year decrease of 1.0%), and segment profit was 24,964 million yen (year-on-year increase of 6.6%).

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. Net sales of arcade games did not reach the level seen in the same period of the previous fiscal year, when a new version of a popular title was launched.

As a result, net sales in the Real Entertainment Business were 46,810 million yen (year-on-year increase of 1.6%), and segment profit was 1,526 million yen (year-on-year decrease of 25.4%).

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 sales of visual and music package software and the holding of live events of *The iDOLM@STER*

series, *LoveLive! Sunshine!!* and *IDOLiSH 7*, and the cinematic release of a new *GIRLS und PANZER* movie, 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 20,761 million yen (year-on-year increase of 1.0%), and segment profit was 3,837 million yen (year-on-year decrease of 19.1%).

IP Creation Business

As for the IP Creation Business, in visual production, we stirred up public attention around IP by working on a new visual production project marking the 40th anniversary of the *Mobile Suit Gundam* series, which is planned for release in the third quarter or afterward, and disseminating various information. We also took steps to strengthen our Group-wide initiatives and animation production structure, and so forth, with a view to enhancing IP creation.

As a result, net sales in the IP Creation Business were 7,850 million yen (year-on-year decrease of 16.2%), and segment profit was 2,255 million yen (year-on-year decrease of 10.3%).

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 15,342 million yen (year-on-year increase of 7.8%), and segment profit was 932 million yen (year-on-year increase of 66.7%).

(2) Explanation Regarding Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2020, total assets stood at 588,311 million yen, a decrease of 24,644 million yen from the end of the previous fiscal year. The main factors were increases of 4,879 million yen in finished goods and merchandise and 8,551 million yen in work in process, despite a decrease of 43,439 million yen in cash and time deposits mainly due to cash dividends paid.

Total liabilities amounted to 154,741 million yen, a decrease of 28,570 million yen from the end of the previous fiscal year. The main factors were decreases of 7,264 million yen in trade payables and 9,004 million yen in accrued income taxes.

Total net assets stood at 433,570 million yen, an increase of 3,926 million yen from the end of the previous fiscal year. The main factor was an increase of 8,060 million yen in retained earnings mainly due to the recording of 34,607 million yen in profit attributable to owners of parent despite cash dividends paid of 27,929 million yen.

As a result, the equity ratio became 73.6% 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.

The consolidated projections for the full fiscal year ending March 31, 2020 are not revised at this time in light of factors that include the continuation of dramatic changes and uncertainty in the market environment both in Japan and overseas, the coming Christmas and New Year selling season, and the planned launch of new major titles.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2019)	Current 2nd quarter (As of September 30, 2019)
Assets		
Current assets		
Cash and time deposits	213,851	170,412
Trade receivables	93,083	86,164
Finished goods and merchandise	19,062	23,942
Work in process	42,428	50,980
Raw materials and supplies	3,580	4,292
Other current assets	26,836	29,398
Allowance for doubtful receivables	(890)	(830)
Total current assets	397,951	364,360
Fixed assets		
Property, plant and equipment	87,593	95,450
Intangible assets	11,845	12,500
Investments and other assets		
Investment securities	74,023	73,023
Other investments and assets	41,907	43,349
Allowance for doubtful receivables	(366)	(372)
Total investments and other assets	115,564	116,000
Total fixed assets	215,003	223,950
Total assets	612,955	588,311

(¥ million)

	Prior Fiscal Year (As of March 31, 2019)	Current 2nd quarter (As of September 30, 2019)
Liabilities		
Current liabilities		
Trade payables	74,804	67,540
Accrued income taxes	17,495	8,490
Provision	3,505	2,106
Other current liabilities	68,087	54,758
Total current liabilities	163,893	132,896
Long-term liabilities		
Net defined benefit liability	10,383	10,552
Other long-term liabilities	9,034	11,292
Total long-term liabilities	19,417	21,845
Total liabilities	183,311	154,741
Net assets		
Stockholders' equity		
Common stock	10,000	10,000
Capital surplus	52,308	52,478
Retained earnings	369,315	377,376
Treasury stock	(2,298)	(2,259)
Total stockholders' equity	429,326	437,594
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	20,190	19,504
Deferred gains or losses on hedges, net of tax	5	(57)
Revaluation reserve for land, net of tax	(5,920)	(5,920)
Foreign currency translation adjustments	(8,864)	(12,843)
Remeasurements of defined benefit plans, net of tax	(5,705)	(5,412)
Total accumulated other comprehensive income	(294)	(4,729)
Non-controlling interests	612	705
Total net assets	429,644	433,570
Total liabilities and net assets	612,955	588,311

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

(¥ million)

	Prior 2nd quarter (From April 1, 2018 to September 30, 2018)	Current 2nd quarter (From April 1, 2019 to September 30, 2019)
Net sales	334,665	349,327
Cost of sales	210,049	215,437
Gross profit	124,615	133,889
Selling, general and administrative expenses	80,680	85,947
Operating profit	43,935	47,941
Non-operating income		
Interest income	222	362
Dividend income	462	569
Equity in gain of affiliated companies	405	343
Gain on valuation of derivatives	741	–
Other non-operating income	534	440
Total non-operating income	2,367	1,716
Non-operating expenses		
Foreign exchange losses	–	818
Other non-operating expenses	500	92
Total non-operating expenses	500	911
Recurring profit	45,802	48,746
Extraordinary income		
Gain on sales of fixed assets	20	29
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	252	51
Extraordinary loss		
Loss on valuation of stocks of affiliated companies	70	151
Other extraordinary loss	380	104
Total extraordinary loss	451	255
Profit before income taxes	45,602	48,542
Income taxes	11,899	13,853
Profit	33,702	34,688
Profit (loss) attributable to non-controlling interests	(485)	80
Profit attributable to owners of parent	34,188	34,607

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior 2nd quarter (From April 1, 2018 to September 30, 2018)	Current 2nd quarter (From April 1, 2019 to September 30, 2019)
Profit	33,702	34,688
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	2,180	(719)
Deferred gains or losses on hedges, net of tax	526	(63)
Foreign currency translation adjustments	2,427	(3,995)
Remeasurements of defined benefit plans, net of tax	268	292
Share of other comprehensive income of associates accounted for using equity method	(70)	33
Total other comprehensive income	5,331	(4,451)
Comprehensive income	39,034	30,236
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	39,520	30,172
Comprehensive income attributable to non-controlling interests	(485)	64

(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 second 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 second quarter (six months), net sales decreased by 539 million yen, cost of sales decreased by 903 million yen, while operating profit, recurring profit, and profit before income taxes each increased by 363 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 3,509 million yen, 3,497 million yen, and 12 million yen, respectively. The effect of this change on operating profit, recurring profit, and profit before income taxes for the second quarter (six months) is immaterial.

(Segment Information)**I. Prior 2nd quarter (From April 1, 2018 to September 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	108,473	151,171	45,891	17,563	6,933	330,034	4,630	334,665	–	334,665
Inter-segment sales and transfers	3,848	3,440	183	2,987	2,431	12,891	9,594	22,485	(22,485)	–
Total	112,321	154,612	46,074	20,551	9,364	342,925	14,225	357,150	(22,485)	334,665
Segment profit	12,842	23,414	2,045	4,740	2,514	45,558	559	46,117	(2,182)	43,935

- 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 2,182 million yen deducted from segment profit as adjustment are an addition of 595 million yen in inter-segment eliminations, and a deduction of 2,778 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 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 2nd quarter (From April 1, 2019 to September 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	123,889	150,785	46,514	18,123	5,533	344,847	4,479	349,327	–	349,327
Inter-segment sales and transfers	4,155	2,250	295	2,637	2,316	11,655	10,862	22,517	(22,517)	–
Total	128,044	153,036	46,810	20,761	7,850	356,502	15,342	371,844	(22,517)	349,327
Segment profit	17,620	24,964	1,526	3,837	2,255	50,203	932	51,136	(3,194)	47,941

- 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 3,194 million yen deducted from segment profit as adjustment are an addition of 277 million yen in inter-segment eliminations, and a deduction of 3,472 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 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 second quarter (six months) in the Network Entertainment Business, the amount of net sales recorded decreased by 539 million yen and the amount of segment profit increased by 363 million yen.

(Significant Subsequent Events)

(Tender offer for stock in SOTSU CO., LTD.)

The Company adopted a resolution at its board of directors meeting held on October 9, 2019 to acquire common stock in SOTSU CO., LTD. (JASDAQ Standard Market, securities code: 3711; the “Target Company” and the “Target Company’s Common Stock”), an affiliate of the Company to which the equity-method is applicable, through a tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments).

1. Purpose of the Tender Offer

In the entertainment market surrounding the Company and the Target Company, the pace of technological advances and changes in consumer preferences are expected to accelerate, and competition in the global market is expected to intensify. Specifically, there seems to be important, long-term issues, including (i) intensification of competition in IP creation, (ii) the diversification of customer needs, (iii) intensification of changes in the environment, (iv) increasingly intense competition on a global scale and so on. The Company believes that it is essential to work together to address these issues swiftly by unifying the efforts of all companies in the BANDAI NAMCO Group in accordance with the main strategy outlined in the Mid-term Plan. More specifically, the Company believes that the following measures are required: (1) in order to respond to changes in the environment, such as development of oligopolies in the distribution and media fields, the widespread penetration of networks, and technological improvements, the Company will strengthen new IP creation capability in various ways, including further strengthening the IP axis strategy, making efforts to create product or service-originated IP and visual product-originated IP, utilizing an internal/external idea posting system, collaborating with partner companies, and making strategic investments; (2) in order to maximize the IP value, the Company will promote collaboration among businesses and cross-functional projects in the BANDAI NAMCO Group, create and develop new businesses, expand the regions for product and service rollout, and swiftly respond to new platforms; and (3) in order to become “The Leading Innovator in Global Entertainment,” which is the vision of the BANDAI NAMCO Group, the Company must achieve business expansion in the global market. In particular, in the Americas, Europe, and Asia, the Company will need to work to expand the existing businesses according to the characteristics of each region, and at the same time, enhance the IP lineup of products and services offered and the business categories.

Under these circumstances, the Company decided that, in order to advance the main strategies of the BANDAI NAMCO Group outlined in the Mid-term Plan, namely “Accelerate evolution in IP axis strategy” and “Gain momentum with ALL BANDAI NAMCO,” more reliably and promptly, it is necessary to proceed with initiatives targeting the acceleration and expansion of its business through further strengthening the collaboration with respect to the *Mobile Suit Gundam* series, which is the Target Company’s main IP in its Rights Business and which has been jointly developed and operated with the Target Company. The Company also recognizes that synergies can be expected because the initiative of the Target Company’s Media Business to create new IP is highly compatible with the BANDAI NAMCO Group’s initiative to enhance the creation of new IP and the Company and the Target Company will be able to create and develop optimal IP together in collaboration and in conjunction with the various businesses of the BANDAI NAMCO Group in the entertainment field.

2. Outline of Target Company

(1) Name	SOTSU CO., LTD.
(2) Location	9-5, Ginza 5-chome, Chuo-ku, Tokyo
(3) Name and title of representative	Hideyuki Namba, President and Representative Director
(4) Contents of business	Media business, rights business and sport business
(5) Capital	414 million yen (as of May 31, 2019)
(6) Date of incorporation	December 7, 1962

3. Overview of the Tender Offer

As of October 9, 2019, the Company holds 3,340,000 shares of the Target Company's Common Stock (shareholding ratio: 22.79%) which are listed on JASDAQ Standard Market, and the Target Company is an affiliate of the Company to which the equity-method is applicable.

To make the Tender Offer, the Company entered into a tender offer application agreement with the two major shareholders, under which they will tender all of the shares of the Target Company that they respectively own (total number of shares: 7,210,000 shares; shareholding ratio: 49.20%; "Prospective Tendered Shares"). The Company has set 7,210,000 shares (shareholding ratio: 49.20%), which is equal to the number of the Prospective Tendered Shares, as the minimum number of the shares to be purchased, and, if the total number of the share certificates, etc., the sale of which is proposed in response to the Tender Offer ("Tendered Share Certificates, Etc."), is less than such minimum number, the Company will not purchase any of Tendered Share Certificates, Etc. However, the Company intends to obtain all of the Target Company's Common Stock in the Tender Offer, and, therefore, has not set the maximum number of the shares to be purchased, and, if the total number of Tendered Share Certificates, Etc., is equal to or more than the minimum number, the Company will purchase all of Tendered Share Certificates, Etc.

As the Company aims to make the Target Company its wholly owned subsidiary, if the Company fails to acquire all of the Target Company's Common Stock through the Tender Offer, after completion of the Tender Offer, the Company plans to acquire all of the Target Company's Common Stock through implementing a series of procedures (the demand for shares cash-out or share consolidation) to make the Company the sole shareholder of the Target Company.

(1) Number of share certificates, etc. to be purchased

Number of shares to be purchased	11,314,255 shares
Minimum number of shares to be purchased	7,210,000 shares
Maximum number of shares to be purchased	– shares

(Note) The number of shares to be purchased (11,314,255 shares) is obtained by deducting the number of treasury shares held by the Target Company (345,745 shares) and the number of shares of common stock of the Target Company held by the Company (3,340,000 shares) as of August 31, 2019 from the total number of issued shares of the Target Company (15,000,000 shares) as of the same date.

(2) Period for purchase, etc. From October 10, 2019 to November 25, 2019
(30 business days)

(3) Price for purchase, etc. 3,100 yen per share of common stock

(4) Aggregate tender offer price 35,074 million yen

(Note) The "aggregate tender offer price" is calculated by multiplying the number of shares to be purchased (11,314,255 shares) by the tender offer price per share (3,100 yen).

(5) Settlement commencement date December 2, 2019

(6) Financing method The Company's own funds

As of the date hereof, the Target Company's Common Stock are listed on the JASDAQ Standard Market. However, since the Company has not set the maximum number of shares to be purchased in the Tender Offer, depending on the result of the Tender Offer, the Target Company's Common Stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange's criteria for delisting. In addition, even if the Target Company's Common Stock does not fall under such criteria at the time of the completion of the Tender Offer, if the Company implements a series of procedures to make the Company the sole shareholder of the Target Company after the Tender Offer is completed, the Target Company's Common Stock will fall under the criteria for delisting and will be delisted pursuant to the prescribed procedures. The Target Company's Common Stock will no longer be traded on the JASDAQ Standard Market after the delisting.