

# FINANCIAL REPORT

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## CONSOLIDATED SIX-YEAR FINANCIAL SUMMARY

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
For the Fiscal Years Ended March 31

Millions of yen, except per share data and main financial indicators

	2017	2018	2019	2020	2021	2022
<b>For the Year:</b>						
Net sales	¥620,061	¥678,312	¥732,347	¥723,989	¥740,903	¥889,270
Gross profit	223,759	241,581	262,555	260,948	282,006	356,265
Selling, general and administrative expenses	160,520	166,557	178,510	182,172	197,352	230,769
Operating profit	63,238	75,024	84,045	78,775	84,654	125,496
Recurring profit <sup>*1</sup>	63,290	75,380	86,863	79,797	87,612	133,608
Profit attributable to owners of parent	44,159	54,109	63,383	57,665	48,894	92,752
Comprehensive income	43,104	56,024	69,952	53,312	90,527	96,299
Capital expenditures	25,016	60,501	29,016	33,406	31,507	36,554
Depreciation and amortization	21,854	23,545	21,370	23,239	24,684	25,726
Cash flows from operating activities	64,136	55,138	79,811	43,131	60,483	121,212
<b>At Year-End:</b>						
Total assets	¥488,032	¥540,490	¥612,955	¥619,819	¥732,782	¥862,650
Total current assets	357,782	350,618	397,951	383,662	455,210	577,206
Total current liabilities	126,110	136,202	163,893	142,506	175,920	243,362
Total net assets	348,784	387,354	429,644	454,684	511,433	584,233
<b>Per Share Data (Yen):</b>						
Basic earnings per share	¥201.03	¥246.29	¥288.40	¥262.39	¥222.58	¥422.09
Cash dividends	82.00	123.00	145.00	132.00	112.00	212.00
<b>Main Financial Indicators:</b>						
Return on equity (ROE) <sup>*2</sup> (%)	13.3	14.7	15.5	13.1	10.2	16.9
Return on assets (ROA) <sup>*3</sup> (%)	13.5	14.7	15.1	12.9	13.0	16.7
Selling, general and administrative expenses to net sales (%)	25.9	24.6	24.4	25.2	26.6	26.0
Operating profit margin (%)	10.2	11.1	11.5	10.9	11.4	14.1
Profit attributable to owners of parent margin (%)	7.1	8.0	8.7	8.0	6.6	10.4
Shareholders' equity ratio (%)	71.3	71.5	70.0	72.5	69.7	67.7
Debt/equity ratio (Times)	0.00	0.00	0.00	0.01	0.05	0.05

Notes:

\*1 Recurring profit is a Japanese accounting term denoting income before extraordinary items.

\*2 ROE = Profit attributable to owners of parent / Average total shareholders' equity (= Total net assets - Stock acquisition rights - Non-controlling interests)

\*3 ROA = Recurring profit / Average total assets

# FINANCIAL REVIEW

## Overview of Performance in the Fiscal Year Ended March 31, 2022

The continued spread of the novel coronavirus disease (COVID-19), changes in the social situation, and spread of digital technologies, among other factors, affected both Japanese and overseas economies and societies, as well as customer lifestyles and preferences. As part of our response against the spread of COVID-19, the Bandai Namco Group (“the Group”) has been giving the highest priority to the safety of our various stakeholders, including employees and their families and our customers, while implementing measures to prevent the spread of infection. We also promoted various measures to adapt to diversification in lifestyles and preferences of customers such as by strengthening sales and marketing that utilize digital strategies. We have also been taking advantage of the worldview and unique characteristics of IP (Intellectual Property: meaning characters and other intellectual property) to further enhance 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 initiatives to expand global development, 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. In addition, the Company determined that in light of the rapidly changing environment, it was necessary to formulate a new strategy for a new era and has postponed the start of the new Mid-term Plan, which was originally scheduled to start in April 2021, by one year. We positioned the fiscal year ended March 31, 2022 as the period to establish a business foundation and organizational structure to promote the strategies of the new Mid-term Plan and promoted various initiatives to examine strategies, restructure organizations, and strengthen cooperation among businesses.

The Group’s operating results for the fiscal year ended March 31, 2022 exceeded those of the previous fiscal year wherein each business was severely impacted by the temporary closure of retail stores and amusement facilities, in many regions both in Japan and overseas and the cancellation of events, etc. due to the spread of COVID-19. With regard to business operations, the Digital Business and the Toys and Hobby Business enjoyed favorable performance, and the Group’s wide-ranging business portfolio has produced successful outcomes, including the swift implementation of various measures to adapt to the changes in customer lifestyles and preferences in each business.

## Results by Segment

	Millions of yen			Millions of yen		
	Net sales			Segment profit (loss)		
	2022	2021	Year on year	2022	2021	Year on year
Digital	¥378,173	¥337,964	¥40,208	¥69,634	¥56,776	¥12,858
Toys and Hobby	373,625	300,815	72,809	52,319	39,086	13,233
Visual and Music	53,941	34,219	19,721	5,698	1,549	4,149
Creation	37,564	28,213	9,351	2,830	2,740	89
Amusement	82,344	63,923	18,421	4,051	(8,379)	12,431
Other	27,667	24,655	3,011	347	602	(255)

## Net Sales

On a consolidated basis, the Group’s net sales were ¥889,270 million (year-on-year increase of 20.0%).

## Cost of Sales

Cost of sales was ¥533,004 million (year-on-year increase of 16.1%), and the ratio of cost of sales to net sales was 59.9%. As a result, gross profit was ¥356,265 million (year-on-year increase of 26.3%), and the gross profit margin was 40.1%.

## SG&A Expenses

Selling, general and administrative (SG&A) expenses were ¥230,769 million (year-on-year increase of 16.9%), and the ratio of SG&A expenses to net sales decreased to 26.0%, from 26.6% in the previous fiscal year. Principal items included advertising expenses of ¥53,554 million, directors’ remuneration and employees’ wages of ¥57,789 million, employees’ retirement and severance benefits of ¥2,891 million, provision for directors’ bonuses of ¥2,097 million, and research and development expenses of ¥29,494 million.

## Operating Profit

Operating profit was ¥125,496 million (year-on-year increase of 48.2%), and the operating profit margin increased to 14.1%, from 11.4% in the previous fiscal year.

## Other Income (Loss)

In other income (loss), loss on impairment of fixed assets was ¥2,994 million and extra retirement payments were ¥1,257 million. On the other hand, foreign exchange gains were ¥5,519 million. Due to these and other factors, net other income was ¥5,385 million.

The reorganization of some overseas consolidated subsidiaries resulted in extra retirement payments recorded under other income (loss).

## Profit Attributable to Owners of Parent

The Group recorded profit attributable to owners of parent of ¥92,752 million (year-on-year increase of 89.7%). The profit attributable to owners of parent margin was 10.4%, and basic earnings per share increased to ¥422.09, from ¥222.58 in the previous fiscal year.

## Digital Business

As for the Digital Business, home video games enjoyed favorable performance with the strong sales of new home video game titles such as *ELDEN RING* and *Tales of ARISE* for worldwide distribution, and strong repeat sales of existing titles due to ongoing measures targeting users. In addition, in network content, new titles enjoyed favorable debuts and the performance of key titles was stable, but the favorable levels seen in the previous fiscal year were not reached. During the fiscal year ended March 31, 2022, initial expenses, such as development expenses, increased due to the increase in launches of new major titles in comparison to the previous fiscal year.

As a result, net sales in the Digital Business were ¥378,173 million (year-on-year increase of 11.9%), and segment profit was ¥69,634 million (year-on-year increase of 22.6%).

## Toys and Hobby Business

As for the Toys and Hobby Business, products for the mature fan base such as plastic models of the *Mobile Suit Gundam* series, collectible figures, and character lotteries performed favorably due to the successful outcomes produced by sales, marketing, etc. that utilize digital strategies and expansion of the Business overseas. In addition, product sales have recovered, including for prizes, etc. which were affected by the temporary closure of amusement facilities in the previous fiscal year. Moreover, in Japan, long-established IP and new IP toys, as well as trading cards for overseas markets, confectionery, capsule toys and other toy related products were popular.

As a result, net sales in the Toys and Hobby Business were ¥373,625 million (year-on-year increase of 24.2%), and segment profit was ¥52,319 million (year-on-year increase of 33.9%).

## Visual and Music Business

As for the Visual and Music Business, in addition to the sales of IP related visual and music package software, including the *Mobile Suit Gundam* series, the *LoveLive!* series and *The IDOLM@STER* series, IP related licensing revenue contributed to performance. Furthermore, we proceeded with initiatives for new forms of live events that are suited to changes in the business environment, such as by streaming the events and utilizing new technologies, and the number of events held increased from the previous fiscal year.

As a result, net sales in the Visual and Music Business were ¥53,941 million (year-on-year increase of 57.6%), and segment profit was ¥5,698 million (year-on-year increase of 267.9%).

## Creation Business

As for the Creation Business, we produced new video works such as the *Mobile Suit Gundam* series and the *LoveLive!* series, but the contribution to profits was limited due to the business model of recording initial expenses in advance. Although licensing revenue was strong due to increased popularity of *Gundam*, etc., *GUNDAM FACTORY YOKOHAMA*, which disseminates information on IP, was impacted by the spread of COVID-19.

As a result, net sales in the Creation Business were ¥37,564 million (year-on-year increase of 33.1%), and segment profit was ¥2,830 million (year-on-year increase of 3.3%).

## Amusement Business

As for the Amusement Business, despite the impact of the spread of COVID-19, there were signs of recovery with net sales of existing amusement facilities in Japan increasing 115.5% compared with the previous fiscal year, and amusement facilities in Europe and Asia recovered compared with the previous fiscal year. For the Amusement Business, in addition to continuing to improve efficiency, we will aim to strengthen the revenue base by promoting initiatives that only the Bandai Namco Group can offer, such as strengthening the use of Group products and services.

As a result, net sales in the Amusement Business were ¥82,344 million (year-on-year increase of 28.8%), and segment profit was ¥4,051 million (segment loss for the previous fiscal year was ¥8,379 million).

## Other Businesses

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

As a result, net sales in the Other Businesses were ¥27,667 million (year-on-year increase of 12.2%), and segment profit was ¥347 million (year-on-year decrease of 42.4%).

## Financial Position

At the end of the fiscal year ended March 31, 2022, total assets stood at ¥862,650 million, an increase of ¥129,867 million from the end of the previous fiscal year. The main factors were increases of ¥75,074 million in cash and time deposits, ¥30,976 million in trade receivables and contract assets (trade receivables at the end of the previous fiscal year), and ¥17,364 million in inventories.

Total liabilities amounted to ¥278,416 million, an increase of ¥57,067 million from the end of the previous fiscal year. The main factors were increases of ¥17,335 million in trade payables and ¥16,071 million in accrued income taxes.

Total net assets stood at ¥584,233 million, an increase of ¥72,800 million from the end of the previous fiscal year. The main factor was an increase of ¥67,660 million in retained earnings mainly due to the recording of ¥92,752 million in profit attributable to owners of parent despite cash dividends paid of ¥25,271 million.

As a result, the equity ratio became 67.7% (compared with 69.7% at the end of the previous fiscal year). The current ratio<sup>\*1</sup> was 237.2% (compared with 258.8% at the end of the previous fiscal year); the quick ratio<sup>\*2</sup> was 165.2% (compared with 168.3%); and the interest coverage ratio<sup>\*3</sup> was 321.0 times (compared with 296.0 times).

Notes:

\*1 Current ratio = Total current assets / Total current liabilities

\*2 Quick ratio = (Cash and time deposits + Trade receivables) / Total current liabilities

\*3 Interest coverage ratio = Cash flows from operating activities / Interest paid

## FINANCIAL REVIEW

### Cash Flows

As of the end of the fiscal year, cash and cash equivalents (“funds”) remaining on hand increased by ¥74,193 million from the end of the previous fiscal year to ¥277,891 million. Below is the breakdown of cash flows by activities.

#### Cash Flows from Operating Activities

The amount of funds provided by operating activities totaled ¥121,212 million (year-on-year increase of 100.4%). As a breakdown of funds used, increase in trade receivables was ¥26,577 million (compared with ¥6,653 million in the previous fiscal year). However, overall, there was a net increase in funds due to profit before income taxes of ¥130,882 million (compared with ¥71,940 million in the previous fiscal year) and depreciation and amortization of ¥25,726 million (compared with ¥24,684 million in the previous fiscal year).

#### Cash Flows from Investing Activities

The amount of funds used in investing activities totaled ¥27,136 million (year-on-year decrease of 8.9%). The main breakdown of funds used was purchases of property, plant and equipment and intangible assets totaling ¥26,798 million (compared with ¥23,849 million in the previous fiscal year).

#### Cash Flows from Financing Activities

The amount of funds used in financing activities totaled ¥25,450 million (year-on-year increase of 33.7%). The main breakdown of funds used was cash dividends paid of ¥25,271 million (compared with ¥29,220 million in the previous fiscal year).

### Basic Policy on the Distribution of Profits

Bandai Namco Group ranks the return of profits to shareholders as one of its highest priorities in its management. The Group aims to further strengthen the Group’s competitiveness and, while maintaining a sound financial status, to achieve regular distributions of dividends and improvement in the Group’s corporate value. In embarking on the Mid-term Plan, the Company has considered its basic policy on returning profits to shareholders from various perspectives, taking into account the Mid-term Plan’s main strategies and investment plan as well as the market environment. As a result, the Company decided to continue its basic policy of providing a return to shareholders that targets a total return ratio of 50% or more based on stable dividend payments of 2% of DOE (dividends on equity), maintaining long term and stable level of dividends and increasing the focus on the capital cost, with DOE and total return ratio as indicators.

For the year-end dividend for the fiscal year ended March 31, 2022, based on this basic policy and the performance in the fiscal year, a performance-based dividend of ¥164 will be added to a base dividend of ¥24, for a total of ¥188 per share. Since the Company paid an interim dividend of ¥24 per share on December 7, 2021, the annual cash dividend will be ¥212 per share (total return ratio of 50.2%). The Company’s annual dividend forecast for the fiscal year ending March 31, 2023 is ¥54 per share, which is the base dividend set in accordance with the Company’s basic policy on the distribution of profits. The year-end cash dividend for the fiscal year ending March 31, 2023 will be considered by the Company based on the basic policy on the distribution of profits.

### Outlook for the Fiscal Year Ending March 31, 2023

Looking ahead, the Group expects uncertainty to continue due to changes in the social situation despite anticipating that the economy and personal consumption will recover due to the promotion of measures against the spread of COVID-19 and COVID-19 vaccinations in various regions around the world.

Under these circumstances, the Group will continue carrying out initiatives to prevent the spread of COVID-19, giving the highest priority to the safety of our stakeholders, including employees and their families, and customers. Moreover, adapting to escalating competitiveness in global markets and diversification in lifestyles and preferences of customers, in line with an IP axis strategy, the Bandai Namco Group will enhance sense of unity and its total capabilities under the ALL BANDAI NAMCO concept, while utilizing the characteristics of each business. From April 2022, as Purpose being the ultimate definition of who we are as a Group and the introduction of the new logo, to maintain continuous growth over medium to long term for the aims under our Purpose, the new three-year Mid-term Plan has started.

1) Formulation of Bandai Namco’s Purpose and introduction of the new logo

## Fun for All into the Future

From April 2022, we have established our new Purpose as the ultimate definition of who we are as a Group, conveying “the reason for our existence,” why we conduct our businesses and corporate activities, and the meaningfulness we derive from working at Bandai Namco Group. What we believe to be particularly important elements in our Purpose are the ideas of “Connecting and working together to create things” and we will achieve “Fun for All into the Future” by Bandai Namco Group and our fans connecting through dreams, fun and inspiration.

From April 2022, we have introduced a new logo that expresses the spirit of our Purpose. All companies with “Bandai Namco” in their names will use this logo, and companies with and without “Bandai Namco” in their names will display this new Group logo on all their products and services, in principle. This will enable us to bring together the value of all our products, services, and labels under one logo and elevate the brand value of the Bandai Namco Group in the global market.



2) Purpose-driven aims

In accordance with the Purpose, the Bandai Namco Group aims to connect with IP fans, business partners, Group employees, and communities around the world. We will strive to connect more deeply with current fans and more broadly with new fans. In addition, we will aim to foster multifaceted connections among current fans and new fans as well as communities of fans. In fostering connections with and among various fans, our highest priority will be the quality of the connections. Under the Mid-term Plan, we will advance a variety of initiatives focusing on deep, broad, and multifaceted connections with fans and on the quality of those connections.

3) Mid-term Vision

## Connect with Fans

In accordance with the Purpose, as we work toward what we aim to be, under the Mid-term Plan we will strive to always meet the needs of IP fans, a wide range of business partners, Group employees, and communities around the world and to foster deep, broad, multifaceted connections.

4) Main strategies and investment plan

#### ■ IP Axis Strategy

The IP axis strategy, which is the Bandai Namco Group’s strength, is the core of the Mid-term Plan. We will aim for sustainable growth by implementing new initiatives to foster deep, broad, and multifaceted connections with fans around the world; by accelerating evolution in the IP axis strategy; and by working to build businesses as we work together under the ALL BANDAI NAMCO concept in regions around the world.

- IP x Fans (connecting with fans through IP): New framework for connecting with fans

Based on the IP axis, Bandai Namco will develop a metaverse for each IP as a new framework for connecting with fans. In this IP Metaverse, we are anticipating virtual spaces that will enable customers to enjoy a wide range of entertainment surrounding IP, as well as frameworks that leverage Bandai Namco’s distinctive strengths to fuse physical products and venues with digital elements. We are aiming for open frameworks that provide venues for connections with and among fans and business partners. Through the IP Metaverse, we will establish communities among Bandai Namco and fans, as well as among fans themselves. Through these communities and content, we will build deep, broad, multifaceted connections that continue for long periods of time, and we will focus on the quality of those connections. In this way, we will work to maximize IP value over the medium to long term.

- IP x Value (enhancing IP value): Accelerating evolution in the IP axis strategy We will leverage outlets for a wide range of products and services as well as our strengths in facilitating collaboration among physical and digital elements, and we will redefine the optimal IP axis strategy for IP fans and for IP itself. In these ways, we will aim to accelerate evolution in the IP axis strategy.
- IP x World (connecting the world through IP): Building businesses under the ALL BANDAI NAMCO concept

To work together and advance our strategies under the ALL BANDAI NAMCO concept in regions worldwide, we have implemented such initiatives as organizational restructuring and base consolidation around the world. Under this ALL BANDAI NAMCO concept, we work to build businesses in each region.

- Investment plan for accelerating evolution in the IP axis strategy Over the three years of the Mid-term Plan, we will implement a total of ¥40.0 billion in strategic investment to accelerate evolution in the IP axis strategy. Strategic investment to maximize IP value: ¥25.0 billion Investment to develop the IP Metaverse: ¥15.0 billion

#### ■ Personnel strategy: Developing diverse human resources

In accordance with our Purpose, the Group strives to be a community of “Same Spirit, Diverse Talents,” where diverse companies and people of different skills, individual characteristics and values can thrive. We will further focus on recruiting and promoting individuals regardless of whether they are new graduates or mid-career hires and regardless of gender or nationality, in addition to which we will focus on developing systems and environments that enable a diverse array of people to thrive and work in a way that is both physically and mentally healthy. Under the Mid-term Plan, we will promote initiatives to support challenges taken on by employees and the development of human resources to promote the IP axis strategy on a global scale, as well as new and diverse ways to work.

#### ■ Sustainability: Connecting to a future of smiles

In accordance with our Purpose and the Bandai Namco Group Sustainability Policy, the Bandai Namco Group will work together with fans to advance sustainability activities for the realization of a sustainable society in ways such as working on the action plan in line with the newly identified material issues.

5) System for promotion of the Mid-term Plan

- Strengthening the governance system of Bandai Namco Holdings

In order to further increase corporate value by strengthening our corporate governance system and implementing rapid decision-making and business execution, we transitioned to a company with an Audit & Supervisory Committee on the condition that the proposal for this transition was approved and adopted at the Seventeenth Ordinary General Meeting of Shareholders held in June 2022.

- Partial changes of the Unit structure

From April 2022, we restructured the IP Production Unit and also integrated the Visual and Music Business and the Creation Business into the IP Production Business. In the IP Production Unit, Bandai Namco Filmworks Inc. will serve as a business management company upon having combined three companies that engage in the visual business within the IP Production Unit, namely SUNRISE INC., the visual business of Bandai Namco Arts Inc., and Bandai Namco Rights Marketing Inc.

6) Numerical targets, shareholder return policy

- Fiscal year ending March 31, 2025: Numerical targets

Consolidated net sales: ¥1,100.0 billion

Consolidated operating profit: ¥125.0 billion

ROE: 12% or more

In the future, Bandai Namco Group aims to always meet the needs of IP fans, a wide range of business partners, Group employees, and communities around the world and to foster deep, broad, multifaceted connection, and each business around the world will further work as one under the ALL BANDAI NAMCO concept on the priority strategies, consisting of the IP axis strategy, Personnel strategy, and Sustainability, under the Mid-term Plan. In light of the implementation of these measures, the consolidated projections of the fiscal year ending March 31, 2023 are as follows: net sales of ¥880,000 million (year-on-year decrease of 1.0%), operating profit of ¥100,000 million (year-on-year decrease of 20.3%), recurring profit of ¥101,000 million (year-on-year decrease of 24.4%), and profit attributable to owners of parent of ¥70,000 million (year-on-year decrease of 24.5%).

### Consolidated Plan for the Fiscal Year Ending March 31, 2023

Segments	Millions of yen	
	Net sales	Segment profit (loss)
Entertainment Unit		
• Digital Business	¥350,000	¥ 45,000
• Toys and Hobby Business	400,000	53,000
IP Production Unit	80,000	10,000
Amusement Unit	85,000	2,000
Other	26,000	0
Adjustments	(61,000)	(10,000)
Consolidated	¥880,000	¥100,000

### Forward-Looking Statements

Forecasts for the next fiscal year and other future projections in this report are based on information available to the Group at the time they were made and are therefore subject to various risks and uncertainties. Actual results therefore may differ materially from projections due to a variety of factors. Major factors that could influence results include changes in the Company and the Group’s operating environment, market trends, and exchange rate fluctuations.

# CONSOLIDATED BALANCE SHEETS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
As of March 31, 2021 and 2022

	Note	Millions of yen		Thousands of
		2021	2022	U.S. dollars (note 3)
			2022	2022
<b>Assets</b>				
<b>Current assets:</b>				
Cash and time deposits	4, 12, 21	¥204,326	¥279,401	\$2,282,875
Trade receivables	6, 12	91,765	—	—
Trade receivables and contract assets	6, 12, 23	—	122,742	1,002,877
Allowance for doubtful receivables		(1,639)	(2,001)	(16,352)
Inventories	7	106,886	124,250	1,015,199
Other current assets		53,872	52,814	431,523
<b>Total current assets</b>		<b>455,210</b>	<b>577,206</b>	<b>4,716,123</b>
<b>Property, plant and equipment:</b>				
Buildings and structures	8	38,643	40,416	330,224
Amusement facilities and machines	8	60,675	59,298	484,506
Land		43,047	42,869	350,268
Other property, plant and equipment	8	139,509	151,528	1,238,080
<b>Total</b>		<b>281,875</b>	<b>294,112</b>	<b>2,403,080</b>
Less accumulated depreciation		(193,534)	(201,662)	(1,647,706)
<b>Net property, plant and equipment</b>		<b>88,341</b>	<b>92,450</b>	<b>755,373</b>
<b>Intangible assets:</b>				
Goodwill		17,069	14,887	121,637
Other intangible assets	8	15,944	19,540	159,660
<b>Total intangible assets</b>		<b>33,014</b>	<b>34,428</b>	<b>281,298</b>
<b>Investments and other assets:</b>				
Investment securities	5, 12	121,208	113,261	925,417
Deferred tax assets	13	16,310	25,732	210,246
Net defined benefit asset	11	407	525	4,290
Other investments and assets	8, 21	18,707	19,831	162,033
Allowance for doubtful receivables		(418)	(784)	(6,412)
<b>Total investments and other assets</b>		<b>156,215</b>	<b>158,565</b>	<b>1,295,576</b>
<b>Total assets</b>		<b>¥732,782</b>	<b>¥862,650</b>	<b>\$7,048,371</b>

See accompanying Notes to Consolidated Financial Statements.

	Note	Millions of yen		Thousands of
		2021	2022	U.S. dollars (note 3)
			2022	2022
<b>Liabilities and net assets</b>				
<b>Current liabilities:</b>				
Trade payables	10	¥ 82,474	¥ 99,810	\$ 815,509
Short-term borrowings	9	385	10,810	88,330
Accrued income taxes		6,820	22,891	187,036
Contract liabilities	23	—	22,912	187,211
Provisions		3,547	3,745	30,605
Other current liabilities	9	82,692	83,191	679,725
<b>Total current liabilities</b>		<b>175,920</b>	<b>243,362</b>	<b>1,988,419</b>
<b>Long-term liabilities:</b>				
Long-term borrowings	9, 12	20,234	10,236	83,635
Provisions		301	249	2,039
Net defined benefit liability	11	7,212	5,261	42,993
Deferred tax liabilities	13	4,639	4,148	33,896
Other long-term liabilities	9	13,040	15,157	123,847
<b>Total long-term liabilities</b>		<b>45,428</b>	<b>35,053</b>	<b>286,411</b>
<b>Total liabilities</b>		<b>221,348</b>	<b>278,416</b>	<b>2,274,830</b>
<b>Net assets:</b>				
<b>Shareholders' equity:</b>				
Common stock	18			
Authorized: 1,000,000,000 shares				
Issued: 222,000,000 shares		10,000	10,000	81,706
Capital surplus		52,232	52,574	429,567
Retained earnings	16	414,487	482,147	3,939,435
Treasury stock, at cost; 2,326,752 shares in 2021, and 2,023,206 shares in 2022	18	(3,905)	(2,140)	(17,487)
<b>Subtotal</b>		<b>472,814</b>	<b>542,581</b>	<b>4,433,221</b>
<b>Accumulated other comprehensive income:</b>				
Valuation difference on available-for-sale securities, net of tax	5	51,587	45,037	367,983
Deferred gains or losses on hedges, net of tax		988	901	7,367
Revaluation reserve for land, net of tax	17	(4,016)	(4,016)	(32,819)
Foreign currency translation adjustments		(7,438)	1,886	15,409
Remeasurements of defined benefit plans, net of tax	11	(3,419)	(2,394)	(19,563)
<b>Subtotal</b>		<b>37,701</b>	<b>41,413</b>	<b>338,377</b>
Non-controlling interests		917	237	1,942
<b>Total net assets</b>		<b>511,433</b>	<b>584,233</b>	<b>4,773,540</b>
<b>Total liabilities and net assets</b>		<b>¥732,782</b>	<b>¥862,650</b>	<b>\$7,048,371</b>



# CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2021 and 2022

## Consolidated Statements of Income

	Note	Millions of yen		Thousands of U.S. dollars (note 3)
		2021	2022	2022
Net sales	23	¥740,903	¥889,270	\$7,265,871
Cost of sales	7	458,897	533,004	4,354,964
Gross profit		282,006	356,265	2,910,907
Selling, general and administrative expenses	14	197,352	230,769	1,885,525
Operating profit		84,654	125,496	1,025,382
Other income (loss):				
Interest and dividend income		1,546	1,454	11,880
Interest expense		(229)	(377)	(3,083)
Foreign exchange gains (losses)		480	5,519	45,100
Loss on valuation of derivatives		(44)	(244)	(1,998)
Provision of allowance for doubtful accounts		(31)	(369)	(3,020)
Gain (loss) on sales and disposal of fixed assets, net		(174)	2,310	18,878
Loss on impairment of fixed assets	8	(11,284)	(2,994)	(24,469)
Extra retirement payments		—	(1,257)	(10,271)
Subsidies for employment adjustment and other related to COVID-19		1,373	909	7,428
Loss on liquidation of business		(1,754)	—	—
Other		(2,594)	435	3,562
		(12,714)	5,385	44,005
Profit before income taxes		71,940	130,882	1,069,387
Income taxes	13	23,074	38,295	312,895
Profit		48,865	92,587	756,492
Profit (loss) attributable to non-controlling interests		(28)	(165)	(1,348)
Profit attributable to owners of parent		¥ 48,894	¥ 92,752	\$ 757,841

	Note	Yen		U.S. dollars (note 3)
		2021	2022	2022
Per share data:	26			
Net assets at March 31		¥2,323.98	¥2,654.81	\$21.69
Earnings per share:				
Basic		222.58	422.09	3.45
Diluted		—	—	—
Cash dividends applicable to period	16	112.00	212.00	1.73

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

	Note	Millions of yen		Thousands of U.S. dollars (note 3)
		2021	2022	2022
Profit		¥48,865	¥92,587	\$756,492
Other comprehensive income:				
Valuation difference on available-for-sale securities, net of tax	5	34,636	(6,505)	(53,149)
Deferred gains or losses on hedges, net of tax		736	(87)	(714)
Foreign currency translation adjustments		4,892	9,323	76,180
Remeasurements of defined benefit plans, net of tax	11	1,220	1,025	8,375
Share of other comprehensive income of associates accounted for using equity method		175	(44)	(363)
Total other comprehensive income		41,661	3,711	30,328
Comprehensive income		¥90,527	¥96,299	\$786,821
Comprehensive income attributable to:				
Owners of parent		¥90,486	¥96,464	\$788,174
Non-controlling interests		40	(165)	(1,352)

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2021 and 2022

Year ended March 31, 2021

Note	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets at end of year	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax			Total accumulated other comprehensive income
Balance at beginning of year	¥10,000	¥52,004	¥394,699	¥(3,634)	¥453,069	¥16,837	¥250	¥(3,902)	¥(12,321)	¥(4,639)	¥(3,776)	¥ 5,392	¥454,684
Cash dividends			(29,220)		(29,220)								(29,220)
Profit attributable to owners of parent			48,894		48,894								48,894
Change in ownership interest of parent due to transactions with non-controlling interests			5	(309)	(303)							(4,823)	(5,127)
Purchase of treasury stock				(9)	(9)								(9)
Disposal of treasury stock			222	48	270								270
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0								0
Reversal of revaluation reserve for land			113		113			(113)			(113)		—
Net changes of items other than shareholders' equity						34,749	738	—	4,883	1,220	41,592	349	41,941
Balance at end of year	¥10,000	¥52,232	¥414,487	¥(3,905)	¥472,814	¥51,587	¥988	¥(4,016)	¥(7,438)	¥(3,419)	¥37,701	¥ 917	¥511,433

Year ended March 31, 2022

Note	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets at end of year	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax			Total accumulated other comprehensive income
Balance at beginning of year	¥10,000	¥52,232	¥414,487	¥(3,905)	¥472,814	¥51,587	¥988	¥(4,016)	¥(7,438)	¥(3,419)	¥37,701	¥ 917	¥511,433
Cumulative effects of changes in accounting policies			179		179								179
Restated balance	10,000	52,232	414,666	(3,905)	472,993	51,587	988	(4,016)	(7,438)	(3,419)	37,701	917	511,612
Cash dividends			(25,271)		(25,271)								(25,271)
Profit attributable to owners of parent			92,752		92,752								92,752
Change in scope of consolidation - foreign currency translation adjustment					—				160		160		160
Change in ownership interest of parent due to transactions with non-controlling interests			(108)		(108)							(482)	(591)
Purchase of treasury stock				(8)	(8)								(8)
Disposal of treasury stock			451	1,772	2,224								2,224
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				0	0								0
Net changes of items other than shareholders' equity						(6,549)	(87)	—	9,164	1,025	3,552	(197)	3,355
Balance at end of year	¥10,000	¥52,574	¥482,147	¥(2,140)	¥542,581	¥45,037	¥901	¥(4,016)	¥ 1,886	¥(2,394)	¥41,413	¥ 237	¥584,233

Year ended March 31, 2022

Note	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets at end of year	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities, net of tax	Deferred gains or losses on hedges, net of tax	Revaluation reserve for land, net of tax	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax			Total accumulated other comprehensive income
Balance at beginning of year	\$81,706	\$426,769	\$3,386,608	\$ (31,906)	\$3,863,178	\$421,497	\$8,080	\$ (32,819)	\$ (60,775)	\$ (27,939)	\$308,044	\$ 7,497	\$4,178,719
Cumulative effects of changes in accounting policies			1,466		1,466								1,466
Restated balance	81,706	426,769	3,388,075	(31,906)	3,864,644	421,497	8,080	(32,819)	(60,775)	(27,939)	308,044	7,497	4,180,186
Cash dividends			(206,481)		(206,481)								(206,481)
Profit attributable to owners of parent			757,841		757,841								757,841
Change in scope of consolidation - foreign currency translation adjustment					—				1,308		1,308		1,308
Change in ownership interest of parent due to transactions with non-controlling interests			(890)		(890)							(3,943)	(4,833)
Purchase of treasury stock				(67)	(67)								(67)
Disposal of treasury stock			3,688	14,484	18,173								18,173
Change in treasury stock accompanying changes to holdings in companies to which the equity method is applied				1	1								1
Net changes of items other than shareholders' equity						(53,514)	(712)	—	74,876	8,375	29,024	(1,611)	27,412
Balance at end of year	\$81,706	\$429,567	\$3,939,435	\$ (17,487)	\$4,433,221	\$367,983	\$7,367	\$ (32,819)	\$ 15,409	\$ (19,563)	\$338,377	\$ 1,942	\$4,773,540

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2021 and 2022

	Note	Millions of yen		Thousands of
		2021	2022	U.S. dollars (note 3)
			2022	2022
<b>Cash flows from operating activities:</b>				
Profit before income taxes		¥ 71,940	¥130,882	\$1,069,387
Depreciation and amortization		24,684	25,726	210,198
Loss on impairment of fixed assets		11,284	2,994	24,469
Amortization of goodwill		2,309	2,218	18,127
Increase (decrease) in allowance for doubtful receivables		163	610	4,988
Increase (decrease) in other provision		(307)	134	1,094
Increase (decrease) in retirement benefit liability		(126)	187	1,528
Interest and dividend income		(1,546)	(1,454)	(11,880)
Interest expense		229	377	3,083
Foreign exchange losses (gains)		(128)	(359)	(2,938)
Loss (gain) on valuation of derivatives		44	244	1,998
Loss (gain) on sales and disposal of fixed assets, net		174	(2,310)	(18,878)
Loss on disposal of amusement facilities and machines		1,607	105	864
Loss (gain) on sales of investment securities, net		(307)	(91)	(749)
Decrease (increase) in trade receivables		(6,653)	(26,577)	(217,156)
Decrease (increase) in inventories		(29,053)	(15,534)	(126,924)
Acquisition of amusement facilities and machines		(4,252)	(4,360)	(35,628)
Increase (decrease) in trade payables		11,308	16,184	132,237
Increase (decrease) in contract liabilities		—	22,270	181,966
Decrease (increase) in other current assets		(6,406)	(11,653)	(95,215)
Increase (decrease) in other current liabilities		20,674	488	3,990
Other		(1,797)	(3,757)	(30,699)
Subtotal		93,842	136,325	1,113,863
Interest and dividends received		1,560	1,447	11,824
Interest paid		(204)	(377)	(3,085)
Income taxes paid		(34,714)	(16,182)	(132,222)
Net cash provided by operating activities		60,483	121,212	990,381
<b>Cash flows from investing activities:</b>				
Decrease (increase) in time deposits, net		593	(848)	(6,936)
Purchases of property, plant and equipment		(16,032)	(19,228)	(157,111)
Proceeds from sales of property, plant and equipment		863	3,874	31,659
Purchases of intangible assets		(7,816)	(7,569)	(61,846)
Purchases of investment securities		(7,053)	(1,604)	(13,106)
Proceeds from sales of investment securities		522	624	5,100
Proceeds from sales of shares of subsidiaries		—	49	407
Purchase of shares of subsidiaries and associates		(135)	(984)	(8,041)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	4	(137)	—	—
Other		(575)	(1,449)	(11,844)
Net cash used in investing activities		(29,771)	(27,136)	(221,720)
<b>Cash flows from financing activities:</b>				
Net increase (decrease) in short-term borrowings		(500)	400	3,268
Proceeds from long-term borrowings		20,400	250	2,042
Repayments of long-term borrowings		(397)	(223)	(1,824)
Purchase of treasury stock		(9)	(8)	(67)
Proceeds from disposal of treasury stock		—	1,946	15,901
Cash dividends paid		(29,220)	(25,271)	(206,481)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(8,494)	(591)	(4,833)
Other		(815)	(1,952)	(15,954)
Net cash used in financing activities		(19,037)	(25,450)	(207,949)
Effect of exchange rate changes on cash and cash equivalents		3,357	5,328	43,540
Net increase (decrease) in cash and cash equivalents		15,031	73,954	604,251
Cash and cash equivalents at beginning of year		188,667	203,698	1,664,337
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries		—	238	1,951
Cash and cash equivalents at end of year	4	¥203,698	¥277,891	\$2,270,541

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

## 1 Basis of Presentation

Bandai Namco Holdings Inc. ("the Company") and its consolidated subsidiaries have prepared their financial statements in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (IFRSs).

The accounts of foreign subsidiaries are based on their accounting records maintained principally in conformity with IFRSs or accounting principles generally accepted in the United States (U.S. GAAP).

The accompanying consolidated financial statements have been prepared and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the

appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act.

Some supplementary information included in the statutory Japanese-language consolidated financial statements that is not required for fair presentation is not presented in the accompanying consolidated financial statements.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more useful to readers outside Japan.

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2022.

## 2 Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Consolidation of the remaining subsidiaries would have had no material effect on the accompanying consolidated financial statements. Investments in significant affiliates are accounted for using the equity method.

Investments in unconsolidated subsidiaries and certain affiliates other than those accounted for using the equity method are stated at cost. If the equity method had been applied to the investments in these companies, there would have been no material effect on the accompanying consolidated financial statements.

All significant inter-company accounts and transactions have been eliminated in consolidation.

### (b) Cash and Cash Equivalents

In reporting cash flows, the Company considers cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

### (c) Foreign Currency Translation

Foreign currency transactions are translated into yen at rates in effect at the dates they are transacted, and the gains or losses arising from the settlement of the related receivables or payables are included in "Foreign exchange gains (losses)" in the consolidated statements of income.

Receivables and payables denominated in foreign currencies at the balance sheet date are translated at the rates in effect as of the balance sheet date and the unrealized gains or losses are included in "Foreign exchange gains (losses)" in the consolidated statements of income.

The assets and liabilities of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the balance sheet date. Revenue and expenses of foreign consolidated subsidiaries and affiliates are translated into yen at the average rates of exchange during the fiscal year. Gains and losses, resulting from the translation of foreign currency financial statements are generally excluded from the consolidated statements of income and are included in "Foreign currency translation adjustments" in "Net assets" in the consolidated balance sheets.

### (d) Accounting Standards for Significant Income and Expenses

#### (i) Revenue Recognition:

The content of performance obligations and normal timing of revenue recognition for major businesses are as follows:

#### a. Digital Business

In the Digital Business, the Company mainly conducts the distribution of network content and sales of home video games.

For the distribution of network content (smartphone-based applications, etc.), in many cases, games are provided for free to customers, while items, etc. used in the game are provided at charge. The Company deems the performance obligation to be satisfied when the customer uses said items, etc. and estimates the customer's usage period, recognizing revenue over such usage period.

For sales of home video games, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is transferred to the customer. However, if there are elements not yet delivered to the customer, such as additional free downloadable content, the Company calculates the estimated sale value by referencing the selling price of similar paid downloadable content and recognizes revenue over the course of the customer's average game-playing period.

Licensing of home video games under license agreements is a grant of usage rights, and the Company deems the performance obligation to be satisfied and recognizes the minimum guarantee as revenue at the point in time when licensing starts. Royalties based on net sales are determined based on the sales, etc. of the contract partner, and revenue is recognized at the point in time when the performance obligation is deemed to be satisfied while taking into consideration the time when the royalty is accrued.

#### b. Toys and Hobby Business

In the Toys and Hobby Business, the Company mainly conducts sales of toys, capsule toys, cards, confectionery and foods, apparel, sundries, plastic models, prizes, stationary, and other products.

For such sales of goods and products, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the good or product is transferred to the customer.

#### c. Visual and Music Business

In the Visual and Music Business, the Company mainly conducts the production and management of visual and music content.

Regarding the sales of visual and music content, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is transferred to the customer.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

Licensing of visual and music content under license agreements is a grant of usage rights, and the Company deems the performance obligation to be satisfied and recognizes the minimum guarantee as revenue at the point in time when licensing starts. Royalties based on net sales are determined based on the sales, etc. of the contract partner, and revenue is recognized at the point in time when the performance obligation is deemed to be satisfied while taking into consideration the time when the royalty is accrued.

### d. Creation Business

In the Creation Business, the Company mainly conducts the production of animation and the management and administration of copyrights and other rights.

For contracted animation production, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is delivered to the client.

The licensing of animation under license agreements is recognized by the Company in the same manner as in the Visual and Music Business.

### e. Amusement Business

In the Amusement Business, the Company mainly conducts the sales of amusement machines and operation of amusement facilities.

For sales of amusement machines, the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the product is transferred to the customer.

Revenue from the operation of amusement facilities mainly arises from charges to customers to play with amusement machines, and the Company deems the performance obligation to be satisfied and recognizes revenue at the point in time when the customer starts playing.

Regarding the domestic sales of goods and products in each business, the Company applies the alternative treatment prescribed in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," and if the period from the time of shipment to the time when control of such goods or products is transferred to the customer is a normal period of time, the Company recognizes revenue at the time of shipment.

### (ii) Video Game Software Production Costs:

A distinctive characteristic of video game software is the process through which the software is highly combined with the content that cannot be separated into identifiable components.

The content is considered to be an important component of each video game title, which includes the game content and visual/music data.

Once management makes a decision to go forward in distributing a title, the Company records the software and content development costs as work in process.

The capitalized production costs are amortized to cost of sales based on projected sales revenue for home video games and are amortized to cost of sales over the minimum operating period for smartphone-based applications.

### (e) Marketable Securities and Investment Securities

Available-for-sale securities other than shares, etc. that do not have a fair value are principally carried at fair value. The difference, net of tax, between the acquisition cost and the carrying amount of available-for-sale securities with market quotations is recognized in "Valuation difference on available-for-sale securities, net of tax" in "Net assets" in the consolidated balance sheets until realized. Available-for-sale shares, etc. that do not have a fair value are principally carried at cost. The cost of available-for-sale securities sold is principally computed based on the moving-average method. Investments in investment limited partnerships or similar associations (investments that are deemed to be securities under the Financial Instruments and Exchange Act, Article 2, Clause 2) are carried at the net amount proportionate to the Company's ownership interests, based on the most recent financial statements available in accordance with the financial reporting date specified in the partnership agreement.

### (f) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided for possible losses on unrecoverable receivables. For ordinary receivables, the amount of the allowance is based on the historical rate of loss. For receivables from debtors at risk of bankruptcy and receivables from debtors in bankruptcy or under reorganization, the amount of the allowance is based on individually estimated unrecoverable amounts.

### (g) Inventories

Domestic Consolidated Subsidiaries

Generally, inventories are stated using the cost method based on the average method. The value stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

Foreign Consolidated Subsidiaries

Generally, inventories are stated using the lower cost or market method based on the average method.

Both domestic and foreign consolidated subsidiaries state game software as work in process by the specific-cost method. The value stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability.

### (h) Income Taxes

Current income taxes are accounted for based on income. Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date.

The Company and some of its domestic consolidated subsidiaries apply a consolidated taxation system.

Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

The Company and certain domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the fiscal year ending March 31, 2023. However, for the transition to the group tax sharing system established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in accordance with the transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries do not apply the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the revision, pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020).

Effective from the beginning of the fiscal year ending March 31, 2023, the Company will adopt the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), which prescribes the accounting and disclosure treatment of corporate and local corporation tax as well as tax effect accounting in the case where the group tax sharing system is applied.

### (i) Property, Plant and Equipment (Exclusive of leased assets and right-of-use assets)

The Company and Its Domestic Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the declining-balance method based on estimated useful lives. The straight-line method is used for buildings (except for building fixtures) acquired since April 1, 1998 and for part of the amusement facilities and machines, etc. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 2–50 years and 3–15 years, respectively.

Foreign Consolidated Subsidiaries:

Depreciation of property, plant and equipment is principally computed by the straight-line method based on estimated useful lives. The estimated useful lives for Buildings and structures and Amusement facilities and machines are 3–50 years and 4–25 years, respectively.

### (j) Intangible Assets (Exclusive of leased assets and right-of-use assets)

Amortization of intangible assets is computed by the straight-line method based on estimated useful lives. Software for internal use is amortized over 1–5 years.

Goodwill is amortized using the straight-line method over the period within 10 years. The Company reasonably estimates the period for which the effects of goodwill are expected to emerge.

### (k) Leased Assets and Right-of-Use Assets

Depreciation of leased assets is computed by the straight-line method over the period of the lease with a residual value of zero.

Depreciation of right-of-use assets is computed by the straight-line method over the shorter of the useful life or the lease period of assets.

### (l) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries use derivative instruments, such as forward foreign exchange contracts, to reduce market risks arising from fluctuations in foreign exchange rates and interest rates. The Company and its consolidated subsidiaries use these derivative instruments solely for the purpose of reducing the risks resulting from such fluctuations to which they are exposed in the course of their ordinary business activities. Accordingly, the Company and its consolidated subsidiaries do not use derivative instruments or other financial instruments for speculative purposes.

The Company and its consolidated subsidiaries' counterparties for derivative instruments are all highly creditworthy financial institutions and, therefore, the Company believes that it is exposed to almost no counterparty risk. Derivative transactions are conducted in accordance with internal rules that specify transaction authority and transaction amount limits.

As a general rule, derivative instruments are stated at fair value. For derivative instruments that meet the criteria for hedge accounting, recognition of unrealized gains or losses is deferred. In cases where forward foreign exchange contracts meet certain hedging criteria, the hedged receivables and payables are translated at the corresponding forward foreign exchange contract rate (the "Allocation Method").

The Company and its consolidated subsidiaries assess the effectiveness of hedging transactions from the start of the transaction to the point at which effectiveness is assessed by comparing the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedged item with the cumulative changes in the fair value or the cumulative changes in the cash flows of the hedging instrument. In the event that critical terms are the same for the hedging instrument and the hedged assets, liabilities, or scheduled transaction, it is assumed that the hedge is 100% effective, so the assessment of effectiveness is not performed.

In the event that a hedge becomes ineffective, hedge accounting is no longer applied and the recognition of the gains or losses on the hedge transaction is no longer deferred.

### (m) Retirement and Severance Benefits

The Company and certain domestic consolidated subsidiaries have established a defined benefit corporate pension plan, a defined benefit retirement lump-sum benefit system plan, and a defined contribution pension plan. Retirement benefits trusts have been established for certain defined benefit corporate pension plans. Other domestic consolidated subsidiaries (excluding domestic consolidated subsidiaries with no retirement benefit system) have established a defined benefit corporate pension plan and a defined benefit retirement lump-sum benefit system. Certain consolidated subsidiaries have established a defined contribution pension plan and a defined contribution smaller corporate retirement allowance mutual aid system. Certain foreign consolidated subsidiaries have established defined benefit pension plans, retirement lump-sum benefit systems, and defined contribution pension plans. Moreover, additional benefits may be paid at retirement.

In calculating the retirement benefit obligations, the benefit formula basis is principally used to attribute expected benefit payments to the period extending up to the end of the current fiscal year. Prior service costs are amortized from the time they are incurred by the straight-line method for a certain number of years (10 years) within employees' average remaining years of service. Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (7–14 years) not longer than employees' average remaining years of service. The Company and certain consolidated subsidiaries use a simplified method in calculating net defined benefit asset, net defined benefit liability, and periodic pension cost under which retirement benefit obligations are principally based on accrued benefits at the end of the year.

### (n) Appropriation of Retained Earnings

Retained earnings with respect to a given financial period are appropriated by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

### (o) Per Share Data

In computing basic earnings per share, the average number of shares outstanding during each year has been used. Diluted earnings per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in issuance of common stock.

Cash dividends per common share are computed based on dividends declared with respect to income for the fiscal year.

### (p) Significant Accounting Estimates

Valuation of Work in Process concerning home video games at major domestic development bases

(1) Amount recorded in the consolidated financial statements

	Prior fiscal year		This fiscal year
Work in process	¥43,082 million	¥47,090 million	\$384,757 thousand

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

(2) Information concerning the contents of significant accounting estimates for the identified items

The value of work in process concerning home video games in the Digital Business stated on the consolidated balance sheets is stated at an amount calculated by writing down the carrying amount based on the declining profitability and is evaluated to be the lower of the net realizable value or the book value of work in process.

The Group considers that the profitability of work in process has not declined when there has been no change in market demand from the initial forecast and the production has been proceeding as planned.

On the other hand, the Group individually assesses the work in process whose profitability may have declined. In particular, for products that are near launch, for which market demand is more predictable, the Group individually assesses the work in process considering the sales results of similar game titles and sales potential based on future demand forecasts.

Estimates involving such determinations and assumptions may be affected by future demand trends and other factors; if such change in circumstances occurs, these estimates may possibly have a significant effect on the amount of work in process in the consolidated financial statements in the following consolidated fiscal year and onwards.

### (q) Changes in Accounting Policy

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Revenue Recognition Standard") and other relevant ASBJ regulations from the beginning of this fiscal year, and it has decided to recognize revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of those goods or services. As a result of this application, revenue mainly for network content and home video games with online functions, which was previously recognized when items used in the content or video game software was sold, etc., will be recognized by calculating the estimated sales value for undelivered elements if there were elements that were not delivered to customers and recognizing an amount equivalent to that value as the revenue over the reasonably estimated period for which performance obligations are expected to be satisfied.

The application of the Revenue Recognition Standard and other relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Revenue Recognition Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of this fiscal year, was added to or deducted from the beginning balance of retained earnings of this fiscal year, and thus the new accounting policy was applied from such beginning balance. However, applying the method provided for in paragraph 86 of the Revenue Recognition Standard, the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of this fiscal year.

"Trade receivables" under "Current assets" of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Trade receivables and contract assets" from the consolidated balance sheet as of the end of this fiscal year. In addition, "Other current liabilities" under "Current liabilities" of the consolidated balance sheet has been included in "Contract liabilities" and "Other current liabilities" from the consolidated balance sheet as of the end of this fiscal year.

As a result of this change, in comparison to the period before the application of the Revenue Recognition Standard, etc., for this fiscal year, net sales increased by 83 million yen, cost of sales decreased by 1,903 million yen, and selling, general and administrative expenses increased by 2,416 million yen while operating profit and profit before income taxes each decreased by 429 million yen.

Due to the reflection of the cumulative effects of changes to net assets at the beginning of the current fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets increased by 179 million yen.

The impact of this change on per-share data is described in the relevant section.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Standard") and other relevant ASBJ regulations from the beginning of this fiscal year and, in accordance with the transitional treatment provided for in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy provided for in the Fair Value Measurement Standard and other relevant ASBJ regulations is applied prospectively. There is no impact on the consolidated financial statements for the current fiscal year.

In addition, the Company provides notes relating to the breakdown of the fair value of financial instruments by appropriate classification, etc., in Note "12 Financial Instruments."

### (r) New Accounting Standards Not Yet Applied

Overseas consolidated subsidiaries

•ASU 2016-02 "Leases"

(1) Overview

Under this accounting standard, in principle, lessees are required to record assets and liabilities for all leases in the balance sheet. There are no significant changes in lessor accounting.

(2) Planned date of application

Application will start from the fiscal year ending March 31, 2023.

(3) Impact of the application of the standard

At the beginning of the next fiscal year, total assets increase ¥2,936 million, total liabilities increase ¥2,936 million, and retained earnings have no impact.

### (s) Additional Information

(Reorganization of subsidiaries)

Business transfer between European subsidiaries and change in trade name of subsidiary

At the Board of Directors meeting held on February 8, 2022, the Company passed a resolution to reorganize its subsidiaries.

(1) Purpose

All businesses of Bandai Namco Amusement Europe Ltd., which engages in sales of amusement machines, etc., will be transferred to NAMCO UK LTD., which engages in operation of amusement facilities, etc. The two companies are being combined with the aim of strengthening the amusement business in the UK and elsewhere in Europe by integrating the value chain in a manner that involves bringing together both companies' know-how relating to amusement machine sales and amusement facility operations.

Bandai Namco Amusement Europe Ltd. is to be liquidated in December 2023, subsequent to having completed transfer of its entire business.

(2) Transactions conducted by commonly controlled entities

(i) Overview of transaction

a. Name and description of business involved in reorganization  
Sales, maintenance, etc. of amusement machines in Europe, etc.

b. Date of business combination

October 1, 2022 (planned)

c. Legal form of business combination

Business transfer with Bandai Namco Amusement Europe Ltd. as the transferor and NAMCO UK LTD. as the transferee

d. Company name after combination

Bandai Namco Amusement Europe Ltd.

(ii) Overview of accounting process

The accounting process will be carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

## 3 Financial Statement Translation

The consolidated financial statements are expressed in yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the fiscal year ended March 31, 2022 have been translated into U.S. dollars at the rate of ¥122.39=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2022.

This translation should not be construed as an indication that the amounts shown could be converted into U.S. dollars at such rate.

## 4 Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2021 and 2022 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash and time deposits	¥204,326	¥279,401	\$2,282,875
Time deposits with maturities in excess of three months	(627)	(1,509)	(12,334)
Cash and cash equivalents	¥203,698	¥277,891	\$2,270,541

The breakdowns of major assets and liabilities of companies that newly became consolidated subsidiaries due to the acquisition of shares are as follows:

Fiscal year ended March 31, 2021

Reflector Entertainment Ltd. was newly consolidated into the Group through the acquisition of their shares. The breakdown of major assets and liabilities as of the start of consolidation and the relationship between the acquisition cost of the shares of Reflector Entertainment Ltd. and the net expenditures for the acquisition, are as follows:

Current assets	¥1,713 million
Fixed assets	1,038 million
Current liabilities	-738 million
Long-term liabilities	-1,173 million
Acquisition cost of the shares of Reflector Entertainment Ltd.	840 million
Contingent consideration payments of shares of Reflector Entertainment Ltd.	-518 million
Reflector Entertainment Ltd. cash and cash equivalents	-184 million
Net expenditures for acquisition of Reflector Entertainment Ltd.	¥ 137 million

Fiscal year ended March 31, 2022

None



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 5 Marketable Securities and Investment Securities

Marketable securities and investment securities as of March 31, 2021 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Securities with market quotations	¥102,221	¥ 92,414	\$755,084
Securities without market quotations	4,783	6,081	49,689
Investments in non-consolidated subsidiaries and affiliated companies	13,723	14,178	115,848
Contributions to investment partnerships	479	586	4,794
Total	¥121,208	¥113,261	\$925,417

The original cost, carrying amount (fair value), and gross unrealized gain (loss) for securities with market quotations as of March 31, 2021 and 2022 are summarized as follows:

	Millions of yen			
	2021			2022
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	¥29,752	¥72,380	¥(11)	¥102,121
Corporate bond securities	100	—	(0)	100
Total	¥29,853	¥72,380	¥(12)	¥102,221

	Millions of yen			
	2022			2022
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	¥29,533	¥63,185	¥(304)	¥92,414
Corporate bond securities	—	—	—	—
Total	¥29,533	¥63,185	¥(304)	¥92,414

	Thousands of U.S. dollars			
	2022			2022
	Original cost	Gross unrealized gain	Gross unrealized loss	Carrying amount (fair value)
<b>Securities with market quotations:</b>				
Equity securities	\$241,308	\$516,261	\$(2,485)	\$755,084
Corporate bond securities	—	—	—	—
Total	\$241,308	\$516,261	\$(2,485)	\$755,084

The following is a summary of the carrying amount of securities without market quotations as of March 31, 2021 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
	Carrying amount	Carrying amount	Carrying amount
<b>Securities without market quotations:</b>			
Unlisted securities	¥4,783	¥6,081	\$49,689
Total	¥4,783	¥6,081	\$49,689

Proceeds and gross realized gains and losses from the sales of securities in the fiscal years ended March 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Equity securities	¥494	¥515	\$4,213
Debt securities			
Corporate bond securities	—	100	817
Proceeds from the sales of securities	¥494	¥615	\$5,030
Gross realized gains from the sales of securities	307	100	817
Gross realized losses from the sales of securities	0	8	67

### 6 Trade Receivables and Contract Assets

Trade receivables and contract assets as of March 31, 2021 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Notes receivable	¥ 3,423	¥ 3,410	\$ 27,864
Accounts receivable—trade	88,341	119,331	975,013
Contract assets	57	—	—
Total	¥91,822	¥122,742	\$1,002,877

### 7 Inventories

Inventories as of March 31, 2021 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Finished goods and merchandise	¥ 28,994	¥ 33,051	\$ 270,049
Work in process	73,816	86,292	705,064
Raw materials and supplies	4,075	4,905	40,084
Total	¥106,886	¥124,250	\$1,015,199

The value of inventories stated in the consolidated balance sheets is calculated by writing down the carrying amount based on declining profitability, and the valuation loss on inventories included in cost of sales is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Valuation loss on inventories	¥5,484	¥5,944	\$48,570

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 8 Loss on Impairment of Fixed Assets

For the Company and its consolidated subsidiaries, evaluation of impairment is performed by grouping assets according to management accounting classifications based on Units, excluding significant idle assets, assets scheduled for disposal, and assets for lease. In the amusement facility operations of the Amusement Business, the individual facility is the smallest unit used in management accounting and is the basic unit for evaluating impairment.

In the previous fiscal year, the Group recorded a loss on impairment of amusement arcades, assets for business use and corporate assets as the invested amounts are unlikely to be recoverable mainly given that the profitability of the Amusement Business as a whole declined.

The book value of the following assets was reduced to the recoverable amount and the amount of reduction was recorded in other income (loss) as a loss on impairment. Also, the classifications of reportable segments were changed from this fiscal year. Accordingly, the previous fiscal year's classifications of segments have been recognized to the classifications of this fiscal year.

Business	Location	Note	Items	Classification	Millions of yen		Thousands of U.S. dollars	
					2021	2022	2022	
Digital	Koto-ku, Tokyo	3	Assets for business use	Other intangible assets	¥ 821	¥ —	\$ —	
Toys and Hobby	Nagoya-shi, Aichi	2	Assets for business use	Buildings and structures	7	—	—	
				Other property, plant and equipment	1	—	—	
	Taito-ku, Tokyo	1	Assets for business use	Other property, plant and equipment	1	—	—	
Visual and Music	Mitaka-shi, Tokyo	3	Assets for business use	Other property, plant and equipment	0	—	—	
Amusement	Minato-ku, Tokyo and others	3	Amusement operation facilities	Buildings and structures	565	—	—	
				Assets for business use	Amusement facilities and machines	5,554	—	—
				Corporate assets	Other property, plant and equipment	235	—	—
					Other intangible assets	788	—	—
					Other investments and assets	99	—	—
	Fukuoka-shi, Fukuoka and others	2	Amusement operation facilities	Amusement facilities and machines	149	—	—	
					Other investments and assets	0	—	—
	Minato-ku, Tokyo and others	1	Amusement operation facilities	Amusement facilities and machines	26	—	—	
					Other property, plant and equipment	5	—	—
					Other intangible assets	27	—	—
Minato-ku, Tokyo and others	4	Amusement operation facilities	Amusement facilities and machines	2,787	—	—		
Tyne and Wear, U.K. and others	5	Amusement operation facilities	Amusement facilities and machines	68	—	—		
			Assets for business use	Other property, plant and equipment	144	—	—	
Digital	Minato-ku, Tokyo	1	Assets for business use	Other intangible assets	—	51	422	
Toys and Hobby	Chiyoda-ku, Tokyo and others	1	Assets for business use	Buildings and structures	—	360	2,944	
				Other property, plant and equipment	—	118	971	
				Other intangible assets	—	111	910	
				Buildings and structures	—	8	73	
				Other property, plant and equipment	—	0	2	
Visual and Music	Chiyoda-ku, Tokyo and others	3	Assets for business use	Other property, plant and equipment	—	3	27	
				Other intangible assets	—	36	299	
Creation	Yokohama-shi, Kanagawa	3	Assets for business use	Buildings and structures	—	139	1,137	
				Other property, plant and equipment	—	23	193	
				Other intangible assets	—	1	15	
Amusement	Minato-ku, Tokyo	1	Amusement operation facilities	Amusement facilities and machines	—	1	8	
				Assets for business use	Other intangible assets	—	72	588
					Other investments and assets	—	3	28
	Sagamihara-shi, Kanagawa and others	2	Amusement operation facilities	Amusement facilities and machines	—	12	101	
	Taito-ku, Tokyo and others	3	Amusement operation facilities	Amusement facilities and machines	—	1,854	15,155	
					Assets for business use	—	72	588
					Other investments and assets	—	3	28
	Minato-ku, Tokyo	4	Amusement operation facilities	Amusement facilities and machines	—	2	17	
					Assets for business use	—	62	508
	Tyne and Wear, U.K. and others	5	Amusement operation facilities	Amusement facilities and machines	—	41	341	
				Assets for business use	—	72	591	
Other	Ota-ku, Tokyo	3	Assets for business use	Buildings and structures	—	0	0	
				Other property, plant and equipment	—	15	128	
<b>Total</b>					<b>¥11,284</b>	<b>¥2,994</b>	<b>\$24,469</b>	

Notes: 1. The Group recorded losses on impairment of assets which are not expected to be used in the future. The recoverable amount is calculated by deeming the value in use as zero.  
2. The Group recorded losses on impairment as it judged that the recoverable amounts of the fixed assets significantly decreased due to its decision to close locations. The recoverable amount is calculated by deeming the value in use as zero.  
3. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amount is calculated by deeming the value in use as zero.  
4. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amounts are calculated based on the net realizable value which was evaluated based on reasonably estimated selling prices.  
5. The Group recorded losses on impairment as the book value of the fixed assets is unlikely to be recoverable due to declines in the profitability of business. The recoverable amounts are calculated by value in use and calculated by discounting the future cash flows at 5.5% in the fiscal year ended March 2021 and 6.8% in the fiscal year ended March 2022.

### 9 Borrowings, Lease Obligations and Bonds

Borrowings and lease obligations as of March 31, 2021 and 2022 are summarized as follows:

	2021		2022		2022
	Carrying amount	Weighted average interest rate (%)	Carrying amount	Weighted average interest rate (%)	Carrying amount
Short-term borrowings	¥ 200	0.31	¥ 600	0.31	\$ 4,902
Current portion of long-term borrowings	185	0.28	10,210	0.33	83,428
Current portion of lease obligations	1,162	1.94	1,308	2.11	10,694
Long-term borrowings (less current portion)	20,234	0.34	10,236	0.33	83,635
Lease obligations (less current portion)	4,635	1.97	5,955	1.85	48,659
<b>Total</b>	<b>¥26,419</b>	<b>—</b>	<b>¥28,311</b>	<b>—</b>	<b>\$231,319</b>

The aggregate maturities of long-term borrowings and lease obligations (less current portion) outstanding as of March 31, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
More than one year, within two years	¥11,684	\$ 95,473
More than two years, within three years	1,158	9,467
More than three years, within four years	946	7,729
More than four years, within five years	723	5,909
More than five years	1,678	13,714
<b>Total</b>	<b>¥16,191</b>	<b>\$132,294</b>

Bonds as of March 31, 2022 are summarized as follows:

Name	Issue	Date of issue	Balance as of April 1, 2021 (Millions of yen)	Balance as of March 31, 2022 (Millions of yen)	Balance as of March 31, 2022 (Thousands of U.S. dollars)	Interest rate (%)	Pledged asset	Redemption date
Reflector Entertainment Ltd.	Convertible bonds (note)	October 22, 2020	¥966	¥1,018	\$8,318	5.0	None	December 31, 2025

As of March 31, 2022, the planned redemption amounts of bonds were as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ —	\$ —
More than one year, within two years	—	—
More than two years, within three years	—	—
More than three years, within four years	1,018	8,318
More than four years, within five years	—	—
More than five years	—	—
<b>Total</b>	<b>¥1,018</b>	<b>\$8,318</b>

Note: The agreement calls for redemption in accordance with results for each fiscal year. However, due to the difficulty of the calculations, the planned redemption amounts listed have been calculated as if all bonds were redeemed on their maturity date.

### 10 Trade Payables

Trade payables as of March 31, 2021 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Notes payable	¥13,327	¥12,483	\$102,000
Accounts payable—trade	69,146	87,326	713,509
<b>Total</b>	<b>¥82,474</b>	<b>¥99,810</b>	<b>\$815,509</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

**11 Retirement and Severance Benefits**

**1. Defined benefit plans**

(a) For the fiscal years ended March 31, 2021 and 2022, the reconciliation of the beginning and ending balances of retirement benefit obligations is as follows (excluding plans for which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Beginning balance of retirement benefit obligations	¥29,003	¥30,056	\$245,582
Service cost	1,947	2,072	16,934
Interest cost	40	42	348
Actuarial gains or losses incurred	471	237	1,937
Retirement benefits paid	(904)	(1,409)	(11,519)
Prior service costs incurred	(455)	(353)	(2,889)
Other	(46)	(156)	(1,281)
Ending balance of retirement benefit obligations	¥30,056	¥30,488	\$249,111

(b) For the fiscal years ended March 31, 2021 and 2022, the reconciliation of the beginning and ending balances of plan assets is as follows (excluding plans for which the simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Beginning balance of plan assets	¥20,876	¥24,705	\$201,860
Expected return on assets	273	414	3,388
Actuarial gains or losses incurred	768	462	3,780
Contributions to plan from employer	3,341	2,353	19,232
Retirement benefits paid	(518)	(931)	(7,608)
Other	(36)	(33)	(272)
Ending balance of plan assets	¥24,705	¥26,972	\$220,380

(c) For the fiscal years ended March 31, 2021 and 2022, the reconciliation of the beginning and ending balances of net defined benefit liability and net defined benefit asset for plans using the simplified method is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Beginning balance of net defined benefit liability and net defined benefit asset, net	¥1,490	¥1,454	\$11,881
Retirement benefit expenses	312	267	2,186
Retirement benefits paid	(98)	(160)	(1,309)
Contributions to plan from employer	(286)	(308)	(2,517)
Effect of business combinations	—	(50)	(410)
Other	35	17	140
Ending balance of net defined benefit liability and net defined benefit asset, net	¥1,454	¥1,220	\$ 9,971

(d) As of March 31, 2021 and 2022, the reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Retirement benefit obligations of funded plans	¥ 27,982	¥ 28,566	\$ 233,406
Plan assets	(27,276)	(29,813)	(243,595)
	705	(1,247)	(10,189)
Retirement benefit obligations of non-funded plans	6,099	5,983	48,892
Net amount of liabilities and assets recorded on consolidated balance sheet	6,805	4,736	38,702
Net defined benefit liability	7,212	5,261	42,993
Net defined benefit asset	(407)	(525)	(4,290)
Net amount of liabilities and assets recorded on consolidated balance sheet	¥ 6,805	¥ 4,736	\$ 38,702

(e) For the fiscal years ended March 31, 2021 and 2022, the breakdown of retirement benefit expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥1,947	¥2,072	\$16,934
Interest cost	40	42	348
Expected return on assets	(273)	(414)	(3,388)
Amortization of actuarial gains or losses	947	915	7,483
Amortization of prior service costs	42	(0)	(5)
Retirement benefit expenses calculated using the simplified method	312	267	2,186
Retirement benefit expenses related to defined benefit plans	3,016	2,883	23,559
Other (note)	80	1,267	10,358
Total retirement benefit expenses	¥3,096	¥4,151	\$33,917

Note: In the fiscal year ended March 31, 2021, the following extra retirement payments were recorded: ¥80 million in "Selling, general and administrative expenses." In the fiscal year ended March 31, 2022, the following extra retirement payments were recorded: ¥60 million (\$491 thousand) in "Selling, general and administrative expenses," gain on termination of retirement benefit plan were recorded: ¥49 million (\$405 thousand) in "Other income (loss)," and extra retirement payments were recorded: ¥1,257 million (\$10,271 thousand) in "Other income (loss)."

(f) For the fiscal years ended March 31, 2021 and 2022, the breakdown of items recorded in remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Prior service costs	¥ 497	¥ 352	\$ 2,884
Actuarial gains or losses	1,244	1,141	9,327
Total	¥1,741	¥1,494	\$12,211

(g) As of March 31, 2021 and 2022, the breakdown of items recorded in cumulative remeasurements of defined benefit plans (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized prior service costs	¥ 292	¥ 645	\$ 5,274
Unrecognized actuarial gains or losses	(5,249)	(4,107)	(33,562)
Total	¥(4,956)	¥(3,462)	\$(28,288)

(h) As of March 31, 2021 and 2022, the major categories of plan assets as a percentage of total plan assets are as follows:

	2021	2022
Bonds	35%	38%
Equities	20	16
Life insurance general account	14	13
Other (note 1)	31	33
Total	100%	100%

Notes: 1. The "other" category mainly includes cash and alternative investments.  
2. The total of plan assets includes 22% and 20% representing assets contributed to a retirement benefit trust for the corporate pension plan as of March 31, 2021 and 2022, respectively.

(i) For the fiscal years ended March 31, 2021 and 2022, the principal actuarial assumptions are as follows:

	2021	2022
Discount rate	0.00%~0.60%	0.00%~0.60%
Long-term expected rate of return on assets	1.31%~1.46%	1.60%~3.63%
Salary increase rate	2.00%~5.12%	1.90%~5.12%

Method of determining long-term expected rate of return on assets  
Note: To determine the long-term expected rate of return on plan assets, reference was made to the current and expected future allocations of plan assets and to the current and expected future long-term rate of returns on the various assets that make up plan assets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 2. Defined contribution plans

For the fiscal years ended March 31, 2021 and 2022, the required contributions to defined contributions plans for the Company and its consolidated subsidiaries were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Required contributions to defined contribution plans	¥774	¥822	\$6,723

## 12 Financial Instruments

### 1. Financial instruments

#### (1) Policy for financial instruments

The Company and its consolidated subsidiaries manage funds by means of highly secure financial instruments only and procures funds through borrowing from banks and other methods, such as issuing corporate bonds.

The Company and its consolidated subsidiaries utilize derivatives to hedge the risks noted below and do not engage in speculative transactions.

#### (2) Types of financial instruments and related risks

With regard to credit risk posed by customers with respect to trade receivables, the Company and its consolidated subsidiaries manage balance by counterparty and due date, and credit information on major customers is updated at least once a year to minimize such credit risk. The Company and its consolidated subsidiaries have a system for immediately sharing within the Company and its consolidated subsidiaries adverse credit and other information regarding counterparties in the event that such information is received.

Receivables denominated in foreign currencies arising as a result of the fact that the Company and its consolidated subsidiaries conduct business on a global basis are subject to foreign exchange rate fluctuation risk. The Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts for hedging.

Marketable securities and investment securities are principally the shares of companies with which the Company has a business relationship. These investments are exposed to the risk of fluctuations in market prices. The market price is confirmed at least once per quarter, and the holdings are reevaluated once per year with consideration of market conditions and relationships with counterparties.

All trade payables substantially have due dates within one year. Certain trade payables are denominated in foreign currencies and are exposed to the

risk of fluctuations in foreign exchange rates. In the same manner as receivables, the Company and its consolidated subsidiaries manage balances by counterparty and currency, and in addition the Company and its consolidated subsidiaries track market trends and, as necessary, utilize forward foreign exchange contracts and currency option contracts for hedging.

Trade payables exposed to liquidity risk. The Company and its consolidated subsidiaries manage this risk through the formulation and revision of monthly funding plans for the Company and its consolidated subsidiaries.

Borrowings are used for the purpose of securing sufficient current liquidity in preparation mainly for a prolonged impact of the spread of COVID-19. If borrowings are made with a floating interest rate, the Company track market trends and, as necessary, utilize interest rate swap transactions and interest rate option transactions to hedge interest rate fluctuation risk.

Derivative transactions are used for hedging purposes. With regards to hedging methods and hedged items, hedging policies, and methods of assessing the effectiveness of hedging transactions, for which hedge accounting is applied, please refer to Note "2 Summary of Significant Accounting Policies—(I) Derivatives and Hedging Activities."

Derivative transactions are executed and managed according to internal rules that determine trading authority and limits on amounts traded. Derivatives are used in ways that minimize credit risk, and thus transactions are carried out only with highly creditworthy financial institutions.

#### (3) Supplementary explanation on the fair value of financial instruments

As certain variables are used for calculations of the fair value of financial instruments, the result of such calculations may vary if different assumptions are used.

The contract amounts of derivative transactions in Note "20 Foreign Exchange Risk Management and Interest Rate Risk Management" should not be considered indicative of the market risk associated with the derivative financial instruments.

### 2. Fair value of financial instruments

The carrying amounts of financial instruments as stated in the consolidated balance sheets, their fair values as of March 31, 2021 and 2022, and the differences between carrying amounts and fair values are as follows:

	2021			2022			2022		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Marketable securities and investment securities (*2)	¥112,976	¥116,642	¥3,666	¥102,974	¥105,323	¥2,349	\$841,361	\$860,556	\$19,195
Total assets	¥112,976	¥116,642	¥3,666	¥102,974	¥105,323	¥2,349	\$841,361	\$860,556	\$19,195
Long-term borrowings	¥ 20,234	¥ 20,132	¥ (101)	¥ 10,236	¥ 10,191	¥ (44)	\$ 83,635	\$ 83,271	\$ (363)
Total liabilities	¥ 20,234	¥ 20,132	¥ (101)	¥ 10,236	¥ 10,191	¥ (44)	\$ 83,635	\$ 83,271	\$ (363)
Derivative financial instruments (*3)	¥ 1,284	¥ 1,284	¥ —	¥ 939	¥ 939	¥ —	\$ 7,674	\$ 7,674	\$ —

(\*1) Notes regarding "cash" are omitted, and notes regarding "time deposits," "trade receivables," "trade payables," "short-term borrowings" and "accrued income taxes" are omitted due to the fair value approximating the book value as they are settled in a short period of time.

(\*2) Shares, etc. that do not have a market price are not included in "Marketable securities and investment securities." The carrying amounts of these financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unlisted stocks	¥4,783	¥6,081	\$49,689
Stocks of affiliated companies (unlisted stocks)	2,969	3,619	29,571
Contributions to investment partnerships	479	586	4,794

(\*3) Assets and liabilities derived from derivative transactions are stated on a net basis. Items for which the total is a net liability are shown in parentheses.

Notes: 1. Maturity analysis of financial assets

	2021				2022				2022			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥202,023	¥ —	¥ —	¥ —	¥273,106	¥ —	¥ —	¥ —	\$2,231,446	\$ —	\$ —	\$ —
Trade receivables	90,240	1,525	—	—	121,412	1,329	—	—	992,016	10,861	—	—
Marketable securities and investment securities	—	—	—	100	—	—	—	—	—	—	—	—
Bonds (Corporate bonds)	—	—	—	100	—	—	—	—	—	—	—	—
Total	¥292,263	¥1,525	¥—	¥100	¥394,519	¥1,329	¥—	¥—	\$3,223,462	\$10,861	\$—	\$—

2. Maturity analysis of long-term borrowings

	2021					2022					2022							
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years			
Long-term borrowings	¥185	¥10,120	¥10,051	¥9	¥9	¥42	¥10,210	¥10,140	¥43	¥9	¥9	¥32	\$83,428	\$82,852	\$353	\$81	\$81	\$265
Total	¥185	¥10,120	¥10,051	¥9	¥9	¥42	¥10,210	¥10,140	¥43	¥9	¥9	¥32	\$83,428	\$82,852	\$353	\$81	\$81	\$265

3. Matters relating to the breakdown of the fair value of financial instruments by appropriate classification, etc.

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs such as quoted prices in active markets for the assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that have a significant impact to the fair value measurement, such fair value is categorized in its entirety at the level with the lowest priority in fair value measurement among levels to which each input belong.

(1) Financial assets and liabilities stated at fair value in the consolidated balance sheet

	2022				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities								
Available-for-sale securities								
Stocks	¥92,414	¥ —	¥ —	¥92,414	\$755,084	\$ —	\$ —	\$755,084
Derivative transactions								
Currency related	—	939	—	939	—	7,674	—	7,674
Total assets	¥92,414	¥939	¥—	¥93,354	\$755,084	\$7,674	\$—	\$762,759



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

(2) Financial assets and liabilities not stated at fair value in the consolidated balance sheet

	Millions of yen				Thousands of U.S. dollars			
	2022				2022			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities								
Stock of affiliated companies								
Stocks	¥12,908	¥ —	¥—	¥12,908	\$105,472	\$ —	\$—	\$105,472
Total assets	¥12,908	¥ —	¥—	¥12,908	\$105,472	\$ —	\$—	\$105,472
Long-term borrowings	¥ —	¥10,191	¥—	¥10,191	\$ —	\$83,271	\$—	\$ 83,271
Total liabilities	¥ —	¥10,191	¥—	¥10,191	\$ —	\$83,271	\$—	\$ 83,271

Notes: Description of the valuation techniques and inputs used to measure fair value:

Marketable securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of forward exchange contracts is measured using observable inputs, such as prices quoted by financial institutions with which the Company does business and exchange rates, and is classified as Level 2.

Long-term borrowings

The fair value of long-term borrowings is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk and is classified as Level 2.

### 13 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese corporate, inhabitant, and enterprise taxes based on income which, in the aggregate, resulted in a normal tax rate of 30.6% for the years ended March 31, 2021 and 2022 respectively.

As a result of the tax examination for the tax years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2020 by the Tokyo Regional Taxation Bureau, the Group received indication that there were issues, mainly regarding the treatment of the tax credit for research and development expenses related to the Digital Business. Due to a tax reassessment, the Group has recorded an additional tax amount for prior periods. In addition, based on the contents of this tax reassessment, the Group has also recorded an estimated amount for the amount of taxes corresponding to the fiscal year ended March 31, 2021.

Income tax expenses reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2021 and 2022 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Income taxes—current	¥24,527	¥38,216	\$312,249
Income taxes for prior periods	—	6,792	55,497
Income taxes—deferred	(1,452)	(6,713)	(54,852)
Total	¥23,074	¥38,295	\$312,895

Reconciliation of the normal tax rate and the effective tax rate as a percentage of profit before income taxes for the fiscal years ended March 31, 2021 and 2022 is as follows:

	2021	2022
Normal tax rate	30.6%	30.6%
Entertainment expenses not deductible for tax purposes	0.2	0.1
Corporate inhabitant tax on per capita basis	0.4	0.2
Directors' bonuses	0.8	0.4
Change in valuation allowance for deferred tax assets	5.0	(5.3)
Differences in tax rates of foreign consolidated subsidiaries	0.9	(1.9)
Tax credit for research and development expenses	(6.3)	(1.1)
Income taxes for prior periods	—	5.2
Amortization of goodwill	0.9	0.5
Other	(0.4)	0.6
Effective tax rate	32.1%	29.3%

Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Tax loss carryforward (note 2)	¥ 13,799	¥ 13,612	\$ 111,225
Excess depreciation of fixed assets	18,547	20,125	164,440
Accrued employee bonuses	4,215	4,919	40,195
Inventory valuation losses	3,095	2,352	19,217
Net defined benefit liability	3,855	3,295	26,929
Loss on valuation of advance payments	1,400	1,122	9,170
Loss on impairment of fixed assets	94	123	1,008
Accrued enterprise taxes and others	966	1,339	10,940
Research and development expenses	331	408	3,339
Allowance for doubtful receivables	381	427	3,493
Revaluation reserve for land	1,367	1,367	11,173
Other	8,888	7,779	63,566
Total gross deferred tax assets	56,941	56,874	464,700
Valuation allowance for tax loss carryforward (note 2)	(12,799)	(7,545)	(61,647)
Valuation allowance for total deductible temporary differences	(9,301)	(7,713)	(63,025)
Total valuation allowance (note 1)	(22,101)	(15,258)	(124,672)
Total deferred tax assets	34,840	41,615	340,027
Deferred tax liabilities:			
Reserve for advanced depreciation of fixed assets	(40)	(39)	(319)
Retained earnings of foreign consolidated subsidiaries	(861)	(1,243)	(10,157)
Valuation difference on available-for-sale securities	(21,517)	(18,123)	(148,077)
Revaluation reserve for land	(199)	(199)	(1,628)
Other	(550)	(427)	(3,494)
Total deferred tax liabilities	(23,169)	(20,032)	(163,677)
Net deferred tax assets	¥ 11,670	¥ 21,583	\$ 176,350

Notes: 1. The valuation allowance decreased by ¥6,842 million (\$55,907 thousand). The principal content of this decrease was a decrease in valuation allowance for tax loss carryforward at consolidated subsidiaries.

2. Amounts of tax loss carryforward and related deferred tax assets by carryforward period

	Millions of yen							Total
	2021							
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years		
Tax loss carryforward (note)	¥ 6	¥ 239	¥ 669	¥ 161	¥ 90	¥ 12,632	¥ 13,799	
Valuation allowance	(5)	(238)	(669)	(161)	(82)	(11,642)	(12,799)	
Deferred tax assets	0	0	0	—	8	989	999	

Note: The tax loss carryforward were calculated using the normal tax rate.

	Millions of yen							Total
	2022							
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years		
Tax loss carryforward (note 1)	¥ 226	¥ 652	¥ 159	¥ 79	¥ 35	¥12,460	¥13,612	
Valuation allowance	(222)	(646)	(159)	(71)	(31)	(6,413)	(7,545)	
Deferred tax assets (note 2)	3	6	—	7	3	6,046	6,067	

Notes: 1. The tax loss carryforward were calculated using the normal tax rate.

2. The group recorded deferred tax assets of ¥6,067 million for tax loss carryforward of ¥13,612 million (calculated using the normal tax rate). The deferred tax assets of ¥6,067 million were recognized mainly for tax loss carryforward of ¥5,944 million (calculated using the normal tax rate) of foreign subsidiaries. The group judged that the deferred tax assets for the tax loss carryforward was recoverable due to projected future taxable income, and did not recognize valuation allowance.

	Thousands of U.S. dollars							Total
	2022							
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years		
Tax loss carryforward (note 1)	\$ 1,847	\$ 5,328	\$ 1,302	\$ 648	\$ 292	\$101,806	\$111,225	
Valuation allowance	(1,816)	(5,278)	(1,302)	(583)	(261)	(52,404)	(61,647)	
Deferred tax assets (note 2)	30	49	—	65	30	49,401	49,577	

Notes: 1. The tax loss carryforward were calculated using the normal tax rate.

2. The group recorded deferred tax assets of \$49,577 thousand for tax loss carryforward of \$111,225 thousand (calculated using the normal tax rate). The deferred tax assets of \$49,577 thousand were recognized mainly for tax loss carryforward of \$48,574 thousand (calculated using the normal tax rate) of foreign subsidiaries. The group judged that the deferred tax assets for the tax loss carryforward was recoverable due to projected future taxable income, and did not recognize valuation allowance.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 14 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Advertising expenses	¥ 45,203	¥ 53,554	\$ 437,573
Directors' remuneration and employees' wages	52,904	57,789	472,178
Employees' retirement and severance benefits	3,114	2,891	23,628
Provision for directors' bonuses	1,640	2,097	17,141
Research and development expenses	26,446	29,494	240,990
Provision of allowance for doubtful receivables	95	406	3,323
Other	67,947	84,533	690,688
Total	¥197,352	¥230,769	\$1,885,525

### 15 Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2021 and 2022 are as follows:

	Millions of yen				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥49,146	¥(299)	¥48,846	¥(14,210)	¥34,636
Deferred gains or losses on hedges, net of tax	703	189	893	(156)	736
Foreign currency translation adjustments	4,892	—	4,892	—	4,892
Remeasurements of defined benefit plans, net of tax	752	989	1,741	(521)	1,220
Share of other comprehensive income of associates accounted for using equity method	175	(0)	175	—	175
Total	¥55,670	¥ 879	¥56,549	¥(14,888)	¥41,661

	Millions of yen					Thousands of U.S. dollars				
	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect	Amounts arising	Reclassification adjustments	Before tax effect	Tax effect	Net of tax effect
Valuation difference on available-for-sale securities, net of tax	¥(9,352)	¥ (56)	¥(9,408)	¥2,903	¥(6,505)	\$(76,414)	\$ (459)	\$(76,874)	\$23,724	\$(53,149)
Deferred gains or losses on hedges, net of tax	689	(831)	(142)	54	(87)	5,634	(6,797)	(1,162)	448	(714)
Foreign currency translation adjustments	9,163	160	9,323	—	9,323	74,872	1,308	76,180	—	76,180
Remeasurements of defined benefit plans, net of tax	579	915	1,494	(469)	1,025	4,732	7,478	12,211	(3,835)	8,375
Share of other comprehensive income of associates accounted for using equity method	(72)	28	(44)	—	(44)	(593)	230	(363)	—	(363)
Total	¥ 1,007	¥ 215	¥ 1,222	¥2,489	¥ 3,711	\$ 8,231	\$1,760	\$ 9,991	\$20,337	\$ 30,328

### 16 Retained Earnings and Dividends

In Japan, in the event a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as a legal reserve until the aggregate amount of capital surplus and the legal reserve equals 25% of stated capital.

Certain foreign consolidated subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries.

The Company's retained earnings includes legal reserves of ¥1,645 million and ¥1,645 million (\$13,444 thousand) at March 31, 2021 and 2022, respectively. Proposed appropriations of retained earnings have not been reflected in the consolidated financial statements at the end of the fiscal year. The Company's approved appropriations of retained earnings for the fiscal year ended March 31, 2022 were cash dividends of ¥41,368 million (\$338,003 thousand). In addition, a mid-year dividend may be paid based on approval by the Board of Directors, which is subject to limitations. The mid-year dividend for the fiscal year ended March 31, 2022 was ¥5,281 million (\$43,149 thousand).

### 17 Revaluation Reserve for Land

In accordance with the Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998), the land used for business purposes was revalued and "Revaluation reserve for land, net of tax" was reported in "Net assets" in the consolidated balance sheets.

the National Tax Agency. The Commissioner assesses and publishes the method to calculate land value that forms the foundation for calculating taxable value for land value tax prescribed in Article 16 of the Land Value Tax Law (Law No. 69, promulgated on May 2, 1991), as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Cabinet Order No. 119, promulgated on March 31, 1998). Reasonable adjustments are made to the official notice prices.

#### Revaluation method

The fair value of land is determined based on official notice prices that are calculated by the method assessed and published by the Commissioner of

### 18 Common Stock and Treasury Stock

The changes in the number of common stock and treasury stock for the fiscal years ended March 31, 2021 and 2022 are as follows:

	2021	2022
Common stock (number of shares)		Shares
Number of shares at beginning of year	222,000,000	222,000,000
Number of shares at end of year	222,000,000	222,000,000

	2021	2022
Treasury stock (number of shares)		Shares
Number of shares at beginning of year	2,324,320	2,326,752
Purchases and other	2,432	(303,546)
Number of shares at end of year	2,326,752	2,023,206

### 19 Leases

#### As lessee

The Company and its consolidated subsidiaries occupy offices and other facilities and use various assets under operating lease arrangements.

#### Operating leases

Future minimum payments required under non-cancellable operating leases as of March 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Within one year	¥1,048	¥1,451	\$11,863
Over one year	1,789	3,096	25,303
Total	¥2,837	¥4,548	\$37,166

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 20 Foreign Exchange Risk Management and Interest Rate Risk Management

Derivative financial instruments are comprised principally of forward foreign exchange contracts and currency option contracts. These instruments are used to reduce the risk of changes in foreign exchange rates, but are not used for speculation.

The Company is exposed to credit risk related to non-performance by the counterparties to forward foreign exchange contracts and currency option contracts, but the Company does not expect any instances of non-performance due to the high credit ratings of the counterparties.

Contract amounts, fair values, and gains or losses from valuation of forward foreign exchange contracts outstanding as of March 31, 2021 and 2022 are as follows. The contract amounts in themselves should not be considered indicative of the market risk associated with the derivative financial instruments.

#### (1) Derivative transactions not qualifying for hedge accounting

Hedging method	Millions of yen			Thousands of U.S. dollars					
	2021	2022		2022		2022			
	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts									
Sold:									
Yen	¥2,546	¥121	¥121	¥2,570	¥ 159	¥ 159	\$20,999	\$ 1,304	\$ 1,304
U.S. dollars	2,175	(92)	(92)	6,127	(331)	(331)	50,064	(2,707)	(2,707)
Euro	322	(1)	(1)	520	(23)	(23)	4,252	(191)	(191)
Purchased:									
U.S. dollars	579	34	34	486	51	51	3,978	419	419
H.K. dollars	17	—	—	27	1	1	225	10	10
Chinese yuan	—	—	—	33	1	1	274	9	9
Total	¥5,640	¥ 61	¥ 61	¥9,766	¥(141)	¥(141)	\$79,794	\$ (1,155)	\$ (1,155)

Note: For certain of the above forward foreign exchange contracts, hedge accounting is applied mainly for the transactions between consolidated subsidiaries in each financial statements, but these transactions have been eliminated in the consolidated financial statements. As a result, these transactions are not treated as effective hedges of the hedged assets and/or liabilities in the consolidated financial statements.

#### (2) Derivative transactions qualifying for hedge accounting

Hedge accounting method	Hedging method	Hedged items	Millions of yen		Thousands of U.S. dollars			
			2021	2022	2021	2022		
			Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts								
Sold:								
Deferred	Yen	Accounts receivable—trade	¥11,956	¥ 663	¥ 7,796	¥ 453	\$ 63,699	\$3,704
	U.S. dollars	Accounts receivable—trade	636	(27)	1,186	(36)	9,692	(294)
Purchased:								
Deferred	U.S. dollars	Accounts payable—trade	10,419	585	10,238	663	83,656	5,419
	H.K. dollars	Accounts payable—trade	29	2	—	—	—	—
	Yen	Accounts payable—trade	70	(1)	—	—	—	—
Foreign exchange allocation method								
Foreign exchange allocation method	Purchased:							
	U.S. dollars	Accounts payable—trade	238	(note)	14	(note)	121	(note)
Total			¥23,351	¥1,223	¥19,236	¥1,080	\$157,169	\$8,830

Note: Forward foreign exchange contracts and other contracts for which the allocation method is applied are accounted for together with the accounts payable—trade that are the hedged items, and as a result the fair values of those contracts are included in the fair values of the accounts payable—trade.

### 21 Commitments and Contingent Liabilities

#### 1. Pledged assets

As of March 31, 2021 and 2022, details of pledged assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash and time deposits	¥27	¥30	\$250

As of March 31, 2022, there were no claims relating to pledged assets.

In addition to the above, there were assets deposited as a security deposit for issuance under the Payment Services Act of ¥1,946 million and ¥2,169 million (\$17,722 thousand) in "Other investments and assets" at March 31, 2021 and 2022, respectively.

#### 2. Commitments

Commitments as of March 31, 2021 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Bandai Namco Will Inc.	¥55	¥ 26	\$ 215
Transferee of amusement facilities business in North America	—	367	3,001
Total	¥55	¥393	\$3,217

### 22 Real Estate for Lease

The Company and certain consolidated subsidiaries own real estate for lease (including land) in Tokyo and other regions. Lease income or loss associated with this real estate for lease in the previous fiscal year was ¥199 million (major lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); and gain on sale was ¥45 million (recorded in other income (loss)).

In this fiscal year, lease income or loss associated with this real estate for lease was ¥195 million (\$1,598 thousand) (major lease revenues recorded in other income (loss); major lease expenses recorded in SG&A expenses); and gain on sale was ¥2,854 million (\$23,324 thousand) (recorded in other income (loss)).

Also, the book value stated in the consolidated balance sheet, change during the period, and fair value at end of year are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Consolidated balance sheet			
Balance at beginning of year	¥33,960	¥33,872	\$276,755
Changes during the period	(88)	109	895
Balance at end of year	33,872	33,981	277,650
Fair value at end of year	¥35,362	¥32,693	\$267,122

Notes: 1. The book value stated in the consolidated balance sheet is calculated by deducting accumulated depreciation from acquisition cost.

2. Among the changes during the year, the principal decrease in the previous fiscal year was depreciation and amortization—¥53 million. The principal increase in this fiscal year was acquisition of real estate—¥463 million (\$3,785 thousand) and the principal decrease in this fiscal year was sale of real estate—¥311 million (\$2,541 thousand).

3. The fair value as of the end of this fiscal year is the amount calculated based mainly on "real property appraisal reports" prepared by external real property appraisers. However, if there is no significant fluctuation for a certain valuation or an index that is considered to appropriately reflect the fair value since the most recent evaluation, the fair value is based on the most recent evaluation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 23 Revenue Recognition

#### 1. Disaggregation of revenue from contracts with customers

		Millions of yen							
		Reportable Segment						Other (Note 1)	Total
		Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Subtotal		
Japan		¥224,452	¥260,109	¥43,853	¥22,644	¥68,466	¥619,526	¥5,933	¥625,459
Americas		73,913	24,518	—	—	772	99,203	—	99,203
Europe		56,881	16,301	—	—	9,360	82,544	—	82,544
Asia		18,262	60,955	—	278	2,566	82,062	—	82,062
Revenue from contracts with customers		¥373,509	¥361,884	¥43,853	¥22,922	¥81,165	¥883,336	¥5,933	¥889,270
Revenue from other sources		—	—	—	—	—	—	—	—
Net sales to external customers		¥373,509	¥361,884	¥43,853	¥22,922	¥81,165	¥883,336	¥5,933	¥889,270

		Thousands of U.S. dollars							
		Reportable Segment						Other (Note 1)	Total
		Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Subtotal		
Japan		\$1,833,912	\$2,125,250	\$358,312	\$185,018	\$559,408	\$5,061,902	\$48,479	\$5,110,382
Americas		603,914	200,328	—	—	6,310	810,552	—	810,552
Europe		464,756	133,197	—	—	76,482	674,436	—	674,436
Asia		149,213	498,041	—	2,273	20,972	670,500	—	670,500
Revenue from contracts with customers		\$3,051,796	\$2,956,817	\$358,312	\$187,291	\$663,173	\$7,217,392	\$48,479	\$7,265,871
Revenue from other sources		—	—	—	—	—	—	—	—
Net sales to external customers		\$3,051,796	\$2,956,817	\$358,312	\$187,291	\$663,173	\$7,217,392	\$48,479	\$7,265,871

Notes: 1. The "Other" category is a business segment not included in reportable segments which includes operations such as logistics services.

2. Net sales to external customers are based on the location of the Company or its consolidated subsidiaries and are recorded by country or region.

#### 2. Information for understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as stated in Note "2 Summary of Significant Accounting Policies, (d) Accounting Standards for Significant Income and Expense."

#### 3. Information for understanding amounts of revenue in this fiscal year and onwards

(1) Balance of contract assets and liabilities, etc.

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables from contracts with customers (beginning balance)	¥ 91,765	\$ 749,778
Receivables from contracts with customers (ending balance)	122,742	1,002,877
Contract assets (beginning balance)	57	469
Contract assets (ending balance)	—	—
Contract liabilities (beginning balance)	15,741	128,615
Contract liabilities (ending balance)	22,912	187,211

Contract liabilities are mainly related to advances received from customers before the transfer of goods and products in the Toys and Hobby Business and advances received as consideration paid by customers for content of the Digital Business, which are recognized as revenue when the Group's performance obligation is satisfied by the acquisition and use of such paid-for items by the customer. Contract liabilities are reversed upon recognition of revenue. The amount of revenue that was recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period is ¥14,703 million (\$120,139 thousand).

(2) Transaction price allocated to the remaining performance obligations

As there were no material contracts with original expected terms of over one year, descriptions in regard thereto are omitted.

### 24 Segment Information

The reportable segments of the Company are components of the Group whose separate financial information is available and which are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group is made up of (1) three Units, one for each business domain, namely the Entertainment Unit (Digital Business, Toys and Hobby Business), the IP Production Unit (Visual and Music Business, Creation Business), and the Amusement Unit, and (2) the affiliated business companies that mainly serve a supporting role for these Units. The business management company of each business leads the planning and promotion of the business strategies of the business for Japan and overseas.

Accordingly, the Group has the following five reportable segments: Digital Business, Toys and Hobby Business, Visual and Music Business, Creation Business, and Amusement Business.

The Digital Business conducts planning, development and distribution of network content, and planning, development and sales of home video games. The Toys and Hobby Business conducts planning, development, production and sales of toys, capsule toys, cards, confectionery and foods, apparel, sundries, plastic models, prizes, stationery, and other products. The Visual and Music Business conducts planning, production, and management of visual and music content, artist discovery and development, and live entertainment operations. The Creation Business conducts planning and production of animations, management and administration of copyrights and other rights, and production of music related to animations and management and administration of music and masters related to animations. The Amusement Business conducts planning, development, production and sales of amusement machines, and planning and operation of amusement facilities, etc.

From the fiscal year ended March 31, 2022, the Group reorganized its structure from its previous five Unit structure to a three Unit structure ahead of the start of the Mid-term Plan from April 2022.

In conjunction with this organizational restructure, the reportable segments were changed from the Toys and Hobby Business, Network Entertainment Business, Real Entertainment Business, Visual and Music Production Business, and IP Creation Business to the Digital Business, Toys and Hobby Business, Visual and Music Business, Creation Business, and Amusement Business from the fiscal year ended March 31, 2022.

Segment information of the prior fiscal year is prepared and disclosed based on the reportable segment classifications after the change.

The accounting method used for the business segments reported is the same as the accounting method stated in Note "2 Summary of Significant Accounting Policies." Segment profit or loss in the segment information below is measured by operating profit, and segment assets are measured by total assets. Amounts of inter-segment transactions are based on the prevailing market prices.

As described in Note "2 Summary of Significant Accounting Policies—(q) Changes in Accounting Policy," the Company has applied the "Accounting Standard for Revenue Recognition" and relevant ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of business segments.

For the current fiscal year, as a result of this change, and compared with the figures based on the previous method, net sales decreased by ¥1,739 million (\$14,213 thousand) and segment profit decreased by ¥422 million (\$3,450 thousand) in the Digital Business; net sales increased by ¥2,289 million (\$18,706 thousand) and segment profit decreased by ¥7 million (\$62 thousand), respectively, in the Toys and Hobby Business; net sales increased by ¥73 million (\$604 thousand) in the Visual and Music Business; net sales decreased by ¥369 million (\$3,022 thousand) in the Creation Business; and net sales decreased by ¥170 million (\$1,394 thousand) in the Amusement Business.

		Millions of yen									
		Reportable Segment						Other (note 1)	Adjustments (note 2)	Consolidated total (note 3)	
		Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Subtotal				
Net Sales											
To external customers		¥334,303	¥292,099	¥29,535	¥16,416	¥62,703	¥735,059	¥ 5,844	¥740,903	¥ —	¥740,903
Inter-segment sales and transfers		3,660	8,715	4,684	11,796	1,219	30,076	18,810	48,887	(48,887)	—
Total		¥337,964	¥300,815	¥34,219	¥28,213	¥63,923	¥765,136	¥24,655	¥789,791	¥(48,887)	¥740,903
Segment profit (loss)		56,776	39,086	1,549	2,740	(8,379)	91,772	602	92,374	(7,720)	84,654
Segment assets		208,475	144,095	28,462	45,633	56,631	483,298	26,438	509,736	223,045	732,782
Other items:											
Depreciation and amortization		¥ 2,331	¥ 11,972	¥ 607	¥ 657	¥ 6,816	¥ 22,385	¥ 458	¥ 22,844	¥ 1,840	¥ 24,684
Amortization of goodwill		—	333	15	1,951	8	2,309	—	2,309	—	2,309
Loss on impairment of fixed assets		821	9	0	—	10,496	11,328	—	11,328	(43)	11,284
Investments in associates accounted for using equity method		—	915	—	—	—	915	10,285	11,200	—	11,200
Increase in property, plant and equipment and intangible assets		5,243	16,329	578	1,413	6,374	29,940	785	30,725	782	31,507



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

Millions of yen

	2022									
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Subtotal				
Net Sales										
To external customers	¥373,509	¥361,884	¥43,853	¥22,922	¥81,165	¥883,336	¥ 5,933	¥889,270	¥ —	¥889,270
Inter-segment sales and transfers	4,663	11,740	10,087	14,641	1,178	42,312	21,733	64,045	(64,045)	—
Total	¥378,173	¥373,625	¥53,941	¥37,564	¥82,344	¥925,648	¥27,667	¥953,315	¥(64,045)	¥889,270
Segment profit (loss)	69,634	52,319	5,698	2,830	4,051	134,534	347	134,881	(9,384)	125,496
Segment assets	265,662	185,166	36,918	56,826	54,052	598,626	26,463	625,090	237,559	862,650
Other items:										
Depreciation and amortization	¥ 3,096	¥ 13,866	¥ 638	¥ 1,225	¥ 3,125	¥ 21,952	¥ 586	¥ 22,539	¥ 3,187	¥ 25,726
Amortization of goodwill	—	344	15	1,859	—	2,218	—	2,218	—	2,218
Loss on impairment of fixed assets	51	600	40	164	2,122	2,979	15	2,994	—	2,994
Investments in associates accounted for using equity method	—	1,384	—	—	—	1,384	10,106	11,490	—	11,490
Increase in property, plant and equipment and intangible assets	7,180	16,117	703	1,980	6,414	32,396	1,650	34,046	2,507	36,554

Thousands of U.S. dollars

	2022									
	Reportable Segment						Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
	Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Subtotal				
Net Sales										
To external customers	\$3,051,796	\$2,956,817	\$358,312	\$187,291	\$663,173	\$7,217,392	\$ 48,479	\$7,265,871	\$ —	\$7,265,871
Inter-segment sales and transfers	38,107	95,924	82,419	119,633	9,631	345,716	177,576	523,293	(523,293)	—
Total	\$3,089,903	\$3,052,741	\$440,731	\$306,925	\$672,805	\$7,563,108	\$226,056	\$7,789,165	\$ (523,293)	\$7,265,871
Segment profit (loss)	568,955	427,481	46,563	23,123	33,102	1,099,227	2,835	1,102,063	(76,680)	1,025,382
Segment assets	2,170,623	1,512,925	301,644	464,308	441,639	4,891,141	216,226	5,107,367	1,941,003	7,048,371
Other items:										
Depreciation and amortization	\$ 25,300	\$ 113,297	\$ 5,214	\$ 10,016	\$ 25,533	\$ 179,362	\$ 4,795	\$ 184,158	\$ 26,039	\$ 210,198
Amortization of goodwill	—	2,811	123	15,192	—	18,127	—	18,127	—	18,127
Loss on impairment of fixed assets	422	4,902	327	1,345	17,342	24,340	128	24,469	—	24,469
Investments in associates accounted for using equity method	—	11,308	—	—	—	11,308	82,578	93,887	—	93,887
Increase in property, plant and equipment and intangible assets	58,667	131,691	5,744	16,182	52,410	264,697	13,482	278,179	20,488	298,668

Notes: 1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services for each of the Group companies are classified.

2. The details of adjustment amounts are as follows:

- The adjustment to segment profit (loss) of -¥7,720 million for the fiscal year ended March 31, 2021 includes elimination of inter-segment transactions of ¥250 million and corporate expenses not allocated to reportable segments of -¥7,970 million. The adjustment to segment profit of -¥9,384 million (-\$76,680 thousand) for the fiscal year ended March 31, 2022 includes elimination of inter-segment transactions of ¥650 million (\$5,316 thousand) and corporate expenses not allocated to reportable segments of -¥10,035 million (-\$81,997 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.
- The adjustment to segment assets of ¥223,045 million as of March 31, 2021 includes elimination of inter-segment transactions of -¥41,803 million and corporate assets not allocated to reportable segments of ¥264,848 million. The adjustment to segment assets of ¥237,559 million (\$1,941,003 thousand) as of March 31, 2022 includes elimination of inter-segment transactions of -¥58,641 million (-\$479,132 thousand) and corporate assets not allocated to reportable segments of ¥296,200 million (\$2,420,136 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.
- The adjustment to depreciation and amortization expense of ¥1,840 million for the fiscal year ended March 31, 2021 includes elimination of inter-segment transactions of -¥137 million and depreciation and amortization expense not allocated to reportable segments of ¥1,977 million. The adjustment to depreciation and amortization expense of ¥3,187 million (\$26,039 thousand) for the fiscal year ended March 31, 2022 includes elimination of inter-segment transactions of -¥27 million (-\$223 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥3,214 million (\$26,263 thousand).
- The adjustment to loss on impairment of fixed assets of -¥43 million for the fiscal year ended March 31, 2021 is related to elimination of inter-segment transactions.
- The adjustment to increase in property, plant and equipment and intangible assets of ¥782 million for the fiscal year ended March 31, 2021 is related to corporate assets not allocated to reportable segments. The adjustment to increase in property, plant and equipment and intangible assets of ¥2,507 million (\$20,488 thousand) for the fiscal year ended March 31, 2022 is related to corporate assets not allocated to reportable segments.

3. Segment profit (loss) is adjusted with operating profit or loss in the consolidated statements of income.

Additional segment information as of and for the fiscal years ended March 31, 2021 and 2022 is as follows:

### 1. Information by product and service

This information is omitted because the same information has been presented in Segment Information.

### 2. Information by geographic region

Net sales and property, plant and equipment

	Millions of yen				
	2022				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥489,994	¥102,983	¥72,602	¥75,323	¥740,903
Property, plant and equipment	72,327	457	8,058	7,497	88,341

	Millions of yen				
	2021				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	¥514,739	¥158,596	¥102,824	¥113,109	¥889,270
Property, plant and equipment	73,535	1,845	8,727	8,341	92,450

	Thousands of U.S. dollars				
	2022				
	Japan	Americas	Europe	Asia, excluding Japan	Total
Net sales	\$4,205,735	\$1,295,825	\$840,141	\$924,169	\$7,265,871
Property, plant and equipment	600,826	15,082	71,308	68,155	755,373

Note: Net sales are classified by country and region based on customer location.

### 3. Information by major customer

Fiscal year ended March 31, 2021	Name	Net sales (Millions of yen)	Name of related segment
	Apple Inc.	¥105,334	Digital Business, Toys and Hobby Business, and Visual and Music Business
	Google Inc.	¥75,272	Digital Business, Toys and Hobby Business, Visual and Music Business, and Creation Business

Note: Apple Inc. and Google Inc. are both platform-provision companies. The actual results of sales to these companies are usage fees, etc., for users (ordinary users) of game services provided by the Group.

Fiscal year ended March 31, 2022	Name	Net sales (Millions of yen)	Net sales (Thousands of U.S. dollars)	Name of related segment
	Apple Inc.	¥99,579	\$813,627	Digital Business, Toys and Hobby Business, and Visual and Music Business

Note: Apple Inc. is a platform-provision company. The actual result of sales to this company is usage fee, etc., for users (ordinary users) of game services provided by the Group.

### 4. By reportable segment, information regarding the amount of amortization of goodwill for the fiscal years ended March 31 2021 and 2022, and the unamortized balance of goodwill as of March 31, 2021 and 2022, is as follows:

	Millions of yen							
	2021							
	Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Other	Corporate and eliminations	Total
Amortization of goodwill	¥—	¥ 333	¥15	¥ 1,951	¥ 8	¥—	¥—	¥ 2,309
Unamortized balance of goodwill	—	1,100	22	15,946	—	—	—	17,069

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

Millions of yen

									2022
	Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Other	Corporate and eliminations	Total	
Amortization of goodwill	¥—	¥344	¥15	¥ 1,859	¥—	¥—	¥—	¥ 2,218	
Unamortized balance of goodwill	—	792	7	14,087	—	—	—	14,887	

Thousands of U.S. dollars

									2022
	Digital	Toys and Hobby	Visual and Music	Creation	Amusement	Other	Corporate and eliminations	Total	
Amortization of goodwill	\$—	\$2,811	\$123	\$ 15,192	\$—	\$—	\$—	\$ 18,127	
Unamortized balance of goodwill	—	6,473	61	115,102	—	—	—	121,637	

## 25 Related-Party Disclosures

### Fiscal year ended March 31, 2021

#### (1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2021
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million	Wholesaler of toys, video games, and amusement products	Holding directly 26.8% indirectly 0.3%	Sales agency	Sales of products, and others	¥55,619 million	Accounts receivable-trade	¥10,969 million

Note: Transaction terms and policy for determining transaction terms.

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

#### (2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board Members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2021
Officer	Mitsuaki Taguchi	—	—	Chairman and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥19 million	—	—
Officer	Masaru Kawaguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥16 million	—	—
Officer	Shuji Ohtsu	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million	—	—
Officer	Yuji Asako	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million	—	—
Officer	Yasuo Miyakawa	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥17 million	—	—
Officer	Hitoshi Hagiwara	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million	—	—
Officer	Kazumi Kawashiro	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million	—	—
Officer	Makoto Asanuma	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥10 million	—	—
Officer (note 2)	Yusuke Fukuda	—	—	President and Representative Director of a subsidiary of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥14 million	—	—

Notes: 1. These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on June 19, 2020 (the business day immediately preceding the date of the resolution at the Board of Directors Meeting).

2. Mr. Yusuke Fukuda retired from office as President and Representative Director of a subsidiary of the Company on March 31, 2021, and the above-stated transactions are those during his term of office.

### Fiscal year ended March 31, 2022

#### (1) Transactions by consolidated subsidiaries of the Company with non-consolidated subsidiaries and affiliated companies of the Company

Type	Company	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2022
Affiliated company	Happinet Corporation	Taito-ku, Tokyo	¥2,751 million (\$22,479 thousand)	Wholesaler of toys, video games, and amusement products	Holding directly 26.6% indirectly 0.3%	Sales agency	Sales of products, and others	¥61,031 million (\$498,662 thousand)	Accounts receivable-trade	¥11,123 million (\$90,884 thousand)

Note: Transaction terms and policy for determining transaction terms.

For the transaction stated above, the products were sold on the same terms as general transactions with third parties in the ordinary course of business.

#### (2) Transactions between the Company and related parties

Directors, Audit & Supervisory Board Members, major shareholders (limited to individuals), etc.

Type	Name	Address	Capital or contribution to capital	Content of business	Ratio of voting rights ownership	Relationship with related party	Content	Transaction amount	Account items	Balance as of March 31, 2022
Officer	Masaru Kawaguchi	—	—	President and Representative Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥21 million (\$172 thousand)	—	—
Officer	Yuji Asako	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million (\$108 thousand)	—	—
Officer	Mitsuaki Taguchi	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥25 million (\$210 thousand)	—	—
Officer	Shuji Ohtsu	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million (\$108 thousand)	—	—
Officer	Yasuo Miyakawa	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥23 million (\$191 thousand)	—	—
Officer	Makoto Asanuma	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million (\$108 thousand)	—	—
Officer (note 2)	Hitoshi Hagiwara	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥13 million (\$108 thousand)	—	—
Officer (note 2)	Kazumi Kawashiro	—	—	Director of the Company	Ownership directly 0.0%	—	Disposal of treasury stock accompanying contribution in kind of the monetary compensation claims (note 1)	¥17 million (\$146 thousand)	—	—

Notes: 1. These items are due to contribution in kind of monetary compensation claims accompanying the performance-based stock compensation plan. The disposal price of treasury stock is determined based on the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on June 18, 2021 (the business day immediately preceding the date of the resolution at the Board of Directors Meeting).

2. Mr. Hitoshi Hagiwara and Mr. Kazumi Kawashiro retired from office as Director of the Company on June 21, 2021, and the above-stated transactions are those during his term of office.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

### 26 Per-Share Data

	Yen		U.S. dollars
	2021	2022	2022
Net assets per share	¥2,323.98	¥2,654.81	\$21.69
Basic earnings per share	222.58	422.09	3.45

Notes: 1. Diluted earnings per share is not presented since no potential dilutive shares exist.  
2. The basis of calculating basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Basic earnings per share			
Profit attributable to owners of parent	¥48,894	¥92,752	\$757,841
Amount not applicable to common stockholders	—	—	—
Profit attributable to owners of parent available to common stock	48,894	92,752	757,841
Average number of common stock outstanding (shares)	219,670,097	219,743,585	

3. As stated in "Changes in Accounting Policy," the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other relevant ASBJ regulations and complies with the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share and basic earnings per share for the current fiscal year have decreased by ¥0.54 (\$0.00) and ¥1.36 (\$0.01), respectively.

### 27 Business Combinations

#### Fiscal year ended March 31, 2021

##### Additional Acquisition of Stock of a Subsidiary

The Company acquired court permission and implemented an acquisition of fractional shares pursuant to the provisions of Article 234, Paragraph 2 of the Companies Act of Japan as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same act with respect to fractional shares that arose from the share consolidation that SOTSU CO., LTD. carried out with an effective date of March 1, 2020. As a result, SOTSU CO., LTD. became a wholly owned subsidiary of the Company.

#### 1. Overview of business combination

(1) Name and description of business of the company involved in the combination  
Name: SOTSU CO., LTD.  
Description of business: Media business, rights business, and sports business

(2) Date of business combination  
May 15, 2020

(3) Legal form of business combination  
Acquisition of shares in consideration for cash

(4) Company name after combination  
No change

(5) Ratio of voting rights acquired

- Ratio of voting rights owned immediately before business combination: 82.05%
- Ratio of voting rights acquired additionally on the day of the business combination: 17.95%
- Ratio of voting rights after acquisition: 100.00%

#### 2. Overview of accounting process

The additional acquisition is treated as part of a single transaction together with the acquisition of shares by public tender conducted on December 2, 2019, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), and the goodwill related to equity interests that were additionally acquired after controlling interest acquisition is calculated on the assumption that the goodwill was recognized at the time of controlling interest acquisition.

#### 3. Breakdown of the acquisition cost of the acquired company by type of consideration

At the time of controlling interest acquisition	
Market value at time of business combination of shares owned immediately before business combination:	¥6,683 million
Consideration for shares acquired on the date of the business combination: Cash	¥26,918 million
Acquisition cost	¥33,602 million
At the time of additional acquisition	
Consideration for the acquisition: Cash	¥8,154 million
Acquisition cost	¥8,154 million

#### 4. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

- (1) Goodwill amounts arising
- |   |                 |
|---|-----------------|
| At the time of controlling interest acquisition | ¥14,355 million |
| At the time of additional acquisition           | ¥3,676 million  |
| Total   | ¥18,032 million |
- (2) Cause of goodwill  
The goodwill arose primarily due to future excess earning power expected to result from future business development.
- (3) Amortization method and period  
Amortized over 10 years by the straight-line method

#### Business combination through acquisition

##### 1. Overview of business combination

(1) Name and description of business of the company involved in the combination  
Name of the acquired company: Reflector Entertainment Ltd.  
Description of business: Content planning and production, and development of home video games, etc.

##### (2) Main reasons for business combination

In accordance with our three-year Mid-term Plan started in April 2018, the Group is strengthening the IP Axis Strategy in the global market, continuing to empower, gain momentum, and accelerate evolution without being bound by previous business models and established ideas, and aiming for the next stage as an entertainment company.

Currently, the Network Entertainment Business, in order to increase the presence of the home video game business and network content business in the global market, is working to improve the quality of its titles, enhance the development system and strengthen its marketing. Reflector Entertainment Ltd. ("Reflector") possesses high technical development capabilities in the development of home video game titles, and is currently developing the new title "Unknown 9: Awakening" in partnership with Bandai Namco Entertainment Europe S.A.S. ("BNEE"). Through this share acquisition where Reflector, an important business partner, became a subsidiary of BNEE, the Company aims to build a portfolio of home video games for the Americas and Europe with a proper balance of Japan-developed and locally developed titles by strengthening the development system necessary to create and expand locally developed home video game titles.

(3) Date of business combination  
October 22, 2020

(4) Legal form of business combination  
Acquisition of shares

(5) Company name after combination  
Reflector Entertainment Ltd.

(6) Ratio of voting rights acquired  
100%

(7) Identification of the acquiring company  
BNEE was identified as the acquirer since it acquired the shares in exchange for cash.

##### 2. Period of business results of acquired company included in consolidated financial statements

From October 23, 2020, to March 31, 2021

#### 3. Breakdown of the acquisition cost of the acquired company by type of consideration

Consideration for the acquisition: Cash	¥322 million
Contingent consideration for the acquisition	¥518 million
Acquisition cost	¥840 million

#### 4. Details and amounts of major acquisition-related expenses

Advisory expenses, etc.: ¥87 million

#### 5. Amount, cause, amortization method, and amortization period of goodwill arising on the acquisition

There was no goodwill or negative goodwill arising.

#### 6. Amounts and breakdown of assets acquired and liabilities assumed on the date of the business combination

Current assets	¥1,713 million
Fixed assets	¥1,038 million
Total assets	¥2,752 million
Current liabilities	¥ 738 million
Long-term liabilities	¥1,173 million
Total liabilities	¥1,911 million

#### 7. Details of the contingent consideration specified in the business combination agreement and future accounting process

##### (1) Details of contingent consideration

The contract calls for additional payment of contingent consideration based on the acquired company's level of achievement of results, etc., in a specified period (up to FY2026. 3).

##### (2) Future accounting process

The variable portion of the above-mentioned contingent consideration is recognized in accordance with IFRS.

#### 8. Estimated amounts and calculation method regarding the impact on the consolidated statement of income for this fiscal year, assuming the business combination had been completed at the start of the fiscal year

The information has been omitted because the amounts are insignificant.

#### Fiscal year ended March 31, 2022

##### Transactions conducted by commonly controlled entities

(Absorption-type merger between subsidiaries and change in trade name of subsidiary in Continental Europe)

#### 1. Overview of business combination

(1) Name and description of business of the company involved in the combination  
Merging company (surviving company)

Name: Bandai Namco Holdings France S.A.S.  
Description of business: Regional holding company in Continental Europe

Merged company (disappearing company)

Name: Bandai Namco Entertainment Europe S.A.S.  
Description of business: Planning, development and sales of home video games; planning, development and distribution of network content; and shared-service functions

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

- (2) Date of business combination  
September 30, 2021
- (3) Legal form of business combination  
Absorption-type merger between Bandai Namco Holdings France S.A.S. as the surviving company and Bandai Namco Entertainment Europe S.A.S. as the disappearing company
- (4) Company name after combination  
Bandai Namco Europe S.A.S.  
(Company name changed from Bandai Namco Holdings France S.A.S. on September 30, 2021)
- (5) Other matters related to overview of transaction  
With the aim of improving efficiency of business operations in the administration division, etc. and strengthening governance of the subsidiaries in Continental Europe by concentrating resources of that area, the Company conducted a merger between Bandai Namco Holdings France S.A.S., the holding company in Continental Europe and Bandai Namco Entertainment Europe S.A.S., the company that conducted the Digital Business.

### 2. Overview of accounting process

The accounting process was carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

(Absorption-type merger between subsidiaries and change in trade name of subsidiary in North America)

### 1. Overview of business combination

- (1) Name and description of business of the company involved in the combination

Merging company (surviving company)

Name: BANDAI AMERICA INC.

Description of business: Sales of toy-related products

Merged company (disappearing company)

Name: Bandai Namco Collectibles LLC

Description of business: Sales, promotion, event sales, and e-commerce business for products for the mature fan base

- (2) Date of business combination  
March 31, 2022
- (3) Legal form of business combination  
Absorption-type merger with BANDAI AMERICA INC. as the surviving company and Bandai Namco Collectibles LLC as the disappearing company
- (4) Company name after combination  
Bandai Namco Toys & Collectibles America Inc.  
(Company name changed from BANDAI AMERICA INC. on April 1, 2022)
- (5) Other matters related to overview of transaction  
With the aim of improving efficiency of business operations and expanding the IP axis strategy of the Toys and Hobby Business in North America, the Company conducted a merger between BANDAI AMERICA INC., which focused mainly on toys for mass distribution and Bandai Namco Collectibles LLC, which focused on collectible items for the mature fan base.

### 2. Overview of accounting process

The accounting process was carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

## 28 Significant Subsequent Events

(Change to Reportable Segments).

From April 2022, Units of the Group comprising operating companies have been restructured such that the Visual and Music Business and the Creation Business of the IP Production Unit are integrated into the IP Production Business. In the IP Production Unit, Bandai Namco Filmworks Inc. will serve as a business management company upon having combined three companies that engage in the visual business within the IP Production Unit, namely SUNRISE INC., the visual business of Bandai Namco Arts Inc., and Bandai Namco Rights Marketing Inc.

In conjunction with this organizational restructure, effective from the following fiscal year, the reportable segments will be changed from the Digital Business, Toys and Hobby Business, Visual and Music Business, Creation Business, and Amusement Business to the Digital Business, Toys and Hobby Business, IP Production Business, and Amusement Business.

Information regarding the amounts of net sales, profit/loss, assets, and others by reportable segment for the fiscal year ended March 31, 2022, assuming the classification of its reportable segments after the organizational change is as follows:

	Millions of yen								
	2022								
	Reportable Segment					Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Digital Business	Toys and Hobby Business	IP Production Business	Amusement Business	Subtotal					
Net sales									
To external customers	¥373,509	¥361,884	¥66,776	¥81,165	¥883,336	¥ 5,933	¥889,270	¥ —	¥889,270
Inter-segment sales and transfers	4,663	11,740	13,187	1,178	30,770	21,733	52,504	(52,504)	—
Total	¥378,173	¥373,625	¥79,964	¥82,344	¥914,107	¥27,667	¥941,774	¥(52,504)	¥889,270
Segment profit	69,634	52,319	8,833	4,051	134,839	347	135,186	(9,689)	125,496
Segment assets	265,662	185,166	86,062	54,052	590,944	26,463	617,408	245,241	862,650
Others									
Depreciation and amortization	¥ 3,096	¥ 13,866	¥ 1,864	¥ 3,125	¥ 21,952	¥ 586	¥ 22,539	¥ 3,187	¥ 25,726
Amortization of goodwill	—	344	1,874	—	2,218	—	2,218	—	2,218
Loss on impairment of fixed assets	51	600	204	2,122	2,979	15	2,994	—	2,994
Investment in associates accounted for using equity method	—	1,384	—	—	1,384	10,106	11,490	—	11,490
Increase in property, plant and equipment and intangible assets	7,180	16,117	2,683	6,414	32,396	1,650	34,046	2,507	36,554

	Thousands of U.S. dollars								
	2022								
	Reportable Segment					Other (note 1)	Total	Adjustments (note 2)	Consolidated total (note 3)
Digital Business	Toys and Hobby Business	IP Production Business	Amusement Business	Subtotal					
Net sales									
To external customers	\$3,051,796	\$2,956,817	\$545,604	\$663,173	\$7,217,392	\$ 48,479	\$7,265,871	\$ —	\$7,265,871
Inter-segment sales and transfers	38,107	95,924	107,751	9,631	251,414	177,576	428,991	(428,991)	—
Total	\$3,089,903	\$3,052,741	\$653,355	\$672,805	\$7,468,806	\$226,056	\$7,694,863	\$ (428,991)	\$7,265,871
Segment profit	568,955	427,481	72,176	33,102	1,101,716	2,835	1,104,551	(79,169)	1,025,382
Segment assets	2,170,623	1,512,925	703,185	441,639	4,828,374	216,226	5,044,601	2,003,770	7,048,371
Others									
Depreciation and amortization	\$ 25,300	\$ 113,297	\$ 15,230	\$ 25,533	\$ 179,362	\$ 4,795	\$ 184,158	\$ 26,039	\$ 210,198
Amortization of goodwill	—	2,811	15,316	—	18,127	—	18,127	—	18,127
Loss on impairment of fixed assets	422	4,902	1,673	17,342	24,340	128	24,469	—	24,469
Investment in associates accounted for using equity method	—	11,308	—	—	11,308	82,578	93,887	—	93,887
Increase in property, plant and equipment and intangible assets	58,667	131,691	21,927	52,410	264,697	13,482	278,179	20,488	298,668

Notes: 1. The "Other" category is a business segment not included in reportable segments under which operations such as logistics services for each of the Group companies are classified.

2. The details of adjustment amounts are as follows:

(1) The adjustment to segment profit of ¥9,689 million (-\$79,169 thousand) includes elimination of inter-segment transactions of ¥346 million (\$2,827 thousand) and corporate expenses not allocated to reportable segments of ¥10,035 million (-\$81,997 thousand). Principal corporate expenses are expenses related to administrative divisions not belonging to reportable segments.

(2) The adjustment to segment assets of ¥245,241 million (\$2,003,770 thousand) includes elimination of inter-segment transactions of ¥50,958 million (-\$416,365 thousand) and corporate assets not allocated to reportable segments of ¥296,200 million (\$2,420,136 thousand). Principal corporate assets are cash and deposits, investment securities, and assets related to administrative divisions not belonging to reportable segments.

(3) The adjustment to depreciation and amortization expense of ¥3,187 million (\$26,039 thousand) includes elimination of inter-segment transactions of ¥27 million (-\$223 thousand) and depreciation and amortization expense not allocated to reportable segments of ¥3,214 million (\$26,263 thousand).

(4) The adjustment to increase in property, plant and equipment and intangible assets of ¥2,507 million (\$20,488 thousand) is related to corporate assets not allocated to reportable segments.

3. Segment profit is reconciled to operating profit in the consolidated statements of income.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bandai Namco Holdings Inc. and Consolidated Subsidiaries

(Reorganization of subsidiaries)

In order to further strengthen the IP axis strategy that is a core strategy of the Group, the Company decided at its Board of Directors meeting held October 19, 2021 to reorganize the companies belonging to the Visual and Music Business and Creation Business of the IP Production Unit by combining three companies in the visual business into one company and combining three companies in the music and live event businesses into one company. The Company implemented the reorganization on April 1, 2022.

### 1. Purpose

The IP Production Unit, whose most important mission is to create IP, produces and develops worldviews for IP through coordination among the visual, music and live event businesses. Furthermore, the Company aims to maximize the value of IP by coordinating with each Unit in the Group. By combining the companies in the visual, music and live event businesses of the IP Production Unit, the companies will be able to share the different expertise, strengths, and external partner networks, etc. of each company engaged in creating and developing IP, and effectively utilize the Company's IP and music. In addition, through personnel exchanges, etc., the Company will strengthen the development of human resources involved in IP creation and production. With these initiatives, the Company aims to further strengthen the IP creation and production capabilities, which are at the core of the IP axis strategy.

### 2. Reorganization in the visual business

Transactions conducted by commonly controlled entities

#### (1) Overview of transaction

##### (i) Overview of absorption-type company split with SUNRISE INC. as the successor company

###### a. Name and description of business involved in absorption-type company split

Name of business: Visual business of Bandai Namco Arts Inc.  
Description of business: Planning, production, and management, etc. of visual content

###### b. Date of business combination

April 1, 2022

###### c. Legal form of business combination

Absorption-type company split with Bandai Namco Arts Inc. as the splitting company and SUNRISE INC. as the successor company

###### d. Company name after combination

Bandai Namco Filmworks Inc.

##### (ii) Overview of absorption-type merger with SUNRISE INC. as the surviving company

###### a. Name and description of business of the company involved in combination

Merging company (surviving company)  
Name: SUNRISE INC.

Description of business: Planning and production of animation; management and administration of copyrights

Merged company (disappearing company)

Name: Bandai Namco Rights Marketing Inc.

Description of business: Development, operation and sales of online video distribution platform services; development, operation, and sales of various community services and related tools

###### b. Date of business combination

April 1, 2022

###### c. Legal form of business combination

Absorption-type merger with SUNRISE INC. as the surviving company and Bandai Namco Rights Marketing Inc. as the disappearing company

###### d. Company name after combination

Bandai Namco Filmworks Inc.

#### (2) Overview of accounting process

The accounting process has been carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

### 3. Reorganization in the music and live event businesses

Transactions conducted by commonly controlled entities

#### (1) Overview of transaction

##### (i) Name and description of business of the company involved in combination

Merging company (surviving company)

Name: Bandai Namco Arts Inc.

Description of business: Planning, production, and management of visual and music content, artist discovery and development, production of live events, etc.

Merged company (disappearing company)

Name: Bandai Namco Live Creative Inc.

Description of business: Planning and production of live performances and events; ticket sales; planning, production, and sales of goods; management of live viewings, etc.

Merged company (disappearing company)

Name: SUNRISE Music INC.

Description of business: Production of music related to animations and planning and use of music and masters, centered on SUNRISE INC. and Bandai Namco Pictures Inc.

##### (ii) Date of business combination

April 1, 2022

##### (iii) Legal form of business combination

Absorption-type merger with Bandai Namco Arts Inc. as the surviving company and Bandai Namco Live Creative Inc. and SUNRISE Music INC. as the disappearing companies

##### (iv) Company name after combination

Bandai Namco Music Live Inc.

#### (2) Overview of accounting process

The accounting process has been carried out as transactions conducted by commonly controlled entities, in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures."

(Disposal of Treasury Stock as Stock Compensation)

Based on a resolution at a Board of Directors meeting held on June 20, 2022, a disposal of treasury stock as stock compensation has been implemented, as follows:

#### 1. Overview of disposal

(1) Date of disposal July 8, 2022

(2) Class and number of shares to be disposed

40,000 shares of the Company's common stock

(3) Disposal value ¥9,139 per share

(4) Total disposal value ¥365 million

(5) Method of offering or disposal Stock compensation allotment method

(6) People eligible for allotment, number of eligible people, number of shares to be allotted

Directors of the Company (note 1) 4 individuals 9,000 shares

Directors of subsidiaries of the Company (note 2) 25 individuals 31,000 shares

#### (7) Other

The taking effect of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act is a condition for this disposal of treasury stock.

Notes:

1. Company Directors (excluding those serving concurrently as President and Representative Director of Bandai Namco Entertainment Inc., BANDAI CO., LTD., Bandai Namco Arts Inc. (currently Bandai Namco Music Live Inc.), SUNRISE INC. (currently Bandai Namco Filmworks Inc.), and Bandai Namco Amusement Inc., and Outside Directors)

2. Directors (excluding Non-executive Directors) of Bandai Namco Entertainment Inc., BANDAI CO., LTD., Bandai Namco Arts Inc. (currently Bandai Namco Music Live Inc.), SUNRISE INC. (currently Bandai Namco Filmworks Inc.), Bandai Namco Amusement Inc., and BANDAI SPIRITS CO., LTD.

#### 2. Objective of and reasons for the disposal

As performance-based remuneration related to this fiscal year, monetary compensation claims from the Company and subsidiaries are granted to the directors of the Company and subsidiaries ("eligible directors").

Eligible directors pay in the monetary compensation claims as property contributed in kind to receive delivery of the Company's common stock.

# INDEPENDENT AUDITOR'S REPORT

## Independent Auditor's Report

To the Board of Directors of Bandai Namco Holdings Inc.:

### Opinion

We have audited the accompanying consolidated financial statements of Bandai Namco Holdings Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows for the years then ended, and the notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have excluded the "Reasonableness of the recognition and measurement of an impairment loss on property, plant and equipment and intangible assets related to Bandai Namco Amusement Inc.," which was a key audit matter in the previous fiscal year, from the key audit matter in our audit of the consolidated financial statements for the current fiscal year, because the impairment loss was reported during the previous fiscal year and the carrying amount of the property, plant and equipment and intangible assets has become less material in relation to the consolidated financial statements.

Reasonableness of the valuation of work in process for home video games in main domestic development bases	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheets, Bandai Namco Holdings Inc. and its consolidated subsidiaries (collectively referred to as the "Group") recognized work in process inventories of ¥86,292 million as of March 31, 2022. As described in Note 2 "Summary of Significant Accounting Policies, (p) Significant Accounting Estimates, Valuation of work in process for home video games in main domestic development bases" to the consolidated financial statements, the amount included ¥47,090 million of work in process for home video games in main domestic development bases that belonged to the Digital Business segment, representing 5.5% of total assets in the consolidated financial statements.</p> <p>At the main domestic development bases, work in process recognized in the consolidated balance sheets is stated at an amount calculated by writing down the carrying amount based on the declining profitability, if any.</p> <p>The Group considers that the profitability of work in process has not declined when there has been no change in market demand from the initial forecast and the production has been proceeding as planned. On the other hand, the Group individually assesses the work in process whose profitability may have declined. In particular, for products that are near launch, for which market demand is more predictable, the Group individually assesses the work in process considering the sales results of similar game titles and sales potential based on future demand forecasts.</p> <p>In writing down the carrying amount based on the declining profitability, the Group compares the carrying amount of work in process with its net selling value. When the carrying amount exceeds the net selling value, the excess is written down. In calculating the net selling value, similar game titles sold in the past were used as benchmarks and the Group estimates sales volumes considering sales potential based on demand forecasts. These estimates involved a high degree of uncertainty as they were highly dependent upon subjective judgment by the management of main domestic development bases.</p> <p>We, therefore, determined that our assessment of the reasonableness of the valuation of work in process for home video games in main domestic development bases was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of work in process for home video games in main domestic development bases included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the valuation of work in process for home video games in main domestic development bases. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> <li>controls to evaluate the appropriateness of the projected sales volume of game titles subject to individual assessment.</li> </ul> <p><b>(2) Assessment of the reasonableness of the estimated sales volume</b></p> <p>We assessed the appropriateness of key assumptions used in the estimate of sales volume of home video game titles subject to individual assessment, by performing the following procedures, among others:</p> <ul style="list-style-type: none"> <li>assessed the appropriateness of similar game titles determined to be the benchmarks in terms of similarities, such as game concepts and popularity of IP (Intellectual Property: including characters in the game); and</li> <li>assessed the appropriateness of the estimated sales volume of game titles subject to individual assessment by comparing them with the sales results of similar game titles determined to be the benchmarks.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

### Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### Naoki Matsumoto

Designated Engagement Partner  
Certified Public Accountant

### Mayuka Katsuki

Designated Engagement Partner  
Certified Public Accountant

### Yasuko Kawamata

Designated Engagement Partner  
Certified Public Accountant

### KPMG AZSA LLC

Tokyo Office, Japan  
August 8, 2022